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Final Thesis

Non-financial performance measurement in the fashion industry

Opening up the reports

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SUMMARY

INTRODUCTION

In recent years, sustainability has become a key point for academic research and companies that increasingly recognize its importance and are called to face the challenge of achieving a balance between environmental and business needs. Although from an academic point of view, for many scholars, the concept of sustainability is still vague and not fully defined, pressure on these issues is very high in industries with significant environmental impact and high visibility. In this context, today the fashion industry has a role and responsibility, being one of the most polluting industries in the world, accounting for 10% of global carbon emissions (Thomas, 2019). Fashion brands throughout their production process are responsible for both environmental and social impacts, such as water pollution, the use of pesticides for cotton growing, the employment of chemicals for textile processing and production waste. In addition, the search for lower labor costs has prompted fashion companies to move their production to developing countries that do not guarantee employees basic rights and decent wages. Moreover, the fragmentation of the supply chain has reduced brand control over their activities and the quality of raw materials. Hence, today the fashion industry has the opportunity to become part of a paradigm shift that needs to happen. For this reason, by measuring their non-financial performance, companies promote transparency that seems essential to help them analyze their impact on the world and grow their business. Governments and intergovernmental organizations have already worked in this direction, introducing standards and directives governing the practice of non-financial reporting. In Italy, Legislative Decree 254/2016, which transposed Directive 2014/95/EU, has made non-financial reporting (DNF) mandatory for large companies.

In light of this, the objective of the thesis is to explore what practices Italian fashion companies adopt with regard to non-financial disclosure. By opening up the reports, the goal is to investigate how companies communicate sustainability, what are the material aspects on which companies decide to report and, more generally, explore how non-financial information is approached in the Italian fashion system. In order to achieve this, a sample of companies was selected through AIDA program, applying the ATECO codes related to the fashion industry. Through the processes of firm selection and data selection, 17 companies were selected of which 15 non-financial reports were analyzed, in terms of communication channels, reporting practices, contents and rhetoric.

For this purpose, the thesis is divided into three parts: *discourses* about sustainability in the fashion industry, *practices* of sustainability reporting in the Italian fashion industry and *bridging discourses and practices* of sustainability in the fashion industry. The first part offers a literature review of the topics on which the thesis focuses, i.e. the concept of sustainability with its various theories, an overview of the fashion industry and an analysis of non-financial information. Then, the second part develops the empirical analysis, which is introduced by an overlook on the Italian fashion industry and the decree regulating the practice of non-financial information in Italy. This section includes also an interview with Sara Mariani, current Chief Sustainability Officer at OTB S.p.A., who offers important insights on the subject. Finally, the third and last part compares the discourses and practices trying to relate them, analyzing matching and mismatching practices.

In literature there is a lot of research both on sustainability issues, on the measurement of non-financial performance, and on environmental and social issues caused by the fashion industry. To my knowledge, there are few studies that have made an analysis of the contents of non-financial reports of Italian fashion companies. Relevant studies focused mainly on CSR communication in websites (Feng and Ngai, 2020), on type of indicators disclosed by fashion companies (Kozlowski et al., 2015), and on the type of information contained within the DNF of large Italian and European companies (Osservatorio DNF, 2019), (Osservatorio nazionale sulla rendicontazione non finanziaria, Deloitte 2019). The purpose of this thesis is to enter this literary thread, exploring this practice in the Italian fashion industry. Through the analysis of the reports, the thesis sheds light on the position of the sample of companies in the path towards sustainability, highlighting although it has been undertaken and, in some cases, well defined, it is still partially pursued and not fully rooted.

Part I

Discourses of sustainability in the fashion industry

CHAPTER ONE

THE NON-FINANCIAL INFORMATION CONCEPT: DISCOURSES OF SUSTAINABILITY

1.0 Introduction

During the last 15 years, scholars and academics devoted considerable attention to the function of non-financial information (NFI) in informing investors and, more in general, stakeholders who have an interest in companies' performance. This reflects a general rising sensitivity for social and environmental issues in our contemporary society (Hourneaux et al., 2018). As a consequence of these new orientation, companies started to issue non-financial reports whose aim is to disclose information about their social performance (Mio and Fasan, 2014). The definition of NFI is still equivocal and multifaceted as neither a common understanding nor a single and generally accepted definition of the term prevails. Even with the introduction of the Directive 2014/95/EU, aimed at regulate non-financial practices, NFI has been referred quite generically to "information about the environment and society"; moreover, most scholars have a different vision and definition for NFI, and variably refer to, for instance, corporate social responsibility (CSR) issues, environmental, social and governance (ESG) information, intellectual capital information and information that are external to financial statements. Therefore, what forms NFI is still open to interpretations (Tarquinio and Posadas, 2020). For these reasons, in order to talk about non-financial information, an introduction to the concept of sustainability is needed so to know in depth the theoretical background upon which sustainability reports are based.

A first clarification concerns the definition and terminology of CSR and sustainability. As a matter of fact, CSR and Sustainability are often discussed by some as near synonyms and by others as totally different concepts. According to this scenario, CSR is considered to address people's attention to social issues and Sustainability to environmental issues. In its 2008 special issue on CSR, The Economist actually confirmed this confounding approach when it invoked the phrase ''corporate responsibility or sustainability or whatever'' when describing intentions of corporations to consider business in society issues (2008). The ''whatever'' of this description is a sign of the imprecise nature and generally transposable use of the expressions corporate (social) responsibility, sustainability, and a multitude of others. Furthermore, shifts in use between expressions can be observed over time, where, for example, the expression "sustainability" seems to be favored over CSR. This is partially due to the managerial demand for more formally rational language. The language of sustainability is more practical and rational than the language of CSR, which is more normative and institutional. This makes the language of Sustainability more ''CFO friendly'' than CSR.

Often the concepts of CSR and Sustainability are used as a broad concept to include a broad set of different phenomena. Because of this approach, expressions such as "corporate citizenship", "business ethics", "stakeholder engagement", "stewardship", "triple-bottom line" and "creating shared value", could potentially all be included in the discussion (Strand et al., 2014). To clarify this framework, an introduction to the meaning of sustainability and a review of the literature which is available seems necessary to the discussion.

1.1 Sustainability

From an etymological point of view the words "sustainable" and "sustainability" derive from the Latin *sustinere*, which merges the words *sub* (up from below) and *tenere* (to hold), meaning "support", "maintain", "sustain", "endure" and "restrain". From Latin, the word passed to French and then to English as the verb "to sustain". According to the Oxford English Dictionary, the adjective "sustainable" entered common language in 1965 with an economic dictionary that used the expression "sustainable growth". These neologisms indicate that the verb "to sustain", from the latter part of the twentieth century, started to identify in a concept that today is still crucial, that is maintaining human society over the long term (Caradonna, 2014).

The concept of sustainability as we know it today was born in 1987, with the publication of the Brundtland Report (Our Common Future). The Report was drafted by the World Commission on Environment and Development (WCED), that, on behalf of the United Nations, developed a report on the environmental and sustainable world situation. For the first time was introduced the concept of Sustainable Development. The name was given by the then WCED president Gro Harlem Bruntland, who ordered the report. The definition stated that sustainable development "meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). In this definition, the focus is not on the environment itself, rather the focus is on the well-being of people, and therefore also on the environmental quality. Hence the paper emphasizes an important ethical principle: the responsibility of today's generations towards future generations, thus touching at least two aspects of eco-sustainability: the maintenance of resources and the environmental balance of our planet.

In particular, the report highlights the presence of some strategic imperatives that allow nations to move from their present onto sustainable development paths. The critical objectives that follow from the concept of sustainable development consist of:

- Reviving growth;
- Changing the quality of growth;
- Meeting essential needs for jobs, food, energy, water and sanitation;
- Ensuring a sustainable level of population;
- Conserving and enhancing the resource base;
- Reorienting technology and managing risk; and
- Merging environment and economics in decision making.

From then on, the concept of Sustainable Development started to play a significant role in policy making. Sustainability of firms became an important research field since firms are the productive resources of the economy, without effort and commitment from firms, sustainable development could not be accomplished.

Nevertheless, the definition of sustainability in the Brundtland Report is relatively vague and underlies the complexities of sustainability. The vagueness of the concept, combined with its growing level of importance in national and international policymaking, has led to an extensive debate and a wide variety of definitions. There are approximately three hundred definitions of "sustainability" and "sustainable development" (Chang et al. 2017). Figure 1 summarizes some of them.

Definitions	Source
"development which meets the needs of the present without compromising the ability of future generations to meet their own needs"	World Commission on Development
"sustainability is the ability of a human, natural or mixed system to withstand or adapt to endogenous or exogenous change indefinitely"	Dovers and Handmer
"sustainability is a relationship between dynamic human economic systems and larger dynamin, but normally slower changing ecological systems, in which (a) human life can continue indefinitely, (b) human individuals can flourish and (c) human cultures can develop"	Costanza
"improving the quality of human life while living within the carrying capacity of supporting eco-systems"	Munro and Holdgate
"sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity"	Elkington
"sustainability is an economic state where the demands placed upon the environment by people and commerce can be met without reducing the capacity of the environment to provide for future generations"	Hawken

Table 1. Various definitions of "sustainability" and "sustainable development" (Chang et al., 2017).

In general, each of the definitions cited above highlights that sustainability concerns the indefinite existence of human systems. In order to achieve that, an equilibrium is necessary between the carrying capacity of eco-system and the human economic and social systems. By the way, most of the definitions of sustainability that have been provided in the last years emphasize an ecological aspect, the idea that society and economy are closely connected to nature and ecosystems.

Today sustainability and sustainable development are words often used as synonyms, in reality they have different roots. Sustainability originates from the science of ecology and can be defined as "the ability of the whole or parts of a biotic community to extend its form into future". On the other hand, the concept of sustainable development shifts the focus to society and went common thanks to the already cited Brundtland Report (Ihlen and Roper, 2011). Despite the relative scarcity of literature probing 'sustainability' and 'sustainable development' conceptually, one conceptualization, that of 'three pillars', has gained extensive adhesion (Purvis et al., 2018). Sustainability is to be intended not as an immutable vision but rather as a continuous process which recalls the need to combine the three dimensions of development: environmental, economic and social (Narducci et al., 2017). This tripartite model is the prevailing one in sustainability literature, it is a Venn diagram which illustrates the interrelation of the "three Es": environment, economy and equity or social equity. The model was supported and authorized by the 2005 UN World Summit on Sustainable Development. The outcome document, The Johannesburg Plan of Implementation, recognizes three encompassing goals:

1) Poverty eradication;
2) Changing unsustainable patterns of production and consumption;
3) Protecting and managing the natural resource base of economic and social development.

These three objectives and essential requirements have been reaffirmed also by the Future We Want, the result document of the United Nations Conference on Sustainable Development, held in Rio 2012. The aim of sustainable development is the durability of human systems and in order to achieve this: poverty should be eradicated, unsustainable patterns of production and consumption should be changed, and ecosystem should be protected.

This conceptualization of sustainability, which corresponds to the "triple bottom line" approach, recognizes relationship among three important parts (Alhaddi, 2015):

* Environmental sustainability – It refers to involving in practices that do not comprise the environmental resources for future generations. It refers to the ability of preserving over time the three functions of environment: function of supply resources, function of waste receiver and direct utility source function.
* Economic sustainability – It refers to the ability of an economic system to generate lasting growth of economic indicators. In particular, the ability to generate income and work for the sustenance of populations. It focuses on the economic value provided by the organization to the surrounding system in a way that prospers it and promotes for its capability to support future generations.
* Social sustainability – It refers to the ability to guarantee conditions of human well-being (safety, health, education) equally distributed by class and gender. The social performance focuses on the interaction between the community and the organization and addresses issues related to community involvement, employee relations, and fair wages.

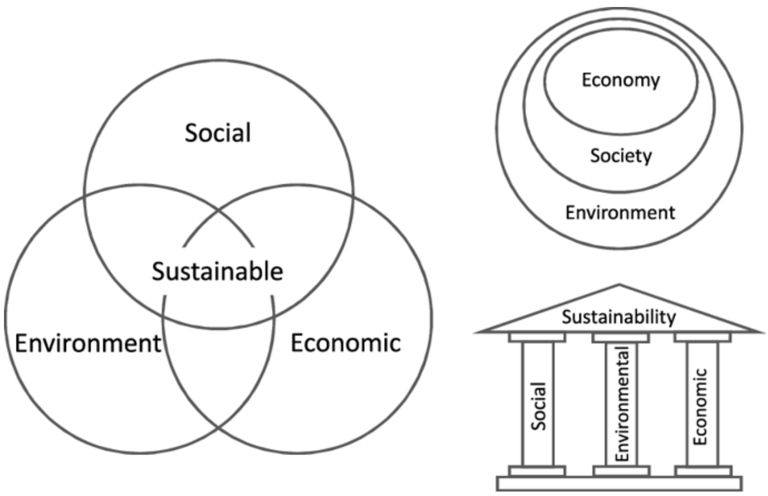

Figure 1. Representations of the "three pillars" of sustainability (Purvis et al., 2018)

These three spheres of sustainability are closely related, and it is recognized that actions and impacts take in one sphere influence sustainability in the other two spheres. For instance, economic deprivation and lack of economic development can bring to several negative social impacts including poverty, hunger and violence. These negative consequences reinforce themselves as they slow down development of an adequate physical and intellectual infrastructure, which is needed to support economic development (Hopwood et al., 2010). From a company's perspective, this tripartite approach points out that companies should be controlled not just in their financial performance but according to these three aspects. To engage in sustainable development and address the impact on future generations' wealth, business must undertake a long-term perspective and let economic growth boost the social progress and the environment (Caniato et al., 2011).

The sustainability concept can be divided into two typologies:

- Strong sustainability: it assumes that the only capital to pass to future generations is the natural one, that is the one which comes from natural resources. Natural and human capital are complementary but not transposable;
- Weak sustainability: it assumes that the natural capital to pass could be replaced by the human capital.

Actually, the sustainability issue emerged in 1930s, far before the release of the Brundtland report. Since then, sustainability-related thinking of firms has evolved, and a number of theories have been proposed and continue to emerge. These theories explore the complex interrelationships between sustainability and firms. Since so many theories have emerged, it may be useful to understand the interrelationships amongst these evolving theories (Chang et al, 2017). Although considerable literature has been developed on the subject, this idea has yet to be explored, as today there are still numerous gaps to fill and areas of shadow on which to shed light and by some it is interpreted as "an always open cultural site" (Cafferata, 2009). The object debate, finding its origin in the complex relationships between economics and ethics, represents a more controversial and complex aspect, as witnessed by Votew, who in 1972 maintained that "corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on business-men than on citizens at large " (Arru and Ruggieri, 2016).

1.2 Theories of Sustainability

This section provides a review of the most important theories about sustainability. These theories include: Corporate Social Responsibility, Stakeholder Theory, Corporate Sustainability and Green Economics (Figure 2).

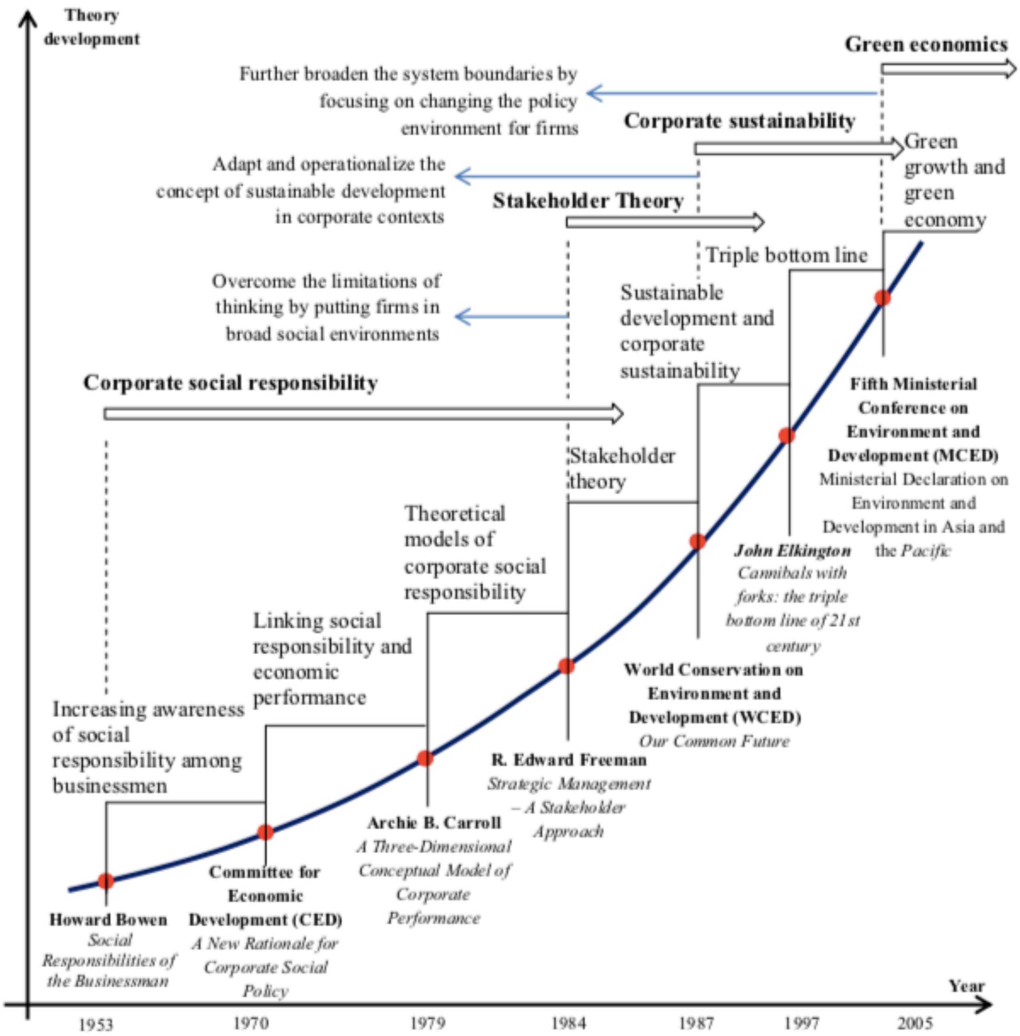

Figure 2. Theories of sustainability over time (Chang et al., 2017).

1.2.1 Corporate Social Responsibility (CSR)

In the field of social and economic sciences, the topic of corporate social responsibility (CSR) has been the object of many studies and debates, which, from the second half of the twentieth century, and also following the effects of the financial crisis of 2007, reflected the growing demand by the socio-economic actors to demonstrate their economic, legal, ethical and discretionary responsibilities by companies. The social implications generated by the business' actions have been studied for decades, but it is only recently that the interest in CSR has become more widespread, articulated and sophisticated by shifting the debate from theory to reality. As a matter of fact, during the last decades, CSR has passed from a restricted and marginalized notion to a complex and multifaceted concept, with an increasingly central role in much of today's corporate decision-making process. It has become an independent discipline characterized by a variety of methodological approaches and theoretical orientations that sometimes integrate with each other and at times differ substantially.

As written in the Green Paper, there is no unique definition of CSR "*Most definitions describe it 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*" (EU, Green Paper, 2001).

Corporate social responsibility provides the foundations of an integrated approach that combines economic, environmental and social interests to their mutual benefit. It opens a way of managing change and of reconciling social development with improved competitiveness (EU, Green Paper, 2001).
The first scientific papers about corporate social responsibility date back to the early twentieth century. In fact, in USA, during that time, the first strands of thought that included a social dimension to business activity began to emerge. Nevertheless, until the issue of the paper "Social Responsibilities of the Businessman" by Howard Bowen in 1953, there was not a theorization about the relationships between firms and society. He proposed a definition of the term "social responsibilities of businessmen": "*It refers to the obligations of businessmen*

to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". Since then, the term "social responsibility of businessmen" gradually evolved to "corporate social responsibility" (CSR). Nevertheless, the theory was not accepted in the 1950s and 1960s, and it received some critics. Among the critics, the one of the economist Milton Friedman is of significantly importance. Friedman thought that the effective social responsibility of a corporation is to make money for its shareholders, and thus the social responsibility proposed by Bowen threatened the very foundation of free enterprise society (Chang et al., 2017). Bowen marks a change in the definition of the phenomena, passing from the social responsibility of the businessman to CSR. Moreover, he offered the first large-scale contribution about the setting up of social awareness of businessmen (Arru e Ruggieri, 2016).

The reason why CSR is called "social" is twofold. Firstly, besides companies' internal stakeholders, other stakeholders and other orders of problems are taken into consideration (i.e. all subjects immediately upstream and downstream of the company's value chain as well as suppliers and customers).

Secondly, in addition to stakeholders, the environmental problems that the organization can cause during the normal course of its production activities are also considered. In this sense, CSR is related to the term sustainability, which instead was established in the context of environmental studies.

1.2.2 Stakeholder Theory

The stakeholder theory represents a fundamental perspective in formulating a new role of firms. This theory was developed by Freeman in the late 1970's and it is well explained in his book "Strategic Management – A stakeholder Approach". A stakeholder approach was a response to this challenge, an obvious play on the word "stockholder", the approach sought to broaden the concept of strategic management beyond its traditional economic roots, by defining stakeholders as "any group or individual who is affected by or can affect the achievement of an organization's objectives". The main element of Freeman's theory is that

firms are like “actors” in the social environment and they should reply to stakeholders’ pressures and needs in order to attain their strategic goals (Freeman and McVea, 2001).
In his work, Freeman discusses that companies have to understand their relationships with not only suppliers, customers, and employees, but also non-traditional groups such as government, environmentalists, and special interest groups to manage companies better. Two types of stakeholders can be identified, primary stakeholders and secondary stakeholders. Primary ones are those who have a direct influence or are influenced more by the company than secondary ones. However, formerly the stakeholder theory focused more on social stakeholders, only recently it started to incorporate non-social stakeholders to address environmental issues.
The stakeholder approach is opposite to the shareholder approach, supported by Friedman classic argument (1970). As a matter of fact, the shareholder approach states that the firms’ main objective is to maximize profits for their shareholders. Differently, the stakeholder approach says that the fundamental obligation of corporations is to ensure its long-term survival accounting for the needs of multiple stakeholders. Freeman argues that the better a firm manages its relationships with the myriad groups that have some interest, or “stake,” in the firm, the more successful it will be over time (Barnett and Salomon, 2011). Over the years, this theory has significantly affected CSR studies because of its innovative approach, opposite to the classic one which saw shareholders as the only stakeholders and influencing theories such as corporate sustainability (Chang et al.,2017).

1.2.3 Corporate Sustainability

The idea of corporate sustainability emerged in the literature of business ethics, starting from the mid-nineties. As a matter of fact, since the release of the Brundtland report, the concept of sustainable development has been increasingly practiced in the context of corporate, as a consequence of the common belief that the survey on sustainable development should also involve businesses. However, there is no universal definition of CS. Table 4 lists some typical definitions. Each of these definitions emphasize the importance of meeting stakeholders’ requirements and adjusting for the economic, environmental and social scope of corporate performance.

Definitions	Source
""adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future"	International Institution of Sustainable Development (IISD)
"meeting the needs of the firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities, etc.), without compromising its ability to meet future stakeholder needs as well"	Dyllick and Hockerts
"demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders"	Van Marrewijk and Werre
"a business and investment strategy that seeks to use the best business practices to meet and balance the needs of current and future stakeholders"	Artiach, Lee
"sustainability is a company's capacity to prosper in a hypercompetitive and changing global business environment. Companies that anticipate and manage current and future economic, environmental and social opportunities and risks by focusing on quality, innovation and productivity will emerge as leaders that are more likely to create a competitive advantage and long-term stakeholder value"	RobecoSAM

Table 2. Various definitions of "Corporate Sustainability". Adapted from (Chang et al., 2017)

CS is usually operationalized through the Triple Bottom Line (TBL). The "bottom line" is defined as profit in conventional accounting, as it refers to the last line item in an income statement which summarizes the value created. As already introduced, the concept of TBL adds two more "bottom lines" for corporations in reporting, social and environmental bottom lines. This is significantly different from the classical reporting frameworks.

Beside the TBL, sustainable business models offer another important approach on CS. Business model (BM) is a key issue in promoting CS, in fact it describes the way firms achieve their competitive advantage through their product or service. Sustainable business models (SBM) are those models which incorporate environmental and social considerations, taking into consideration numerous stakeholder needs. Hence, SBM advice firms to embed sustainability into their business purpose and process, to gain competitiveness through promoting sustainability. For this purpose, various studies have been conducted on examining how sustainability could contribute to the competitive advantage of firms.

Generally speaking, it is widely recognized that CSR and CS are closely related. Even though many scholars argue that these two theories are interchangeable, others believe discrepancies exist between them. Montiel (2008) conducted a literature review to specifically investigate the evolution and correlation of the concepts of CSR and CS. His study showed that management literature uses both CSR and CS to refer to social and environmental management issues, and the notions and measures of CSR and CS are converging (Chang et al.,2017).

1.2.4 Green Economics

The concept of green economics was born for the first time in the context of intergovernmental discussion, that is during the Fifth Ministerial Conference on Environment and Development (MCED) in Asia and the Pacific held in 2005. From there on the attention of green economy and green growth has been increasingly recognized in international and national policy making.

According to the United Nations Environment Programme (UNEP), green economy is defined as the one which results in “improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities”. Green economy is low carbon, resource efficient and socially inclusive. According to Economic and Social Commission for Asian and the Pacific (ESCAP) of United Nations, green growth is a pre-requisite for building a green economy in the context of sustainable development and poverty reduction.

Green investments have to be enabled and supported through a specific public expenditure, policy reforms and variations in taxation and regulation. According to UN Environment, natural capital is to be considered as a critical economic asset and as a source of public benefits, mostly for poor people whole lives depend on natural resources. The core assumption of green growth is that currently environmental progress cannot be separated from economic growth and development. Green growth results from the investment in the upgrading of the entire production system to environmental and resource-saving processes and products. There are several green economy policy frameworks and guides, such as the "*Towards Green Growth*" published by the Organization for Economic Co-operation and Development (OECD) in May 2011, and the Europe 2020 issued by the EU Commission.

The notion of Green economy should not be regarded as a surrogate for sustainable development. Rather, it is a pathway to sustainability since sustainability can only be achieved by adjusting the economy and the way investment decisions are made. As a matter of fact, if the true value of ecosystem services was reflected in the market, economic activity would be more resource efficient and less environmentally damaging, that is more sustainable. This requires extensive use of market-based and pricing instruments. Appropriate regulation, active supporting policies for technology and voluntary approaches may also be useful to complement market instruments.

Green Economy has a macro-economic perspective with respect to sustainable economic growth with a significant focus on investments, employment and skills.

The three main topics in which Green Economy is working on are:

- Advocacy of macro-economic approach to sustainable economic growth through regional, sub-regional and national fora;
- Demonstration of Green Economy approaches with a central focus on access to green finance, technology and investments;
- Support to countries in terms of development and mainstreaming of macro-economic policies to support the transition to a Green Economy.

Green policies could significantly change the context in which firms operate. Governmental policy instruments could be employed to manage investments from activities employing environmentally harmful means to greener businesses. All green economy frameworks suggest similar policy and pricing measures to enhance green growth:

- Institutions, norms, regulations and behaviour-based policies;
- Innovation and industrial policies;
- Education and labour market policies;
- Natural capital, agriculture and ecosystems services management; and
- Infrastructure, building, urbanism, transport and energy policies.

According to many scholars Green Economy will be responsible for strengthening the democracy and engendering new social movements, but it would also lead to simultaneous fundamental changes in government institutions. Moreover, some scholars argued that green growth will advance towards economy growth through several channels such as improved labour productivity as a consequence of better health, and improved energy efficiency (Chang et al.,2017).

1.3 Benefits

Given the multitude of theories about sustainability, in practice, which are the real advantages in implementing corporate sustainability and CSR?

Particularly relevant in this evaluation is the observation term. As a matter of fact, when considering the benefits which derive from sustainable choices, it must be taken into account that investments needed to implement sustainable activities do not immediately pay-off. This is due to the different timespan that elapses between costs (generally short-term) and benefits (long-term) (Branco and Rodrigues, 2006).

Corporations that adopt sustainable practices have also important consequences on a competitive level. In fact, they influence business' value in terms of profitability, they build trust, respect and credibility, they enhance the reputation and, consequently, stakeholders' satisfaction and faithfulness. In this sense, CSR is not to be intended as a mere investment and economic commitment, but as a proper strategy which encompasses ethical, social and environmental considerations in company choices, requiring a requalification of processes, resources, skills and competition factors.

For these reasons, sustainable applications and CSR generate both external and internal benefits. The internal benefits include the management of human resources, health and job security, business organization, management of natural resources and the effects on the environment. The external benefits favor local communities, partnerships, suppliers, customers, consumers, respect for human rights along the supply chain and the awareness of environmental issues, both locally and globally (Arru and Ruggieri, 2016), (Narducci et al, 2017).

More specifically, advantages can be recognized on several aspects:

- Business: a competitive advantage is created for other companies that underestimate this aspect, the transfer of knowledge is favored, and the business risk decreases;
- Corporate internal environment: motivation, dialogue, commitment and employee’s involvement are encouraged, with positive effects on productivity and financial results;
- Local community: the company is aware of the needs of the area in which it operates, it is perceived positively from locals and it contributes to the quality of life with concrete initiatives;
- Reputation and loyalty: the company's attractiveness and reputation improve thanks to consistent and well-communicated CSR policies, contributing to the development of a faithful and motivated customer base;
- Relations with financial institutions: access to funding sources is facilitated following a reduction in the risk profile and an increased authority.
- New resources and know-how: internal benefits of CSR contribute to the development of new resources, capabilities and know-how linked to the business culture. This facilitates a better learning, best employees’ attraction and better attitudes at work. Finally, it promotes greater motivation, increased effort, organized citizenship behavior and lower turnover.

1.3.1 Relationship with financial performance

Among the various benefits that are known to be encouraged by CSR, the positive impact on profitability is still debated. As a matter of fact, for long time scholars have questioned whether financial performance is positively related to CSR implementation in companies. Despite hundreds of studies on this topic, the results have been conflicting and unsatisfactory. The relationship between corporate sustainability (CS) and corporate financial performance (CFP) has proofed to be positive (Orlitzky et al. 2003), insignificant (Surroca et al. 2010), negative (Friedman 1970), U-shaped (Barnett and Salomon 2011), inverted U-shaped (Lankoski 2008) or asymmetric (Jayachandran et al. 2013).
According to the literature, there are two main competing theories that describe the effect of sustainability on financial performance: value creating and value destroying. According to the value-creation perspective (Yu and Zhao, 2015), firm risk decreases when adopting environmental and social responsibility. On the contrary, value-destruction theory thinks that companies who pursue environmental and social goals lose focus on profitability, pleasing stakeholders instead of shareholders (Yu and Zhao, 2015). Although several research papers and methods have been proposed, the majority of the studies argue there is a positive relationship between CS and CFP, pursuing the "good management" hypothesis which suggests that effective stakeholder management leads to a better firm performance (Lee et al., 2017).

One of the most accepted assumptions is that CSR pays off in the long term. As previously introduced, the Stakeholder Theory, originally credited to Freeman (1984), suggests that the better a firm manages its relationships with the groups that have some interest, or "stake," in the firm, the more favorable it will be over time. By participating in socially responsible and sustainable activities, firms may foster trustful stakeholder relationships and gain in competitive advantage. Similarly, Barnett (2007) theorized that as firms engage in socially responsible practices, they accrue stakeholder influence capacity (SIC). Hence, according to SIC, stakeholders see some firms more credible than others on the basis of their social responsibility actions. Firms with low experience in social responsibility have little SIC and are not credible with stakeholders. Essentially, benefits to firms from CS are due to improved stakeholders' relationships. The U-shaped relationship between CS and CFP is a result of the SIC theory. Since being sustainable is expensive, firms with greater CS will incur higher costs with respect to those firms with lower CS. Nevertheless, firms who invest more into social performance accumulate more SIC. Hence, as firms spend more on CS, they lose more, until the relationship offsets and turns positive as SIC accrues from the increased CS investing. Hence, before reaching a sufficient level of SIC, the curve slopes downward. After that, the curve flattens and for those firms that have made additional investments, because these investments offer favorable returns, firms with higher CSP have higher CFP (Barnett and Salomon, 2011).

In general terms, despite most of the articles examined declare a positive relationship between sustainability practices and corporate financial performance, a minority of them reports contrasting results. Probably, a first reason why the articles illustrate different conclusions is that different methodologies and study designs are employed. Secondly, the results obtained are characteristic of the specific data, industry, firm size, or market studied. Moreover, literature trends are approaching CSR as a replacement for a holistic sustainability notion when it comes to examining sustainability impact on corporate financial performance. The risk is oversimplifying corporate sustainability into CSR. The problem with CSR is that it is mostly about the social perspective of sustainability, and little about environmental and economic dimensions. This issue is emphasized by the insufficient number of theoretical researches in the literature, which is still coping to formulating a universal definition for corporate sustainability between the three competing dimensions of sustainability. Further research is needed not only to investigate this competition between the dimensions of sustainability, but also to synthesize a universal understanding of corporate sustainability within the proposed framework (Alshehhi et al., 2018).

1.4 Critical Issues

Among the various benefits and advantages that are due to the implementation of sustainable practices, still the are some critical issues. Some of them are confirmed by scholars, while others are supported by entrepreneurs, managers and by the general public.

A first issue, which has already been highlighted above, concerns the meaning of the broad notion of "sustainability". In fact, analyzing the literature, it may be argued that the concept of sustainability has been defined by the authors in different ways and meanings. Nowadays, the notion of the term has become more evaluative than descriptive and more theoretical than practice, for this reason, the definition of the concept seems to be questionable, both in theory and in practice. As already introduced, often the term "sustainability" and "sustainable development" are used interchangeable. This is the reason why sustainability is often accused of being an empty or elastic term, suitable for the need of the moment. Moreover, the increasingly frequent use of the concept of sustainable development, also in the political field, has encouraged the devaluation of that of sustainability, thus reducing its scope and making it fall into disuse, so that sustainability is confused and assimilated to the green concept in different fields (Valera, 2012).

Nevertheless, from a historical point of view, since the CSR theory appeared before than Sustainability concepts, the first concerns are usually addressed to CSR and to social causes rather than to sustainability itself. For what concerns CSR, the criticisms move on two fronts: the first that challenge the effectiveness of corporate social responsibility and the second that question the goodness and integrity of the intentions.

The first criticism originated on a theoretical ground and was born as a consequence of the assumption that the main, if not the sole, purpose of a firm is the maximization of wealth for shareholders. The shareholder wealth maximization paradigm is based on the theory of the nexus of contracts, a fundamental neoclassical construct that has prevailed in the debate about the theory and purpose of the firm. The contractarian rationale disputes the legitimacy and meaning of corporate responses to CSR and social causes. More precisely, these arguments came from three different sources.

The first critique, theorized by Jensen (2002), supports the economic contractarian model by saying that companies already promote social welfare. Indeed, social welfare is maximized when all firms in an economy maximize total firm value. Jensen (2002) admits that firms can pay attention to different aspects but, at the end, firms must aim for a single objective, that is the wealth creation. Essentially, according to this view, the goal that companies have to pursue is the long-term market value, that is if shareholder wealth is maximized, as a consequence social welfare is maximized as well.

The second critique comes from the already introduced Friedman's belief. According to Friedman's argument, CSR and social practices are not to be refused but they have to be undertaken by government bodies and institutional roles. CSR actions are managed by executives that take money and resources that would otherwise go to owners, employees, and customers - thus demanding a tax - and dedicate those resources to objectives that the executives have selected in a way that is away from democratic political processes.

Finally, the last judgement against corporate social initiatives was generated by Easterbrook and Fischel (1991). They were suspicious about the corporate ambition to invest in social causes and, similar to Jensen (2002), they thought the invisible hand of the market can answer also to social issues. However, they considered that, if put into practice, social investments were unobjectionable. If all contracting parties know that the firm foresees to make a social investment, no matter how bad perceived then those parties can choose if they want to participate in the project. The market will eventually figure out whether it is the best use of a firm's resources.

In the end, the dispute regarding the legitimacy of CSR with respect to a nexus of contracts approach focuses on two themes: misappropriation and misallocation. Namely, when firms contribute to social causes, the first issue is that executives misappropriate corporate assets and resources from shareholders and employees by redirecting them to parties outside the firm itself. Secondly, the other concern is that managers poorly misallocate resources in order to advance other targets apart from the mere economic achievement.

Contrary to what it may seem, contractarians scholars support and encourage social causes but they believe is not corporations' task to employ their resources to pursue social purposes. As a matter of fact, companies would do better by committing themselves in what they already do at their best: employ a workforce to provide goods and services to the market and, in so doing, satisfy customers' needs and create value (Margolis and Walsh, 2003).

The second type of criticism concerns the intention behind the adoption of CSR. According to many scholars, corporations declare themselves responsible just to have reputational benefits and also to forgive the negative effects of their work. The risk is losing both the authentic meaning of this concept and the potential for change attributed to it. As a matter of fact, one of the problems of CSR approval is that too often it is "applied over" the operational processes rather than "built inside" the strategy and value chain. Hence, the doubt is that it is only facade operations and form without weight for the substance, without affecting the redefinition of the system of values and practices of the company and with the danger of a degeneration into a formalistic practice. The danger lies in the fact that the socio-environmental commitment is limited to the pure form and it can be seen as a duty to be performed to adapt to competitors' behavior and satisfy stakeholders. This feeds those critical positions according to which CSR would be nothing more than a cosmetic activity, irrelevant or even guilty, because it can have the hidden purpose of altering public attention from the real problems of the company (Molteni, 2007).

In addition to that, companies practice different versions of CSR and there is not a uniform way to operate when applying it. Companies recur to philanthropy, environmental sustainability and shared value when trying to apply CSR in organizational contexts. Moreover, well-managed companies seem to be less careful in integrating CSR with their business scenario and in arranging an effective CSR program. This is why many firms implementing CSR programs are characterized by weak coordination and low engagement of the CEO (Rangan et al., 2015). This is linked to the problem that often CSR is seen as a set of ethics of convenience and image. Managers and shareholders can do a lot to favor the conditions of future generations, but some scholars think they should act according to standards and guidelines settled by intergovernmental organizations, such as the ONU and OSCE, and the EU (Gherardini, 2001).

As far to the criticism addressed to the concepts of Sustainable Development, the degrowth theory, proposed mostly by Serge Latouche, has disapproved its message and content. The movement disapprove the economic development together with consumerism, the continuous increase in the production of good and the environmental preservation. More precisely, western countries, according to the view of sustainable development, are experiencing a paradoxical issue, that is consuming more than what is needed in order not to withdraw the growth of the market economy. This leads to several environmental problems: overexploitation of natural resources, waste increase and commodification of goods. Hence, in accordance with the degrowth theory, sustainable development appears to be a contradiction and as an oxymoron in terms (Latouche, 2014).

CHAPTER TWO

THE FASHION INDUSTRY

2.0 Introduction – the reason why

In the last two decades, sustainability has started to gain appreciation among consumers and corporations in almost every sector of the industry. This trend has been enhanced also by governments and intergovernmental organizations that started to shape international policies by adopting several considerable agreements such as the *United Nations Conference on Sustainable Development* in Rio de Janeiro in 2012, the 2030 *Agenda for Sustainable Development* (2015) and the *Paris Agreement on Climate Change* in 2015.

However, industries in the market are still responsible for negative social and environmental impacts.

Among many, fashion is one of the largest industries in the world economy and it is also the second most polluting industry – after the oil one – with severe negative social and environmental externalities (UNECE, 2017).

According to the Clean Clothes Campaign (CCC), a global network dedicated to improving working conditions and empowering workers in the garment industry, the problems affecting the fashion industry are: poverty wages, unsafe workplaces, bad contracts, no job security, unclear supply chain, waste and pollution, workers' rights violations, gender discrimination, exploitation of migrants and weak voluntary efforts by brands.

For what concerns the environmental effects, the problems are related to the discharge of pollutants and consumption of water and energy. For instance, 19% of all insecticides and 9% of all pesticides are used on the processing of cotton (UNEP, 2014).

More precisely, to approach better the magnitude of the issue, some data are listed below[1]:

- 100 billion garments are produced every year;
- The clothing industry is responsible for 10% of global carbon emissions;
- 20% of all items go unsold;
- 1 t-shirt and 1 pair of jeans uses 5,000 gallons of water;
- Over 60% of garments contain fabrics derived from fossil fuels;
- The clothing industry is responsible for 20% of industrial water pollution;
- Fewer than 2% of workers in the clothing industry earn the living wage;
- Shoppers buy 5 times more clothing today than in 1980;
- The clothing industry employs every 6th worker;
- The average garment is worn just 7 times;
- The average shopper buys 68 items of clothing per year.

Hence, for the size of the fashion system, for the negative impacts that it has on our society and for the pressures from consumers and stakeholders, the fashion industry is charged with implementing a transformation of principles and values that will bring to a responsible fashion. According to Erika Andreetta, Partner PwC, Retail & Consumer Goods Consulting Leader, in the future quality will be considered a commodity and sustainability a must and it must necessarily move towards a "buy less, buy better" model.

In light of this, this chapter will contextualize the current fashion system, providing an outlook of the fashion industry, analyzing the issues related to sustainability and considering future responses.

[1] Thomas D., (2019), "Fashionopolis: the price of fast fashion and the future of clothes".

2.1 Overview of the industry

2.1.1 Current scenario

Nowadays the value of the global fashion industry is 3,000 billion dollars, that is to say the 2% of the world's Gross Domestic Product (GDP). Moreover, about 60 million to 75 million people are employed in the textile, clothing and footwear sector worldwide (Global Fashion Industry Statistics (2020). Despite the considerable dimension of the industry, according to "The State of Fashion 2020" report, drafted by McKinsey and The Business of Fashion (BoF), the fashion world is not looking forward to 2020. The current macroeconomic context is challenging, and companies will find that their course to value creation is either unclear or it requires levels of investment that are hard to absorb. As a matter of fact, the digital transformation and the continuous concerns over sustainability put pressure on companies' time to come.

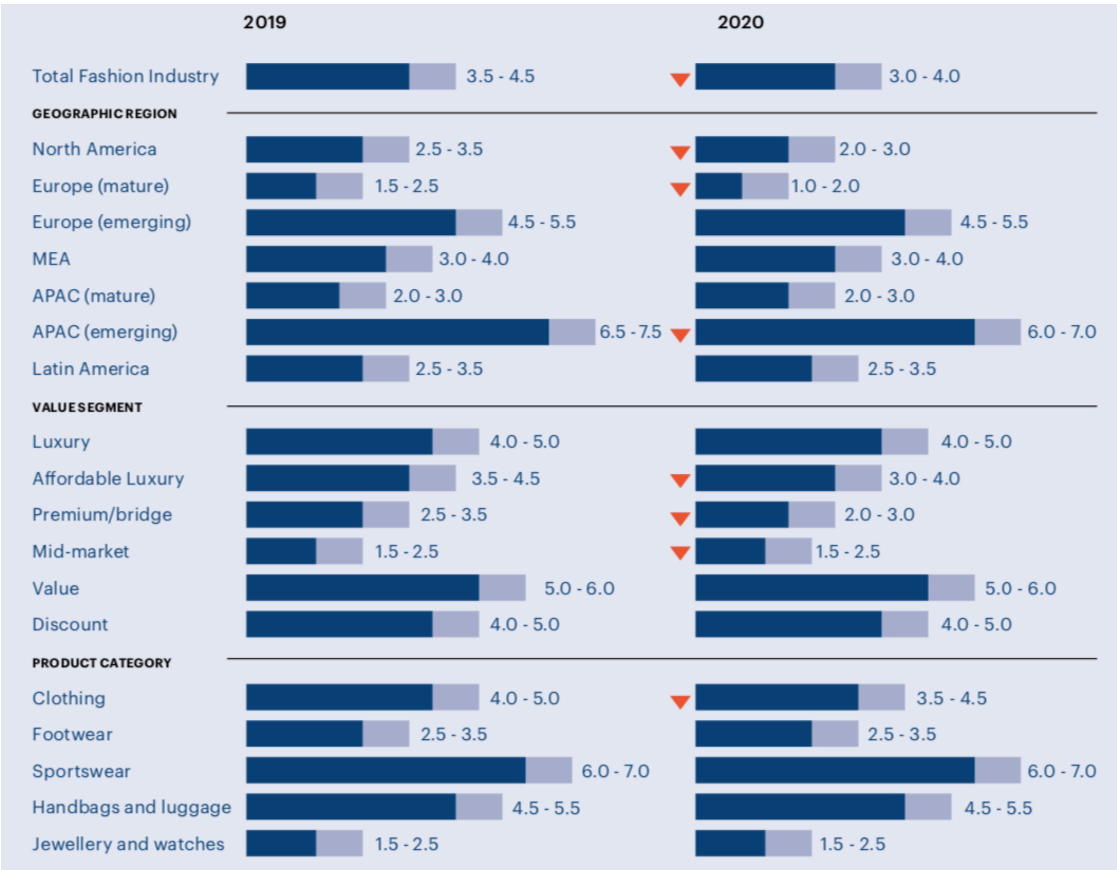

Figure 3. Fashion industry sales growth by region, category, and segment (2019-2020), (McKinsey Global Fashion Index (MGFI)

The McKinsey Global Fashion Index forecasts that the fashion industry will progress to grow at 3 to 4 percent in 2020, slightly slower than 3.5 to 4.5 percent estimate for 2019.

As can be observed in the graph above, the luxury sector has driven the industry's rebound over the last two years, accounting for almost 80 percent of the industry's economic profit growth. More precisely, during the last three years the industry has seen a polarization among companies. As a matter of fact, the number of firms that destroy value has increased with respect to the firms that create value, inducing the industry to move from a value-creating to a value-destroy one. Indeed, the best 20 players are those responsible for the value-creation within the fashion business, and account for the 138 percent of the industry' total profit (2018). For the year 2018, the best performing companies were Nike, Inditex and LVMH. These companies have been able to enhance continuous innovation, to intensify customer experience and connection with clients, to evolve their brand and finally to focus on the digital transformation.

Not accounting for every market segment and for every business model within the industry, we can say that the fashion business is marked by a very mature production technology and relatively certain environments, wholesalers and retailers, a great number of customers, and globalized supply chains and large networks that extensively exceed the borders of a single company as a legal entity. The typical critical success factors of the fashion industry are up-to-date fashion trends, branding and pricing, customer segmentation, appropriate high/ low quality of fabrics and cost leadership in manufacturing (Lueg et al., 2013).

Nevertheless, the actual forecasts and analysis need to be adjusted following the latest events. In accordance with an analysis conducted by Javier Seara, Global Sector Leader Fashion & Luxury at Boston Consulting Group (BCG), fashion and luxury sales could drop 25% to 35% this year – that's up to $600 billion worldwide. The industry will bounce back, but some regions will recover faster than others.

The pandemic of Covid-19 has forced corporations and firms to face challenges such as the disruption of the supply chains, closed retail locations and the financial distress caused by the great economic shock. In fact, the fashion industry has been one of the industries most damaged by the virus, which has forced many companies to re-evaluate their business models, their production and it has distorted a paradigm that has been proven for decades (Covid-19 edition, Global Fashion Agenda). According to Eva Kruse, CEO of the Global Fashion Agenda "Covid-19 has elevated the importance of sustainability. It is now up to industry leaders to grab the opportunities for their companies to advance with sustainable business models in an environment that has become even more volatile". Moreover, the McKinsey post Covid-19 consumer survey has found that two thirds of consumers state that sustainability has become a more important priority to combat climate change following Covid-19. These premises address some opportunities for companies to grasp: map social and environmental impacts along the value chain, build trust and brand loyalty, raise the bar on supplier relationships and shift to equal partnerships, address stock levels and markdowns by scaling new business models, accelerate the digitalization of business processes and shape the e-commerce infrastructure of the future.

2.1.2 Evolutions of the industry

Over the years the concept of fashion has changed according to global social and political developments, becoming today a very structured and delocalized system. The initial, pre-industrial definition of "fashion" was to make things together, a social process people adopt to communicate with each other. Differently, today fashion is defined as the production, marketing and consumption of clothes, which is a consequence of the industrialization (Thomas, 2019). As a matter of fact, before the 1800s people used to create and produce their own clothes, but with the Industrial Revolution and the introduction of new textile machines, the cycle of fashion became faster, and it passed from a handmade to a machine-made process. The sewing machine, patented in 1846, strengthened this tendency with the consequence of the fall in price of clothing and a huge increase in the scale of clothing manufacturing. Nonetheless, a big portion of clothes was still produced at home or in small workshops during the whole of the 20th century. It was only with the American Civil War and subsequently with the World War II that production started to be standardized for all clothing. In fact, the need of ready for wear uniforms in standardized sizes prompts factories to change

their production process. From then on, the middle-class consumers started to accept more the value of purchasing mass-produced clothing.
After World War II, under the pressures of the American cotton-farming lobby, USA helped restore the Japanese textile industry by imposing low tariffs. At the end of the 1950s the US textile industry started to fear those low-cost import tariffs, not just from Japan but also from South Korea, Hong Kong, Singapore and Taiwan, the so called “Asian Tigers”. As a consequence, US government replied establishing higher tariffs, and complicated quotas and exemptions. However, despite the tariffs, US entrepreneurs found it more advantageous to produce abroad than at home and thus they began to outsource to Asia.
By the mid-1970s Hong Kong had become the world’s largest apparel exporter, specializing in low-end Western clothing. Moreover, during the 1960s young people started to welcome these new trends to contrast the sartorial traditions and haute couture of previous generations. In order to satisfy the demand and to regain in their position, US trade unions advanced a system called “quick response” (QR) which function was to manage more efficiently the inventory levels, avoid leftovers, cut-rate sales, and make costs leaner. Despite good expectations, many entrepreneurs decide not to invest and adopt QR, a decision which would be their undoing (ibidem). As a matter of fact, in La Coruña, in Spain, the fashion executive Amancio Ortega was considering how he could employ QR in his own clothing company, Zara.
Ortega opened his first store in Northern Spain in 1975 and he adopted the “ready-to-wear” model, which was already in used at that time. However, Ortega wanted to increase his business and started to adopt the QR to speed up the production and quicken processes. Soon, Zara started to get clothes to store quickly, sell them quickly and restock quickly. This new method was named by Ortega as “instant fashion” and it changed the then fashion paradigm. Meanwhile, Zara’s competitors such as H&M, Topshop, Gap and Benetton started to follow the same model and slowly they became known as “fast fashion” brands. Because of NAFTA (North America Free Trade Agreement) eliminating a large part of tariffs, and the growing in consumers’ demand, fast fashion brands started to offshore to countries with cheaper labor costs, causing the global explosion of fast fashion.

Fast fashion business model builds on offering consumers frequent collections in the form of low-priced, trend-led products. It relies on recurring consumptions and impulse buying, imparting a sense of urgency to consumers (Niinimäki et al., 2020). From a managerial point of view, fast fashion has been the perfect realization of “lean retailing” with clothes produced in small lots and within short lead times. Fast fashion is different from “haute couture”, it does not determine the latest trends, but on the contrary, it follows those designed by famous fashion houses and target them to mid-low-price range. These brands work at the item level, that is to say that they produce all the sizes and colors for a given garment, rather than recurring to collections. This method allows fast fashion companies to introduce clothes in store continuously and not only twice a year, as it was traditionally, implying a better use of resources over time. Because of this peculiarity, costs and response times are significantly reduced, and fashion items are kept up on an ongoing basis.

In order to work at such a speed, the production and design stages need to be modified. In fact, brands such Zara and H&M direct the creative aspects towards a commercial need to reduce design iterations, and use standard methods and materials to reduce efforts on samples. Consequently, for these brands the design-to-market time for clothing can be reduced to five to six weeks, on the contrary, traditional brands take six months (Caro and Martinez de Albeniz, 2014).

Differently to traditional fashion retailers that produce and distribute two collections per year, fast fashion companies produce continuously entire collections and micro-collections. For instance, Zara ships twice a week new items to the 6,500 stores it has around the world. As a result, brands are now producing almost twice the number of clothing collections compared with years before 2000, when fast-fashion brand were at their beginning. Moreover, because of the increased consumption and efficiency in production of fashion products, the price of clothes has decreased. In fact, regardless the number of items owned, in EU and UK the average expenditure on clothes per person had decreased from 30% in the 1950s to 12% in 2009 and only 5% in 2020. Low prices boost people to buy more while wearing clothes less, furthering the fast-fashion pattern. In the USA, the average consumer now purchases one item of clothing every 5.5 days, and in Europe, a 40% increase in clothing purchases was observed during the period 1996–2012. As a result, more new clothes are bought per person per year, quantified as 14.5 kg in Italy, 16.7 kg in Germany, 26.7 kg in the UK and between 13 kg and 16 kg of textiles across Denmark, Sweden, Norway and Finland (Niinimäki et al., 2020).

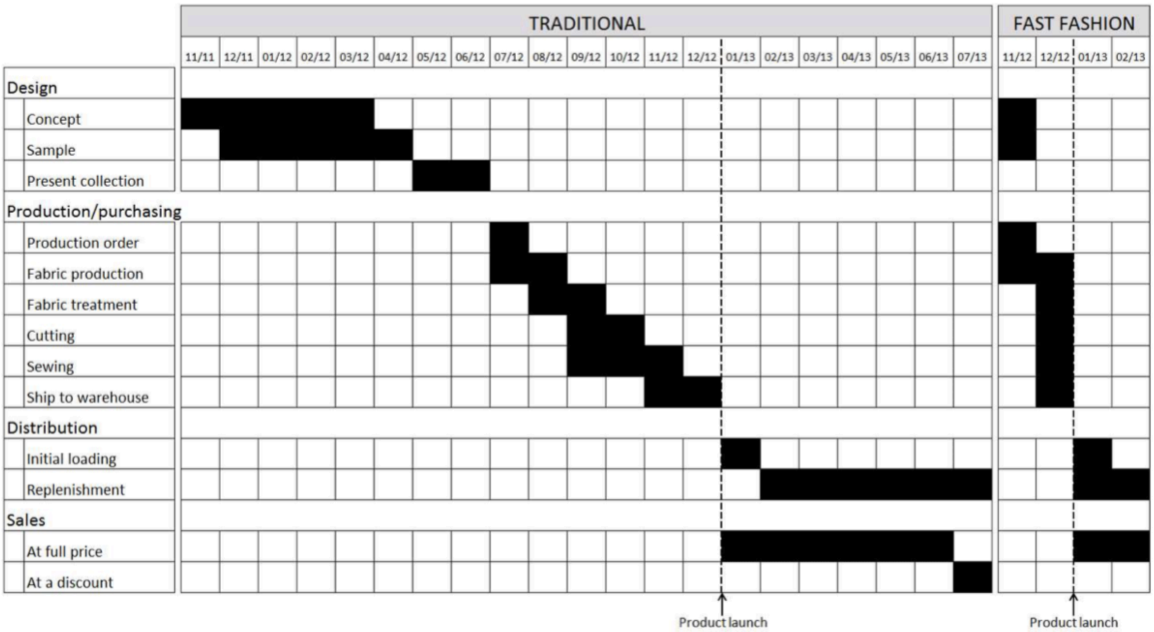

Figure 4. Traditional vs. fast-fashion design-to-sales processes for a product introduced in January 2013 (Caro and Victor Martinez-de-Albeniz, 2014)

Despite the several criticisms fast fashion has received and still receives, some argue that this new scheme has democratized fashion by importing high style and luxury design to the mass market.

In light of this, today the apparel market is different from decades ago. The actual scenario sees the industry divided into two main markets, haute couture and prêt-à-porter. The first one is exclusive and customized, the second one, the ready-to-wear fashion, produces standardized clothes with many sizes. In this scheme, fast fashion is located in the high-street segment in the ready-to-wear section, which in turn is arranged into two sections (Hines and Bruce, 2007). Figure 5 depicts the current framework.

This paradigm is reflected also in the strategies adopted by fashion companies, that decide to compete on the price or on product differentiation. Fast fashion companies play according to price. In fact, the elements that characterize fast fashion are times and prices, facilitated by flexibility in production and by just-in-time logics that allow companies to have fewer stocks and to ensure the presence of products in stores in the shortest time possible. Their competitive advantage is the prevision of latest trends and the speed in the designing and production phases. On the other hand, companies that compete according to product differentiation, have a strong reliance on their brands, quality, product and service, for which consumers are willing to pay higher prices. Their competitive advantage is the ability to influence other brand and set the latest fashion trends.

Between these two extremes there are a series of possible positions. Fashion brands reduce risks by packing new designs in reassuring packaging. Other strategies are based on youth fashion, which is roughly halfway between these two extremes. Each strategic positioning is the result of a compromise between competing aspects; the choice of each company depends primarily on their organization (if they are chain stores, producers, creators, etc.). Secondly, the strategy must be flexible and adapted to local circumstances (Pratt et al., 2012).

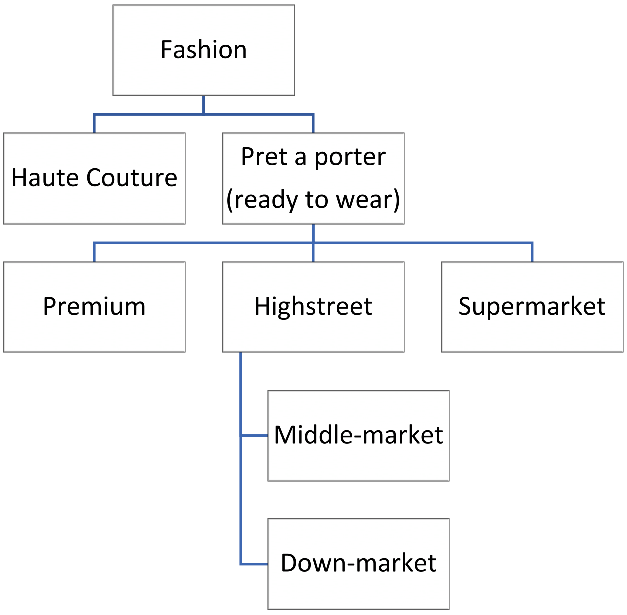

Figure 5. Fashion industry market segmentation (Hines and Bruce, 2007).

2.2 Sustainability issues in the fashion industry

Despite the success the industry has gained during the years, it is judged to be stuck in an old scheme and inflexible to the transformations that the world needs. As a consequence, it has become clear that the industry cannot continue to function in such a manner (Kozlowski et al., 2015). After having provided a framework of the actual situation in the fashion market, this section is going to illustrate and analyze the negative externalities this industry has on the environment and on society[2].

Foremost, having introduced the dynamics of fast fashion, contrary to what many people may be led to think, it must be clarified that luxury is not immune from social injustices and environmental impacts. In fact, usually consumers believe that luxury fashion companies are more sustainable than other companies because their products are made in Europe. This is not the case since there are documented cases of workers' rights violations in luxury fashion houses and neither is it is the case that made in Europe necessarily means decent working conditions. Unfortunately, the reality is that it is known very little about luxury supply chains or the working conditions within them. In fact, a huge lack of transparency characterizes these brands. Indeed, luxury brands tend to be rated low as well as fast fashion chains in ratings of supply chain transparency such as those by Fashion Revolution and Clean Clothes Campaign. In other words, the idea that luxury brands have values that promote sustainability and fair supply chains may not be the case. As Ian Davies, an academic from Bath University in the UK, explains, this the 'fallacy of clean luxury'. Hence paying higher prices for clothes does not ensure good work conditions and no pollution.

The following sustainability issues, caused by the fashion industry, spill over onto various fronts, such as the social, economic, ecological and cultural fronts.

Climate change

According to scientists, the actual level of CO2 (Carbon Dioxide) in the atmosphere has already exceeded a safe operating space (which means we may not even be able to reverse the damage that has taken place). In this scenario, the production of raw materials, the

[2] Online course - Fashion and sustainability (London College of Fashion and Kering Group)

manufacturing process, garment transformation and garment care – like washing and ironing – are responsible for a massive impact on the environment. Moreover, forecasts on fashion industry confirm emissions will increase by more than sixty percent over the next twelve years. In order to solve this risk, in 2016 the Paris Climate Agreement came into force, limiting the global temperature increase to one point five degrees. If this agreement were not respected, there would be disastrous consequences such as extreme weather events, sea levels will continue to rise, affecting more small islands and low-lying coastal areas, and many places will experience longer droughts, threatening food, ecosystems and water supply.

Water Stress

Fashion is a very thirsty industry. In 2015 the water employed for clothing totaled 79 billion cubic meters. The majority of water used in the production of clothes is employed for cotton cultivation and the wet processes of textile manufacturing, such as bleaching, dyeing, printing and finishing. It has been estimated that 44 trillion liters of water is used for irrigation and the 95% of it is associated with cotton production. For instance, in producing a T-shirt it can take two thousand seven-hundred liters of water, an amount that could provide up to three years of drinking water for one person. As a matter of fact, among the fashion fibre, cotton is the one with highest water footprint. Moreover, the problem arises also because of the production of wastewater, that is polluted water – with chemicals and toxic elements – that enters on the ground, impacting the ecosystem (Niinimäki et al., 2020). Finally, often fibre growing and production processes are located in areas of the world that are already under a water crisis. For instance, Uzbekistan – where unfair practices in cotton farming has had devastating environmental and social effects. The Aral Sea, which was once the world's fourth largest lake and home to a prosperous fishing industry, became smaller by 90% between the 19660s and 2000s – and this is mostly due to cotton irrigation. In Cambodia, the fashion industry, responsible for 88% of all industrial manufacturing (2008), has provoked 60% of water pollution and 34% of chemical pollution9.

Hazardous chemicals and pollution

The fashion industry is one of the largest users of chemicals – using 15,000 different chemicals during the manufacturing stage, starting with the fibre production. It has been estimated that eight thousand synthetic chemicals are used to turn raw materials into finished textiles. Again, the most impacting fibre is cotton, which accounts for almost a quarter of the world's insecticide use and over ten of pesticides. These chemicals are dangerous to the environment and human health and flow into our waterways, entering into our ecosystems. Often factory mills are located near rivers or canals. For instance, In Indonesia, one of the biggest garments and textiles producing countries, hundreds of factories line the upper banks of the Citarum river, which is known as one of the dirtiest rivers on the planet. In some areas it is so polluted it is not safe for animals to drink let alone humans, and yet the entire river gives irrigation and water for millions of people.

Air pollutants are also a problem throughout the fashion supply chains, in farming, processing, manufacturing, shipping and transport. Some practices are more damaging than others, for instance in the production of synthetic fibres, nitrous oxide emissions are ejected into the air, and these are three hundred and ten times more damaging than carbon dioxide.

By the way, along a product lifecycle the production phase is not the only one which pollutes, in fact, once purchased, synthetic garments release tiny plastic fibres into wastewater through washing, polluting our waterways and ending up in the food chain. The 5% of the chemicals investigated were of high potential concern for the environment, where they can spread globally and accumulate in organisms, causing diseases, allergic reactions and increasing cancer risk. For instance, chemicals used to waterproof textiles were found even in remote Arctic locations and in the bodies of polar bears and seals, demonstrating the global impact of chemical use during textile manufacturing.

Land use and biodiversity loss

The fourth issue is land use and biodiversity loss. Biodiversity is the foundation for a healthy planet, and its measured by the variety of life found on earth at the level of ecosystems, species. Unfortunately, fashion is also linked to the decline of biodiversity through land use and habitat loss. For instance, forested have been cleaned for cotton cultivation, cattle raising and cellulosic fibres made from wood, such as viscose. By the way, it is predicted that fashion will increase its land use over the next decade.

Another problem is degradation and desertification, cause mostly by overgrazing and overstocking livestock. For instance, Cashmere can be found in limited geographical areas, and now its availability is suffering because of the degradation of those grasslands. In Mongolia 90% of the land is in danger of desertification because of the large increase of Cashmere goat flocks since the 1990s. The loss of fertile soil induces loss of biodiversity and climate change, and this challenge will only get worse as the need to grow food becomes more and more critical.

Diminishing resources

The fashion industry, in the manufacture and production of garments, makes use of resources that are depleting and some of which are finite. Oil, for instance, is extremely used. In fact, over half of all fashion is made with polyester, which is made by oil, and it is the most common material used and a finite and extremely polluting resource. More in general, the fashion industry as a whole is extremely energy intensive, and entirely dependent on fossil fuels. But beyond the use of fossil fuels, there are examples of precious metals and stones, which are also depleting fast and of course species, which throughout fashion's recent history have been threatened by extinction, by the exotic skin trade for example.

Beyond natural resources, also cultural and human practices and values are disappearing. Skills such as hand weaving, spinning, embroidery, printing are all vanishing because of faster and cheaper manufacturing options. The industrialization of fashion since the nineteen seventies has been wiping out traditional textile and garment techniques around the world.

Consumption and waste

Another issue is connected to the overall growth and speed of the industry. In the western world we consume four hundred percent more than we did twenty years ago, and in the time between 2000 and 2014 clothing production worldwide doubled. High end brands went from traditionally producing two main collections a year to producing five or six, whilst now some high street and online brands introduce new minicollections every week.

Because of the increase in fast fashion production, during the last decades clothes price has decreased, as a consequence people started to buy more and inevitably keep garments for shorter periods of time. The average British or European person now buys 60% more items of clothing and keeps them for about half as long as they did fifteen years ago.

In the fashion industry there are two different kinds of waste: production waste and pre-production waste.

The first one is made during the manufacturing of textiles and garments, including fibre, yarn and fabric waste, the last of which is the greatest waste of resources. This category includes also deadstock, that are new, unworn garments that are unsold (or returned, after being bought online) and 'designated as waste'. Taking as examples some brand, H&M was reported to hold $4.3 billion of unsold inventory in their storehouses, after reports of the company incinerating brand new clothing at a waste-to-energy plant in Denmark. Similarly, Burberry was reported to have incinerated £90 million worth of unsold inventory over five years till June 2018, of which it admitted £28.6 million worth was incinerated in 2017. A representation of the situation is depicted in Figure 6.

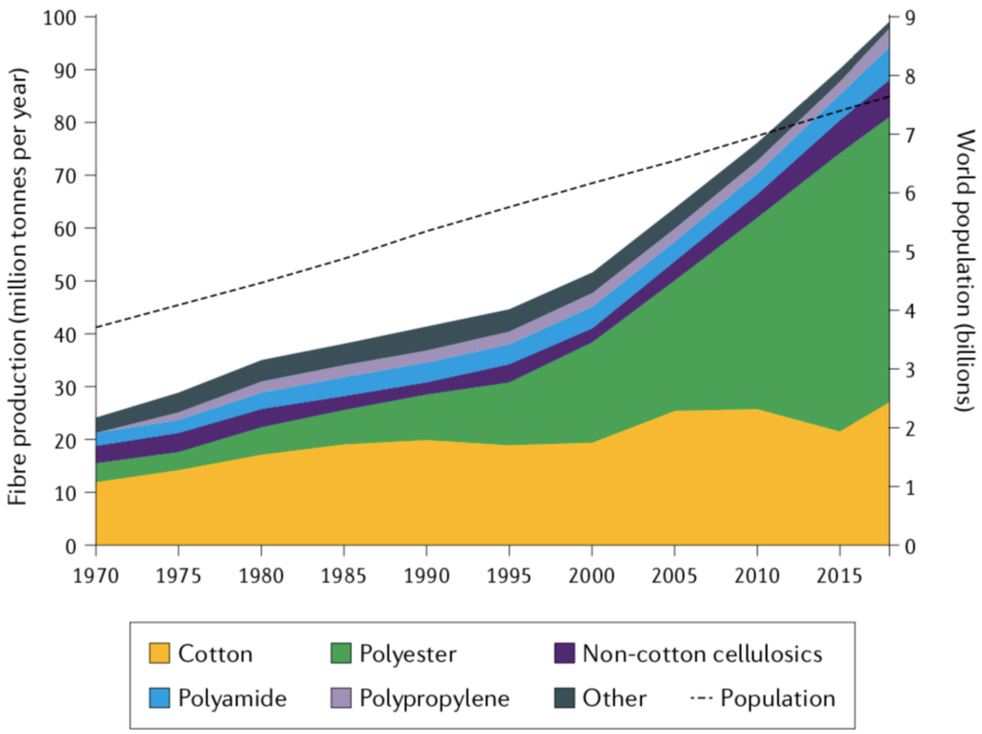

Figure 6. Growth in global population and textile production by fibre type. During 2010s, textile-production growth passed world-population growth, due to the rise of cheap manufacturing and fast-fastion (Niinimaki et al., 2020).

The second kind of waste comprises garments abandoned by consumers; hence it is caused by consumption. Almost 60% of the ~150 billion garments produced globally in 2012 were discarded within several years after production. The passage from consumption to post-production waste is rapid — the use lives of three garment types (T-shirts, knit collared shirts and woven pants) in six countries (China, Germany, Italy, Japan, the UK and the USA) averaged only 3.1 to 3.5 years per garment, albeit with significant variation between countries. The majority of clothing waste ends up in landfills or is incinerated, only the 20% is gathered for reuse or recycling. Western countries have tried to manage textile waste by exporting garments to developing countries. In fact, places like the US, China, UK and Europe are where the majority of fashion consumption takes place. By the way, developing countries are starting to ban this practice for two reasons. Firstly, to protect domestic production (as in Turkey and China), secondly because markets are oversaturated by second-hand garments that have replaced local production. To have a view of the actual situation, the top 10 exporters and importers of clothing are represented in the graph below.

(Billion dollars and percentage)

	Value	Share in world exports/imports				Annual percentage change			
	2018	2000	2005	2010	2018	2010-18	2016	2017	2018
Exporters									
China (1)	158	18.2	16.1	36.6	31.3	2	-9	-1	0
European Union (28)	143	28.7	31.0	28.4	28.4	5	4	10	11
Extra-EU (28) Exports	34	6.4	6.7	6.2	6.8	6	0	12	12
Bangladesh (2)	32	2.6	2.5	4.2	6.4	10	8	2	11
Viet Nam (2)	32	0.9	1.7	2.9	6.2	15	5	21	13
India	17	3.0	3.1	3.2	3.3	5	-1	2	-11
Turkey	16	3.3	4.2	3.6	3.1	3	0	0	4
Hong Kong, China	14	...	...	...	...	-7	-15	-8	-4
Domestic exports	0	5.0	2.6	0.1	0.0	-26	-35	-40	-10
Re-exports	14	...	...	...	...	-6	-15	-7	-4
Indonesia	9	2.4	1.8	1.9	1.8	3	-2	10	9
Cambodia (2)	8	0.5	0.8	0.9	1.6	13	12	8	14
United States of America	6	4.4	1.8	1.3	1.2	3	-7	0	5
Above 10	**421**	**69.0**	**76.1**	**83.1**	**83.3**	-	-	-	-
Importers									
European Union (28)	204	41.1	47.3	45.2	38.4	2	3	7	3
Extra-EU (28) Imports	106	19.6	23.4	23.9	20.0	2	0	3	7
United States of America	92	33.1	28.7	22.1	17.4	1	-6	0	1
Japan	30	9.7	8.1	7.2	5.7	2	-2	1	8
Hong Kong, China	13	...	...	...	...	-3	-11	-6	2
Retained imports	...	0.9	...	...	...	...	...	...	...
Korea, Republic of	11	0.6	1.0	1.2	2.0	12	1	8	16

Canada (3)	11	1.8	2.1	2.2	2.0	3	-3	5	5
China (1)	8	0.6	0.6	0.7	1.6	16	-2	13	14
Russian Federation (3)	8	0.1	0.3	2.0	1.5	0	3	26	7
Switzerland	8	1.6	1.6	1.4	1.4	5	6	12	13
Australia (3)	7	0.9	1.1	1.3	1.3	5	-3	8	3
Above 10	**378**	**90.3**	**90.8**	**83.4**	**71.3**	**-**	**-**	**-**	**-**

(1) Includes significant shipments through processing zones

(2) Secretariat estimates

(3) Imports are valued f.o.b.

Table 3. Top 10 exporters of clothing in 2018 (World Trade Statistical Review, 2019, World Bank).

Modern Day Slavery

One of the most serious challenges facing fashion is modern day slavery. Contrary to labour practices or working conditions, victims of Modern Slavery are unable to leave their situation because they are subject to threat, violence, punishment, coercion and deception.

As state above, fashion is one of the most labor-intensive industries, and despite statistics say it employs at least sixty million people, because of the lack of transparency along supply chains, it is difficult to know exactly how many people are working directly or indirectly in fashion. Precisely for this reason, there are probably still many cases of modern slavery, especially in developing countries. A report written by the Ethical Commercial Initiative reported that 71% of companies within the fashion sector believe that cases of modern slavery are present along their supply chains.

Wellbeing

The eighth and final issue is wellbeing, which is to be intended as wellbeing of workers, communities, animals, consumers and the environment, touched by the supply chain. The fashion industry depicts the increasing gap between the rich and poor side of the world, and it is partly responsible of injustices and inequalities in relation to race, gender and geographic location.

For what concerns labor rights and decent work, over 50% of workers in fashion are not paid the minimum wage, and even then, minimum wages are usually half of what can guarantee good living standards in producing countries. Gender gap is also an issue, in fact, women make up the majority of the workforce in the industry, but unfortunately, they are particularly exposed to low wages. For example, in Pakistan 87% of women garment workers are paid less than minimum wage, versus 27% percent of men garment workers. However, most of the times these workers do not have alternatives and see in the western fashion companies an opportunity to work and earn a living.

Regarding health and safety concerns, workers are exposed to injuries, factories fires and disasters, long hours and exposure to hazardous chemicals and hot temperature. On the morning of April 23, 2013, Rana Plaza building in Dakar (Bangladesh) collapsed causing 1,134 dead and 2,500 injured. Rana Plaza was the deadliest garment factory accident in modern history. Developing countries are not the only one with this issue, in fact the Los Angeles's Fashion District towers house sweatshops as well.

2.3 A fragmented supply chain

Among the many factors that contributed to building the current fashion industry, the Multi-Fibre Arrangement (MFA) certainly played a fundamental role. As a matter of fact, it controlled the global clothing trade from 1994 to 2004 through quotas on developing countries' exports to advanced economies. This, together with the arrival of disruptive technologies and the digitalization across the supply chain, have led to the globalization and fragmentation of the industry supply chain. Because of cheaper labor costs and less stringent laws on workers' rights, the upstream part of the fashion industry's supply chain has increasingly begun to relocate to developing countries (Rinaldi, 2019). As a consequence, production in developed countries decline and increased complexity and reduced transparency started to characterize the whole value chain (Niinimäki et al., 2020).
Typically, the fashion supply chain consists of the product design stage, manufacturing stage, distribution and logistics stage and finally the point of retail. More specifically, the different phases are described below:

1. Raw material production: in this stage the fibre production takes place, both in the agriculture and chemical manufacturer. Natural fibres such as cotton and wood, and synthetics are produced. Typically, raw materials are provided by sub-suppliers;
2. Yarn manufacturer and textile manufacturer: yarn manufacture includes spinning and dyeing, on the other hand, textile manufacturing transforms yarns through knitting or weaving and use lot of energy and water. Moreover, textile manufacturing is responsible for a huge part of the waste created. This part is also known as the raw material processing, which usually is still under sub-suppliers' control;
3. Garment manufacturing: in this stage, finished textiles are assembled through cutting and sewing. Besides, trims such as buttons, zippers, labels and lace are included in this phase. Here, suppliers produce the final product and are known as direct suppliers or final assembly suppliers;
4. Retailers: after being manufactured, clothes are sent in large quantities to central retail distribution centers and then to small retailers where consumers purchase products. Clothes are transported mostly by container boats, but air cargo is usually especially for online shopping.
5. Consumers and end life: at the end of their life cycle, clothing is burnt, brought to landfills, or to developing countries, just few are recycled.

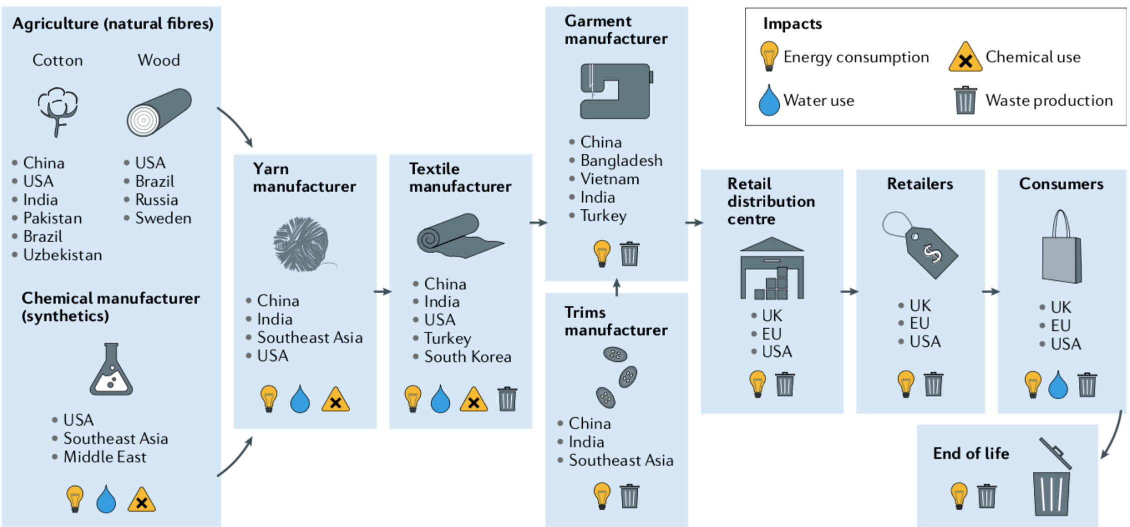

Figure 7. Garment manufacturing supply chain stages with geographical distribution and environmental impacts (Niinimaki et al., 2020).

After having introduced the stages of the fashion supply chain, several considerations follow. As introduced also in the previous section, the three axes of sustainability are significantly sensitive along the supply chain. On the economic axis, the delocalization of manufacturing processes in developing countries has changed economic growth of the industry in Europe. On the environmental axis, fashion is responsible for chemicals use, pollution and extreme water and land use. On the social axis, sweatshops and violations of labor rights represent a real problem (de Brito et al., 2008).

As figured in the picture above, the different steps of the garment production often take place in different countries and this increases the logistics and transports from one stage to the following one. More specifically, usually manufacturing process is located in developing countries such as Bangladesh, Vietnam, India and China, on the other hand the design process takes place in the Global North (such as EU or USA). These characteristics lead to many consequences.

Firstly, distance makes it hard to avoid mistakes during production planning, causing unnecessary pre-consumption waste from manufacturing.

Secondly, environmental damages caused by the industry are unevenly distributed, hitting more developing countries with respect to developed ones.

Thirdly, disappearance of traditional European industries (such as spinning and weaving) has caused loss of employment in the European textile and clothing industries. Low-skilled women faced unemployment while not having considerable experience in any other field. On the other hand, in the Global South, workers gained immediate employment in the sector, but in poor conditions (de Brito et al., 2008).

Finally, this structure needs commitment and collaboration of multitude stakeholders across the tiers of supply chain of materials production. Ideally, brands would be able to ensure that stakeholders who work directly or indirectly for the brand are acting in the interests of the brand itself (Online course - Fashion and sustainability, London College of Fashion and Kering Group).

In view of the above, nowadays fashion supply chain is featured by vertical disintegration and global dispersion of successive processes. For this reason, today is difficult for brands to control and monitor every phase of the value chain. For instance, because of insecurity in raw-material sourcing and processing, it is difficult to properly assess environmental impacts caused along the supply chain (Niinimäki et al., 2020).

To take a practical example, at the end of 1997, three years after NAFTA, the USA company Levi's started to lose in profitability. Consequently, because of labor costs it announced the closure of fourteen plants across the US and Europe. In few years, Levi's passed from a self-manufacturer company to a creator, marketer and distributor of apparel. Put differently, it was going to subcontract all the production, which would in turn be subcontracted to other suppliers (Thomas, 2019).

2.4 Possible solutions and future scenarios

In order to diminish the negative effects caused by the fashion industry, the following elements seem to be essential:

1. Improving working conditions of employees in the raw material production and manufacturing stages, mostly in the upstream segment of the value chain;
2. Improving environmental footprint of products and production processes, including aspects such as use, reuse, and recycling, according to a circular economy approach;
3. Moving customers' attitudes towards more intelligent and ethical consumption;
4. Ensuring that final consumers receive accurate and relevant information about the social, environmental and health risks of what the buy.

In order to cope with these problems, apparel brands have started to undertake several steps to increase their commitment in sustainability, including the development of sustainability board committees, sustainability policies, and sustainability reports. Brands focused their attention on sustainability both internally and externally, along their supply chains. Nevertheless, despite attempts enacted by fashion companies, questions remain regarding how these companies should implement and improve sustainability programs. There are many reasons why it is still complex to integrate sustainability in the apparel market.

Firstly, as a consequence of what emerged in the first chapter, there is no clear rationale of what sustainability means in the sector. Moreover, being the fashion industry divided into a number of different segments – sportswear, luxury, mass market, fast fashion – the way sustainability can be applied in the different markets will be dissimilar. Secondly, as highlighted in the previous section, since along every brand's supply chain there are many suppliers, distributors and retailers, the supply-chain in the industry is extremely complicated. Consequently, this peculiarity represents a threat in monitoring and reporting the impacts of the supply chain. Thirdly, the presence of fast fashion brands in market make customers more inclined to buy more and often, causing those negative effects that have been analyzed before (Kozlowski, 2015).

Based on these premises, it seems evident that the industry needs a reckoning. The main solutions are two. Either the collaboration between consumers, NGOs and governments or the development of a different production mode (Thomas, 2019). In short, both production processes and consumption attitudes must be changed. In light of these, the drivers of change towards a more sustainable fashion industry are traceability and transparency, circularity and collaborative consumption. These are the factors that ultimately will determine the success of fashion companies in the future (Rinaldi, 2019).

Actually, there are several ways through which fashion brands, mostly those born in the last years, improve the current paradigm of the fashion system.

Slow-fashion, direct-to-consumers model, a movement that is continuously gaining appreciation, is made by merchants and manufacturers who oppose to the already established fast-fashion scheme, pursuing a business which is less interested in the financial aspects but more focused in value-creating, customer experience and environmental consequences. Slow fashion celebrates local craftmanship – although adopting advanced technologies – and has no leftovers.

Another practice that is catching on is reshoring or "rightshoring", which is the restart of domestic production, characterized by big factories and modern technologies such as robotics and digitization. Thanks to hyper-automation, companies such as Reformation are able to produce garments very quickly, like fast fashion but in a sustainable way. These brands promote flexibility and quality, and by analyzing in real time the data from the stores they sell more at full price, avoiding leftovers. They try to produce good quality clothing which are not disposable, so that customers will resell and recycle them. In favor of transparency and traceability, firms adopting this practice are trying to develop a kind of fashion ecosystem, in which designing, manufacturing and showrooms all take place in the same district.

Other brands are focusing on developing new materials to produce garments, using non-polluting raw materials made in the right way. For instance, many companies are trying to recreate raw materials (such as cashmere, leather and cotton) in the laboratory and trying to recycle the various materials after use. In this way, instead of ending with disposal, discarded product is considered as a nourishing factor that can be reincorporated in a continuous closed cycle without wasting energy or materials. Some best practices are Salvatore Ferragamo and Stella McCartney.

Finally, customers have a huge role in the sustainability of the industry. In fact, thanks to the shared economy rationale, several companies started a reality defined as “Collaborative Fashion Consumption” (CFC). According to this phenomenon, consumers, rather than buying new garments, can get already existing apparel either by acquire them (i.e. swapping or second hand), or through usage options (i.e. renting or leasing). Best practices in this category are Rent the Runway, Vestiaire Collective and the TheRealReal (Rinaldi, 2019), (Thomas 2019).

CHAPTER THREE

NON-FINANCIAL REPORTING

3.0 Introduction – rationales for non-financial reporting

Fashion products are the result of several production phases, and the interaction of multiple actors who trade raw materials, semi-finished goods, components and finished goods. Moreover, there are large geographical and cultural distances between retailers and brands on one side and farmers and manufacturers on the other one. Hence, sustainability must be achieved through the whole supply chain. As evidenced in the previous chapter, key actors in the industry have identified traceability and transparency crucial for change towards responsibility and sustainability (Rinaldi, 2019). Several fashion companies have realized that skeptical consumers expect full transparency from them, along the entire supply chain. As a matter of fact, consumers, especially young generations, are increasingly more involved in examining brands from which they buy. In fact, when consumers dispose of better quality and credible information about the social and environmental impacts of clothes, they are able to make better informed decisions. Consequently, transparency builds trust in the brand consumers buy, and a lack of it can damage brands' reputation.

In the fashion context, transparency is "the public disclosure of credible, comprehensive and comparable data and information about fashion's supply chains, business practices and the impacts of these practices on workers, communities and the environment". For transparency to be effective, information disclosure has to be public. In this way, consumers, investors, governments, journalists, NGOs and trade unions can hold fashion brands accountable for their practices. However, for a company to be transparent does not mean that its behavior is sustainable as well, in fact companies may publish abundant information while poorly contributing to social and environmental causes. Differently, companies may be responsible for good social and environmental practices, but if they do not publicly share this information then external stakeholders may not be informed about it and shared learning would be lacking (Fashion Revolution, Fashion Transparency Index, 2020).

It may be argued that conventional accounting model, especially the financial reporting segment, cannot provide adequate answers to these numerous questions coming from various stakeholders. As a matter of fact, traditional accounting structure does not fully meet the requirements of managers, investors, and creditors for monitoring the company performance. Therefore, academic and professional communities indicate the urgency for basing the evaluation of company performance not only on financial, but also on non-financial information (Bogićević et al., 2016).
Non-financial information help companies to analyze their impact on the world and to make choices to improve, starting from a discussion with the stakeholders, on the other hand it makes the business grow. Moreover, certified sustainability choices are a value that translates into results on the economic and financial markets (Balzan, Millionaire, 2020). The most popular rationales for sustainability reporting are reported below (Buhr, 2011):

- Moral and ethical reasons, duty;
- Competitive advantage;
- Party to setting of voluntary standards (GRI);
- Party to setting of mandatory standards – government, accounting or securities based;
- Peer and industry pressure;
- Control on corporate performance;
- Image management, public relations, corporate reporting awards;
- Social pressures, social licence to operate;
- Financial benefits from investor reactions;
- Existing regulation – government, accounting or securities based;

In light of this, the chapter will deal with non-financial information and sustainability reporting, trying to sort out the many information and frameworks that the literature offers.

3.1 Communicating sustainability through an historical lens

For many years, accountants have aimed attention at the economic and business area by advancing financial and management accounting. However, it is only within the last century, with the need for corporate financing, that accountants started establishing accounting standards for external financial reporting. Likewise, sustainability accounting, reporting and standardization is following a slow process which was born more or less one hundred years ago (Buhr, 2011).

From a historical point of view, sustainability reporting is made up of different threads which are: employee reporting, social reporting, environmental reporting and other forms of reporting which emerged more recently. From the 1970s social audits began to emerge and corporations began to experiment with this new concept. This led to an increase in the request for social and environmental reporting by large corporations. As evidenced, the 1970s were referred to as the social reporting decade, in fact companies in those years were focused more on social responsibility. By the mid to late 1970s, interest shifted to employees and unions. More specifically, North American companies were more responsive towards community and employment of minorities, while European companies focused on employees and trade unions. Initially, there was the aspiration to develop a "total impact reporting", that is a unique statement which aim was to report all the social interactions that companies undertook. The suggestion was the creation of a "socio-economic operating statements" according to which the "benefits" and "damages" provoked by companies to society and environment could led to a single bottom line. However, since at that time there were no systematic frameworks and theories to produce social and environmental information, the ending results of this statement were not easy to interpret.

Further on, the 1980s saw concern towards economic goals, community and employees' rights. Finally, in the 1990s interest switched to the environmental issue. In the first years of social reporting, environmental causes were not considered fundamental as they are today and usually, they were included within a broader social responsibility report. Nevertheless, at the beginning of 1990s, at the same time that ideas about sustainability were being developed, social causes started to take a back seat to give way to environmental ones. Few companies began to voluntarily present distinct environmental reports. Over time, certain types of information started to become mandatory. In Canada, for instance, the Canadian Securities Administrators (CSA) has issued environmental reporting guidance for required disclosure for listed companies. In 1993, *Coming Clean*, a landmark report written by Deloitte Touche Tohmatsu International, the International Institute for Sustainable Development and SustainAbility, began to talk about sustainability and sustainability reporting as the linking of environmental, economic and social aspects of corporate performance (Gray, 1997), (Buhr et al., 2014).

According to some scholars, the three aspects of corporate performance (environmental, economic and social) are not to be considered the equivalent of the concept of sustainability. Rather, the relation among these three elements usually refers to the triple bottom line (TBL) reporting. Coined by John Elkington, a British management consultant and sustainability expert, in 1994, the phrase refers to his personal method to assess performance in US companies. Before long, triple-bottom line logic became an acceptable and comfortable metaphor for strategists. Hence, sustainability reporting started to come up when social reporting met the long-established financial reporting and environmental reporting. Hence, environmental reporting marked a turning point in corporate reporting, extending it to new contents and concepts. In this sense, corporate reporting is aimed at communicating with stakeholders, not only about environmental performance, but also, through an integrated approach, on environmental, social and economic performance, to be transparent and accountable (ibidem).

In the last decade, scholars and academics argued that communicating CSR is extremely important in order to generate positive responses on corporate performance. Together with the practice of reporting, media and communication tools have contributed to offer a different perspective on CSR and sustainability on current society. This is also due to the pressures of new consumers and current regulations. An example is the increased intensity of communication about the UN's Sustainable Development Goals (UN, 2015), influencing the relevance for organizations to communicate about CSR activities and to make sense of sustainability. Nevertheless, when compared with webpages, a sustainability report is more comprehensive because it includes information about all business operations and informs stakeholders fully about the organization's major impacts on society and the environment in print or e-book format (Feng and Ngai, 2020).

However, CSR and sustainability communication forms are challenged. Nowadays' method of communicating sustainability, free and voluntary, requires a change that leads to a more regulated and controlled communication. This is the reason why regulators are introducing stricter regulations and legal requirements.

However, the voluntary and unregulated nature of reporting contributes to the confusion. Actually, there is no standardized terminology or format that can be employed properly to interpret report content and progresses. This is the reason why during the last years, companies have seen an increase in obligations and legal requirements to report and advise about activities with which an organization contributes to sustainable development. In countries such as South Africa, Denmark, China and Malaysia, CSR reporting became mandatory before 2011, on the other hand, on other countries of the world the trend raised during the second decade of the new millennium. In this period of time, the European Union also introduced Directive 2014/95/EU (CSR Reporting Directive) which required large European companies to report on their CSR activities and impacts (European Council, 2014). The directive had to be implemented by the Member States by December 6, 2016 and "*requires companies concerned to disclose in their management report information on policies, risks, and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors*" (Weder et al., 2019), (Buhr et al., 2014).

3.2 Different non-financial reporting standards

Directive 2014/95/EU, also known as the Non-financial Information Directive or the Barnier Directive, named after its promoter, is part of the CSR agenda, which the European legislator has been supporting for several years. Therefore, countries are seeing the transition from an entirely voluntary reporting system to a mandatory one, with the aim of promoting transparency and spreading the culture of sustainability. The introduction of mandatory regulation on social and environmental information has incited the demand for specific tools for non-financial reporting. As a matter of fact, as it often happens with this type of regulation, the European standard is characterized by a low level of specification, which just describes the macro-areas with respect to which companies are required to report. No imposition is indicated by the European legislator regarding the system of standards to be followed in order to comply with the norm. Companies are free to choose their own reporting system, choosing from existing international proposals, such as the Eco-management and audit scheme (EMAS) or the ISO 26000 standard, rather than nationally recognized frameworks. Therefore, the type and substance of contents, as well as to the methods of representation, if not governed by the national law, but buy individual companies, can differ substantially. Italy, in particular, did not add detailed elements with respect to the standard, leaving companies high discretion regarding the reporting methods. Moreover, it is possible for companies to develop their own methodologies and reporting. In this context, a review of the various reporting systems seems to be essential in order to understand and issue a complete judgment about the information provided by companies. Hence, in the following paragraphs an analysis of the main international reporting tools is provided (Cordazzo and Marzo, 2020).

Year	Norms, laws, directives	Position paper	Standards
1948		ONU - Universal declaration of human rights	
1992		UN conference on environment and development - Rio declaration on environment and development	
1993			EU - ecomanagement and audit system (EMAS I - Regulation 1836)
1996			International Standardization Organization - Standard ISO 1400

1997			Social Accountability International - standard for social respinsibility (SA8000:97)
1998		International Labor Organization - Declaration on fundamental principles and rights at work and its follow-up	
2000		ONU - Global Compact	Global Reporting Initiative (GRI) - G1 Guidelines
2001			EU - ecomanagement and audit system (EMAS II - Regulaition 761) Social Accountability International Standard for social responsibility (SA8000:01) Gruppo Bilancio Sociale (GBS) - Il bilancio sociale. Standard GBS 2001
2002			Global Reporting Initiative (GRI) - G2 Guidelines
2003		ONU - Convention against corruption	
2004			Social Accountability International - Standard for social responsibility (SA8000:04)
2006			Global Reporting Initiative (GRI) - G3 Guidelines
2008			Social Accountability International - Standard for social responsibility (SA8000:08)
2009			EU - ecomanagement and audit system (EMAS III - Regulation 1221)
2010		European Commission, Europe 2020. A strategy for an intelligent, sustainabile and inclusive growth	International Organization for Standardization - Stanrdard ISO 26000
2010		ASSIREVI - Documento di ricerca n. 1530 - Modello di relazione della società di revisione sulla revisione limitata del bilancio sociale o di sostenibilità	
2012		UN Conference on Sustainable Development - The future we want	

2013			International Integrated Reporting Council - Integrated Reporting Framework Global Reporting Initiative (GRI) - G4 Guidelines Gruppo Bilancio Sociale (BGS) - Il bilancio sociale. Standard GBS 2013. Principi di redazione del bilancio sociale
2014	Directive 2014/95/UE, on non-financial communication and information on the diversity of certain companies and certain large groups		Social Accountability International - standard for social respinsibility (SA8000:14)
2015		ONU - Sustainable Development Goals	
2016	D.Lgs. 254/2016, Implementation of the directive 2014/95/UE of the European Parliament and Counsil		Global Reporting Initiative (GRI) - GRI Standards
2018	Consob - Resolution 20267/2018 - Regulation on the communication of non-financial information		

Table 4. Review of the main non-financial reporting standards during time (adapted from Cordazzo and Marzo, 2020)

3.2.1 ISO 14000 and EMAS

The ISO 14000 system of standards and the Eco-Management and Audit Scheme (EMAS) are the most widespread international certification systems in the European context for environmental management (Reference for this section is Cordazzo and Marzo, 2020).

ISO 14000

The ISO 14000 series, which identifies the set of ISO standards for the environmental management of organizations, was first published in 1996. It is a voluntary certification tool through which companies can certify the presence in the organization of an Environmental Management System (EMS) to control the environmental impacts of their activities. In fact, this certification does not imply the presence of high environmental performance, nor does it measure a minimum acceptable impact, on the contrary, it is used by companies to be able to report their commitment to managing the impact of their organisation. The certification is issued by an external body that proves the real and continuous application of the company's management system in compliance with the standard. The family of ISO 14000 standards is divided into a set of indications, guidelines and documents divided by subject:

ISO 14001: Environmental management systems - requirements and guidance for use;

- ISO 14004: Environmental management systems - guidelines on principles, systems and implementation techniques;
- ISO 14010: Guidelines for environmental audits - general principles;
- ISO 14011: Guidelines for environmental audits - procedures for fledgling; environmental system audits;
- ISO 14012: Guidelines for Environmental Auditors - Environmental Auditor Qualification Criteria.

Eco-Management and Audit Scheme (EMAS)

In contrast to the ISO system, which is globally recognised, the effectiveness of EMAS certification is limited to the European Union’s territory. The EMAS system was introduced in 2001, with the EMAS Community Regulation, to stimulate and support the commitment of European companies in reducing environmental impact. Similarly to the ISO certification, the adhesion to EMAS is on a voluntary basis. Also in this case, the purpose is to show that the company has adopted an adequate management system to control the environmental impact of its activities and is committed to continuous improvement in sustainability.

The EMAS Regulation fully incorporates the ISO 14001 requirements, however there are other requirements that companies must meet in order to register. Among these, the main one concerns the annual preparation of an Environmental Statement, to be made publicly available to all stakeholders, which summarizes the environmental policy and program, the methodologies, and the results pursued and obtained.

3.2.2 SA8000

The SA8000 system of standards, where SA stands for social accountability, represents the most authoritative international system of voluntary accreditation of companies in relation to social sustainability[3]. The accreditation procedure follows a mechanism which is similar to that adopted for ISO 14000 standards. The standard is developed by Social Accountability International, a U.S. non-governmental organization founded in 1997 to provide investors and consumers with data to analyze the social performance of companies. The objective of the SA8000 system is to enable companies to certify their commitment to ethics rules and the rejection of all working conditions characterized by inhumanity, exploitation, unfair pay and unhealthy workplaces. As a matter of fact, this standard is based on the principles dictated by international references on human and workers' rights and in particular refers to the concepts included in the ILO conventions, the Universal Declaration of Human Rights, the United Nations Conventions, the Rights of the Child and the United Nations Convention to eliminate all forms of discrimination against women. The standard is applied to all types of organisations and affects personnel under the control or influence of the organisation. The social responsibility requirements that the company must comply with are:

- Child labour;
- Forced and compulsory labour;
- Health and safety;
- Freedom of association and right to collective bargaining;
- Discrimination;

[3] Reference for this section is Cordazzo and Marzo (2020).

- Disciplinary practices;
- Working hours;
- Remuneration;
- Management systems.

3.2.3 GRI – Sustainability Reporting Standards

Nowadays, the standards of GRI (Global Reporting Initiative) are considered the most widespread and accepted standards for sustainability reporting. GRI was founded in Boston in 1997 from the cooperation of Robert Massie, executive director of Coalition for Environmentally Responsible Economies (CERES) and the Tallus Institute. The standards were created in order to develop an accounting system that would allow organizations to produce environmental reporting, pursuing the principles of socially responsible conduct typical of CERES. To do this, it was created a framework whose original recipients were investors and only after the creation of the executive committee for the development of the guidelines, GRI reporting took on the character of a multidimensional approach, thus extending the scope of reporting to the social, economic and environmental spheres. Since 2002, the United Nations Environment Programme (UNEP) shared the GRI principles and Amsterdam was chosen as the headquarters of the organization[4].

GRI's core product are the Sustainability Reporting Standard and in order to deliver them, four areas of interest have been identified:

- Create standards and guidance to advance sustainable development;
- Harmonize the sustainability landscape;
- Lead efficient and effective sustainability reporting;
- Drive effective use of sustainability information to improve performance.

[4] http://www.globalreporting.org

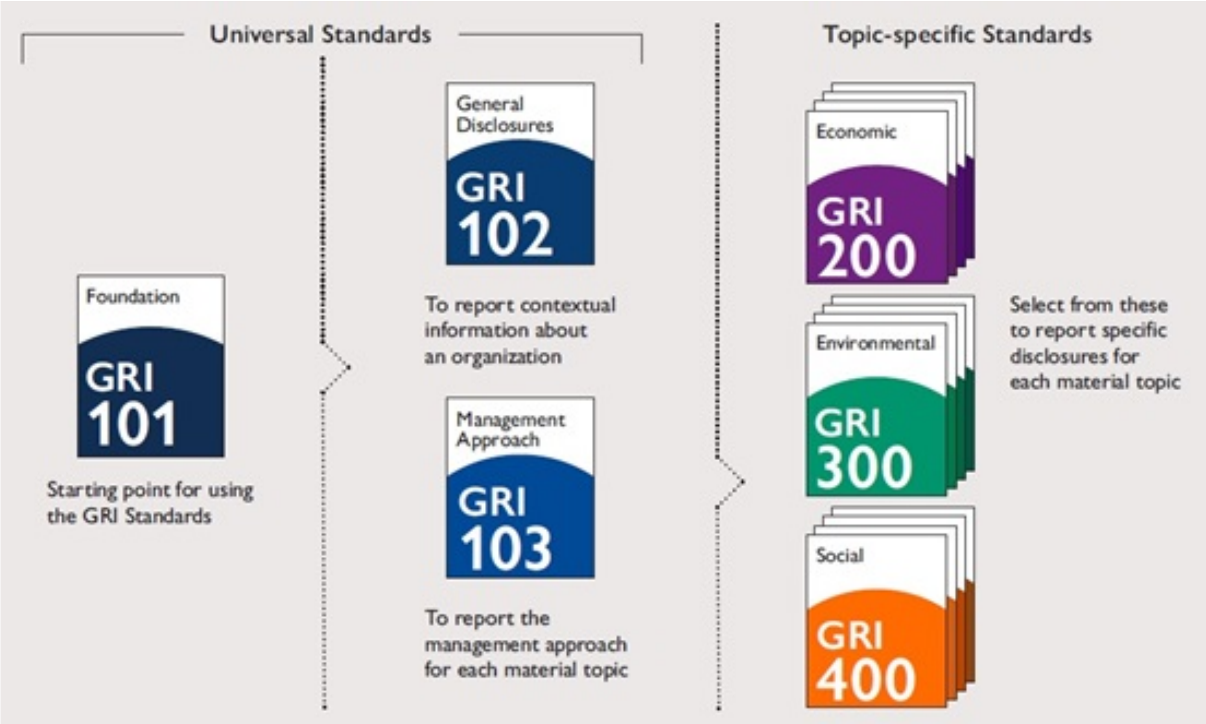

Figure 8. GRI Standards (2016). Source: www.globalreporting.org

Currently, there are 36 documents that make up the GRI, each of which is considered a Standard, divided into 4 series:

GRI 100 – Universal Standards: these standards are, as the name suggest, universal as they are applicable to every organization dealing with non-financial reporting. They are the reference for the adoption of the standards, the reporting of context information, related to strategy, governance, stakeholders and reporting practices adopted;

GRI 200 – Economic Standards: are included requirements for the reporting of economic aspects such as economic performance, market presence, procurement practices, anti-corruption, anti-competitive behavior and taxes;

GRI 300 – Environmental Standards: are included requirements for the reporting of environmental aspects such as materials, energy, water, biodiversity, emissions, waste etc.;

GRI 400 – Social Standards: are included requirements for the reporting of social aspects such as employment, training and education, non-discrimination, child labor etc.;

Companies that use GRI standards can choose between two alternatives, core and comprehensive. Reports according to the core option contain the minimum level of information to understand the nature of the organization, its material aspects and impacts, and how they are managed. The report under the comprehensive option adds additional information to the basic information about the strategy pursued, the ethics and integrity of the organization, as well as its governance. In addition, these reports focus more on material aspects (Cordazzo and Marzo, 2020).

Apart from this differentiation, the reporting process is divided into 4 parts:

- Compliance with the reporting principles that underpin the quality of the communication provided;
- Illustration of the characteristics of the company and the reporting practices adopted in relation to sustainability issues;
- The identification of material aspects for which specific reporting is required;
- A description of the management and performance achieved in relation to the aspects considered to be material

In order to define the aspects on which to report, the company is required to carry out a *materiality* analysis, aimed at identifying significant issues according to the criteria of materiality, stakeholder inclusiveness, sustainability context and completeness. Moreover, for each material aspect, it will therefore be necessary to indicate how the organization's impact is generated with respect to each single aspect. Despite efforts by GRI to adopt the principle of materiality in older versions of its report it was only in G4 – in 2013 – that materiality became the key element of the document, guiding all selection procedures, application, and especially the way to report the applied components. Materiality can be defined as "*the threshold at which aspects become sufficiently important that they should be reported. Beyond this threshold, not all material aspects are of equal importance and the emphasis within a report should reflect the relative priority of these material aspects*" (GRI, 2015b). Hence materiality works according to the relevance. Both the company and the stakeholders have different materials – i.e. different priorities – and the difference between these parties gives rise to materiality. Hence, materiality consists of the junction of the aspects of the company and the aspects of its stakeholders (Carpejani et al., 2017).

3.2.4 Integrated Reporting (IR)

The standards previously presented are employed by companies to certify their management systems towards social and environmental issues. Even though Directive 95/2014/UE allows these systems as standards to be presented on non-financial reporting, they do not represent properly communication standards. In fact, management certification systems do not offer any indication on how information should be communicated. For this reason, in the last years, many frameworks, which aim is to communicate non-financial information, have been proposed. Among these, one of the most used and known framework is the Integrated Reporting Framework (IR) (Cordazzo and Marzo, 2020).

Integrated Reporting was founded in 2010 with the establishment of the International Integrated Reporting Committee (IIRC), which later was renamed International Integrated Reporting Council. Although the IIRC has become the reference body for integrated reporting, it was not the pioneer in this field. In fact, some organizations had already made some advancements toward integrated reporting. In South Africa, where integrated reporting is a listing requirement, guidelines for IR were being developed before the formation of the IIRC (de Villiers et al., 2014). Integrated Reporting has emerged and has taken into consideration as a new reporting practice, and three different reporting practices have been addressed as financial reporting, non-financial reporting and integrated reporting. According to scholars, IR combines “all the pieces of puzzle” as it integrates both financial and non-financial knowledge into a single and brief report. As a matter of fact, when dealing with IR, it is not properly correct to speak of non-financial reporting as it goes beyond the current reporting tools, combining both internal and external business’ environments (Sarioglu et al., 2019).
Actually, the concept behind integrated reporting has some precedence, other frameworks can be considered antecedents of IR: Balance Scorecard, Triple Bottom Line and Sustainability disclosures.

The *Balance Scorecard* is an internal performance measurement, reporting and management control mechanism that merges both financial and non-financial measures. The purpose is overcoming financial indicators limits and enhancing non-financial ones to concentrate on future performance rather on past performance. For each organization managers decide the proper measure to add in the Balance Scorecard in order to support management to aim attention at essential strategic aspects of the organization. For what concern external performance measurement, *Triple Bottom Line*, as already specified, became well-known towards the end of 1990s while *Sustainability Disclosures* developed more recently. In the context of corporate reporting, the term sustainability disclosures is often contested and criticized since the term has little to do with sustainability and is much more about an attempt by business to connect with the concept of sustainability in a symbolic way, while continuing with business as usual (de Villiers et al., 2014).

IR enables to communicate on all the aspects of a business, and it is based on integrated thinking. The main aim of IR is to combine all these aspects together to present how business has contributed to the short, medium and long-term value creation. Moreover, IR aims to change that by giving intangibles and externalities a place in corporate reporting (Sarioglu et al., 2019). In the logic adopted by the IIRC, environmental and social aspects are directly included in the annual report, as part of the six forms of capital on which the company is required to report: financial capital, productive capital, intellectual capital, human capital, social and relational capital, and natural capital. Each aspect relating to the different forms of capital should be the subject of reporting to the extent that it participates in the processes of value creation.

The document sets out a series of principles that can be adopted by the company as a guide on how to communicate in order to ensure the quality of information. The principles are[5]:

[5] Cordazzo and Marzo, 2020.

- Strategic focus and future orientation: the report must be useful to understand the strategy that the company adopts and how value it creates over time;
- Information connectivity: an integrated report should allow for a high degree of interconnection of information. Quality concerns not only the content but also the way it is communicated. Therefore, an integrated report must provide both quantitative and qualitative information, so that it is interlinked and justified;
- Stakeholder relations: the report has to take into account the multi-stakeholders' needs. The company has the task of illustrating how these needs are met and how they affect the value creation process;
- Materiality: it is understood as the relevance with respect to the company's ability to create value in the short, medium and long term;
- Synthetics: information must be effective and focused, avoiding generic or superfluous descriptions that may distract attention, or make it difficult to identify useful information;
- Reliability and completeness: in order to promote reliable and guaranteed information, it is preferable to use internal audit tools that guarantee the quality of the information;
- Consistency and comparability: information can be considered useful if there is a yardstick for comparison, so the comparison between reports is essential, both over time and between other companies; in this sense, the use of standard measures can help the comparison process.

3.2.5 Other frameworks

Apart from the most widespread non-financial frameworks and standards, there are others which are less known but still used by many companies that want to report on their sustainability performance. In this section, these frameworks will not be explored in great detail, but, for the sake of completeness, they deserve a mention and an introduction.

SASB

SASB (Sustainability Accounting Standards Board) is a non-profit organization, founded in 2011 by Jean Rogers, with the mission to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors. SASB's work is overseen by the SASB Foundation Board of Directors and carried out by the Standards Board and SASB staff. In this regard, SASB's governance structure is similar to other internationally recognized standard-setting bodies such as FASB and IASB. SASB' standards main characteristic is that they differ by industry, enabling investors and companies to compare performance from company to company within an industry. The core principles that guide SASB approach, thought to facilitate sustainability disclosure are:

- Global Applicability;
- Financial Materiality;
- Approach to Standard-Setting:
    - Industry-Specific;
    - Evidence-Based;
    - Market-Informed[6].

United Nations (UN) Global Compact

The Global Compact proposal, encouraged by the United Nations, focuses on creating an economic, social and environmental framework in which everyone can participate by contributing and participating in the sharing of benefits. For this reason, it envisages that member companies support a series of principles relating to human rights, labour and environmental standards and, finally, the fight against corruption. To date, the principles of the Global Compact represent one of the tools most cited by companies in the reporting of environmental and social performance (Cordazzo and Marzo, 2020).

[6] https://www.sasb.org

AccountAbility AA1000

AccountAbility's AA1000 Series of Standards is a framework used by businesses and governments to show leadership and performance in accountability, responsibility, and sustainability. AccountAbility is recognized as a Framework Developer in the World Economic Forum's ESG Ecosystem Map, acknowledging the impact of the AA1000 Series of Standards in advancing large-scale, integrated, and focused ESG change.

The AA1000 Series of Standards include simple, practical, and easy-to-use frameworks for:

- Developing, analyzing, and implementing sustainability initiatives (AA1000AP, 2018);
- Creating and conducting inclusive sustainability-related stakeholder engagement practices (AA1000SES, 2015);
- Assuring credibility in reporting on progress toward sustainability goals (AA1000AS v3)[7].

Other in-house frameworks

Despite national and international available frameworks, as already specified, companies are allowed to use standards and frameworks they prefer, also by developing its own methodology. This is the case for large companies that, most of the time, need a framework customized for their needs and have the opportunity and resources to do so. In the fashion industry, French group Kering has developed its in-house methodology to measure their environmental impacts.

Kering developed its "Environmental Profit & Loss" with the purpose to share it with peers in the luxury segment and other sectors. It is considered as a decision-support tool which measures carbon emissions, water consumption, air and water pollution, land use and waste production throughout the supply chain of their brands. The EP&L makes Kering

[7] https://www.accountability.org/standards/

environmental impacts transparent, quantifiable and comparable and can also be converted into monetary values[8].

3.3 Sustainability reporting in the fashion industry

After having analyzed the major standard and framework of non-financial reporting, an insight into the fashion industry non-financial reporting is provided.

Despite the importance of sustainability and CSR communication, only a few studies have explored this topic in the context of fashion industry. However, the current literature presents some trends according to which some topics have been analyzed more than others. Relevant studies focused mainly on sustainable supply chain management (SSCM) (Karaosman et al., 2019; Turker and Altuntas, 2014; Caniato et al., 2011), on CSR communication corporate in websites (Feng and Ngai, 2020), and on type of indicators disclosed by fashion companies (Kozlowski et al., 2015).

Today, fashion companies face several challenges that push them to be leader in terms of innovation, sustainability and fashion. Nevertheless, as evidenced in the previous chapter, it has become increasingly hard for brand to control and monitor their supply chains process and guarantee quality standards all over the chain. As a matter of fact, studies on this topic stress that environmental and social risks mostly occur outside the buying firm's physical boundaries, implying that suppliers play a crucial role in company performance. However, fashion firms are not fully aware of their network members' operational impacts. In this sense, there is evidence that sustainability in the fashion industry depends not only on technical, but also on relational components. Hence, negative externalities could be diminished only when companies focus on a careful analysis to be conducted at the network

[8] https://www.kering.com/en/sustainability/environmental-profit-loss/

level. This is the reason why, most companies today in the fashion industry, mostly in the fast-fashion segment, focus their attention on sustainable supply chain management (SSCM) (Karaosman et al., 2019), (Turker and Altuntas, 2014). In fact, as highlighted in a research investigating the type of indicators disclosed by fashion companies, emerged that SSCM had the greater number of indicators (Kozlowski et al., 2015).
More generally, according to a report published by Mediobanca (2020) regarding reporting practices of large Italian and European fashion companies, in 2018, 83% of the fashion companies analyzed (38 out of 46) compiled a Sustainability Report, also known as a Social Responsibility Report or Non-Financial Statement. For 66% of the companies (25 out of 38) this report is an independent document, for the others it is added to the Annual Report as a separate section, along with the financial data. As for the content of the reports, the main issues that have been reported are ESG (Environment, Social and Governance) criteria adopted in the companies' strategies. Indeed, environmental and social issues are increasingly critical for these companies' operations, impacting more and more on their strategic and management rationale, production choices and innovation processes. Moreover, the guidelines or standards for sustainability reporting defined by the Global Reporting Initiative (GRI) are the reporting standard adopted by the majority of the companies in the sample. Usually, companies report more on social aspects than environmental ones. Regarding the social issues, companies report mostly on the age of workers employed and gender diversity. On the other hand, as to environmental issues, the most important themes regard emissions, energy and waste. (Report on large Italian and European Fashion Companies, 2020).

3.4 Criticisms

Despite the various benefits that have been attributed to non-financial reporting (NFR), some scholars have been skeptical towards this type of reporting and have addressed some criticism that now will be specified.
A first criticism regards the terminology that is used when referring to sustainability reporting. Similar to the concept of sustainability in the first chapter, one problem with the field of NFR

is the existence of several terms including integrated reporting, sustainability reporting and corporate responsibility reporting. This feature reflects also the heterogeneity in firms' terminology regarding non-financial reporting. Here is a list of the titles used for the reports containing non-financial information: annual report, annual consolidated and separate financial statements, annual financial statements, integrated report, integrated annual report, stakeholder report, corporate responsibility report, corporate governance report, sustainability report, social, ethics, and sustainability report, social and environmental report, social and ethics committee report, risk and capital management report. It may be argued that such heterogeneity is due to the lack of a consistent definition of NFR, leading firms to adopt and adjust their ad hoc disclosure practices (Stolowy and Paugam, 2018).

The second criticism concerns the number of standards, regulations and certifications that govern this practice. Frameworks and guidelines created by global organizations include: International Intergrated Reporting Council (IIRC), the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board, the US based Sustainability Accounting Standards Board (SASB) and the EU's non-financial reporting directive. With this proliferation of regulations and the absence of a global accepted set of standards, a lack of coordination and monitoring has led to confusion and inconsistencies. If companies are disclosing different types of data and using different measurements, it makes it almost impossible to establish comparisons or to identify trends. In many instances, governance risk is better reported than social and environmental risk. This imbalance also needs to be addressed (Nelson, EY Global Climate Change and Sustainability Services Leader, 2019).

A third critique regards the quality of reports published by companies. Sustainability reporting has been criticized for corporate rhetoric lacking consistency between talk and action. According to scholars Milne and Gray (2012) "*The critical issue which arises from the poor quality of reporting is the clearly ludicrous situation whereby the one thing that one cannot infer from information is the very thing the information purports to present. The one thing you cannot learn from a sustainability report is the contribution to sustainability that the organization has made*". Furthermore, scholars argue that organizations are barely producing reports which provide information on social and environmental issues to the same extent and quality as that of financial information and, given that the GRI guidelines are to be considered a work in progress, even the relatively few organizations which comply with the GRI are someway short of any serious discharge of social and environmental accountability. Moreover, many studies have shown how managers typically contribute with a weak form of sustainability that does not enhance development, thus not aspiring to an effective change. In fact, in communicating sustainability, corporations usually use their history and heritage as a discursive device. Other criticisms concern the information overload that is published, making the reports extremely long and protracted (Ihlen and Roper, 2011).

Other criticisms are addressed to the framework that are currently employed. Specifically, some scholars argue that the concept of TBL, which merges economic, social and environmental, is a problematic and impossible to pursue concept. TBL cannot be confused with advancing a just and sustainable world, rather may be better understood as an organizational and institutional barrier to develop ecological literacy and fuller take-up of sustainability. Moreover, as reported by Milne and Gray (2012) "*There is no over-arching framework theory that guides the selection of indicators and ensures their relationships one to another and between the issues of concern and the entity. The GRI with its attendant core TBL focus seems unlikely to promote the kind of ecological thinking and literacy, and so change, we see as so necessary. All the signs to date also suggest that IR is clearly not that change either, except in being remarkably regressive* "(Milne and Gray, 2012).

Other critiques regard the Integrated Reporting. More specifically, IR has been criticized for complexity and incompatibility (Robertson et al., 2019), for the dominance of the business case logic over environmental and social issues (Kannenberg and Schreck, 2018), and for its inability to move beyond communication (Torres at al., 2017).

3.4.1 Greenwashing

Since the increase in sustainability and CSR acceptance, many companies find it profitable to invest in CSR, and some companies may be tempted to communicate over a non-existent or overestimated effort in CSR. This manipulation of corporate image is often referred to as "greenwashing". The term "greenwashing" was coined in 1986 by biologist Jay Westerveld but it was only in the last decade that became a widespread and well-accepted concept. Despite several researches conducted by scholars in the field, there is no unique definition of greenwashing. The Oxford Dictionary defines it as “disinformation disseminated by an organization so as to present an environmentally responsible public image”. Another definition, provided by TerraChoice (2009), describes greenwashing as “the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service. More generally, this practice consists of misleading communication concerning environmental causes. There are two main reasons why companies recur to this practice, both to gain legitimacy and to communicate to stakeholder’s firm’s values regarding green issues (Torelli et al., 2019). Hence, companies that apply the practice of greenwashing use CSR communications to try to deflect attention from their unethical conduct to attract eco-conscious consumers, prevent protest and appear to be in line with government regulations (Vollero et al., 2016).

Therefore, greenwashing practices aim at creating reputation and strengthening the legitimacy of the organization in the institutional context. This is done essentially through two techniques of communication:

- decoupling, i.e., the appearance of meeting the demands of the parties concerned, without actual changes in organizational practices.
- attention deflection, i.e. the implementation of a series of practices (self-declarations, selective disclosures, etc.) that tend to highlight the indicators that show the positive impact in order to avoid revealing' performances that are not very significant from the point of view of sustainability.

Among the main determinants of greenwashing risk are:

- The unidirectional communication approach, with few points of contact with stakeholders;
- Gap between promises expressed in its sustainability communication and results perceived by different stakeholders;
- Communication strategy unclear or aimed at hiding the real nature of the problem;

- Generic description of initiatives, without specific facts/data to support and attractive messages ('fluffy' language and suggestive images) with excessive emphasis on positive but marginal aspects.

In order to prevent these risks to occur, it seems to be fundamental to move towards stakeholder engagement and a shared 'sense' construction to question organizational practices and business processes that are often consolidated in order to achieve an active involvement of stakeholders. Moreover, commitment to sustainability must be communicated unambiguously, revealing which role companies want to interpret. It is therefore not enough to declare one's general commitment to sustainability, describing one's performance with a wealth of information and with reference to precise social and environmental accountability rules. To face the challenge of innovation for sustainability, it seems necessary to create 'common territories' of dialogue and sharing within the stakeholder network in which the company operates. From the management point of view, however, it is essential to express the commitment to sustainability by adapting it to the canons of truthful, complete and transparent communication. A careful communication to make the results achieved clearly known, with precise supporting data certified by third-party sources, and with accessible language, can help to reduce the risk of greenwashing. The use of non-corporate sources in communication, through the endorsement of independent third parties that provide accurate information on the sustainability of business processes, can help reduce stakeholder scepticism, increasing the credibility of communication. For the same purpose, the use of means such as social media, can encourage extroversion stimulation activities, reducing the perceived distance between the parties and increasing the reliability of messages (Vollero, 2013).

Part II

Practices of sustainability reporting in the Italian fashion industry

CHAPTER FOUR

METHODOLOGY

4.1 Italian context

In order to properly understand the circumstances in which Italian fashion companies operate, a description of the Italian fashion industry and legislative framework regarding non-financial reporting in Italy, is provided in the following sections.

4.1.1 Italian Fashion System

The Italian fashion system represents one of the Italian main manufacturing sectors: it is the second after mechanics, both for extension (number of companies and employees) and for the amount of exports[9]. As a matter of fact, historically, the Italian fashion system is one of the sectors that has contributed the most to the economic growth of the country. Over the years, the continuous improvement of the sector has allowed Italy to acquire a position of absolute leadership in this field. Nowadays, the main productive sector is represented by textile-clothing, followed by leather goods and footwear. According to a report published by Mediobanca (2020), which analyzes 173 Italian fashion companies with turnover exceeding 100 million in 2018, Italian fashion industry is continuing to grow. To date, it has a total turnover of 71.7 billion euros in 2018 (+22.5% on 2014 and +3.4% on 2017). Profits in 2018 amount to 3.7 billion (+25.2% on 2014) and are family owned listed companies those that

[9] https://www.pmi.it/economia/mercati/268425/industria-italia-manifatturiero-crescita.html

record the best EBIT margin (13.4%) and are more inclined to export (86.1% turnover from abroad).
Among the sectors, clothing stands out, which alone accounts for 42.6% of aggregate revenues, followed by leather goods (23.1%) and eyewear (15.6%). As for average annual sales growth in 2014-2018, jewellery (+10.9%) stands out, followed by leather, hide and footwear (+6.2%), textiles (+5.7%), distribution (+4.9%), apparel (+4.5%) and eyewear (+3.7%). In this scenario, the presence of foreign groups in Italian fashion is important: 70 of the 173 companies have a foreign ownership and control 34.7% of the aggregate turnover (14.2% is French, including Lvmh and Kering, both with 5.4%)[10].

From a strategic point of view, Italian companies in the fashion sector found themselves having to choose which strategy to implement to remain competitive. As highlighted in the second chapter, the fashion market in the last few years has been getting closer and closer to fast fashion, but this is very difficult for Italy, given the scarcity of low-cost inputs. This is why, most companies, at all levels of the fashion industry supply chain, have moved towards differentiation. In fact, since the 1990s, Italian companies have gradually turned to niche segments and have positioned themselves on high quality. For many experts, since Italian companies operate in traditional sectors, differentiation and high quality compared to products from emerging countries are the only ways to maintain competitiveness. Hence, in this context, intangible resources represent a fundamental competitive advantage. However, this choice leads Italian fashion market to face some challenges. Firstly, companies must continue to invest in R&D and innovation to ensure a high level of quality and reliability over time. Secondly, companies need an excellent marketing and communication strategy that convey to customers the weight of the brand and its intangible aspects. Finally, it is essential to protect intellectual property (Bozzolan, 2013).

[10] Area Studi Mediobanca (2020), “Report on large Italian and European fashion companies”.

In addition to the fashion capitals - Milan, Florence and Rome - where the luxury fashion houses and style centers are located, the system is made up of numerous industrial districts. As a matter of fact, similar to other Italian industries, fashion system is characterized by a small number of large companies flanked by a myriad of medium, small and very small companies with a strong specialization in manufacturing production. Such model, in the course of the years, has developed till the phenomenon of the industrial districts. The industrial district is a territorial thickening with a high concentration of small and medium industrial enterprises with high productive specialization, generally characterized by an intense interdependence of their productive cycles and strongly integrated with the local social and economic environment that hosts them. The specific characteristic of the districts is the collaboration between firms: in the district the production orders are distributed, services are realized together, knowledge is shared, and innovation is developed together. Thus, territory and local communities create a strong synergy. Most of the small businesses active in the productive process could not survive in absence of strong ties with their territory and the networks of relationships present in it. In fact, these networks make economies of specialization and scale accessible to small local businesses, allowing them to organize modern production processes, endowed with quality skills and a sufficiently large market outlet (ibidem).

At the geographical level, companies are mainly concentrated in Tuscany and Lombardy, and it is possible to state that, regardless of the different specializations and characteristics of the territory, there is a higher level of innovation in the Centre-North, while in the South there is a greater tendency to work for third parties. In textiles, the main regions are Lombardy and Veneto, where there are companies from small to large size, and Emilia-Romagna and Tuscany, more characterized by the presence of small and medium realities. In the leather, hide and footwear sector, most of the production is located in Tuscany, Marche, Veneto, Lombardy and Campania. Moreover, the eyewear district is located mainly in the Veneto region (Zulian, 2014).

4.1.2 Italian non-financial reporting regulation

From 2017, the Directive 2014/95/EU of 22 October 2014 introduced a main novelty, that is that the company's "non-financial" reporting went from voluntary to compulsory. According to the European Union, the Sustainability Report (or non-financial statement) aims to harmonize the publication of non-financial information with the objective of making it easily accessible to investors and consumers.

In Italy, Legislative Decree 254/2016, which has transposed European Standard 95/2014, introduced into national law the obligation for large public interest companies to draw up and publish a Non-Financial Declaration (Dichiarazione di carattere non finanziario - DNF).

Pursuant to art. 16 of Legislative Decree 39/2010, the definition of "public interest entity" includes Italian companies issuing securities admitted to trading on Italian and European Union regulated markets, banks, insurance companies, reinsurance companies with registered offices in Italy and secondary offices in Italy of non-EU reinsurance companies. Public interest entities are subject to the disclosure of the DNF if they have had, on average, more than 500 employees during the financial year and, at the closing date of the financial statements, have exceeded at least one of the following two size limits:

a) Balance sheet total assets: 20,000,000 euro;
b) Total net revenues from sales and services: 40,000,000 euro[11].

In order to guarantee the understanding of the business activity, its performance, its results and its impact, for each financial year, this declaration must describe at least:

- the company's management model;
- the policies implemented;
- the main risks generated or suffered and the related management methods.

Moreover, the declaration must also contain at least information regarding:

[11] Deloitte, SDA Bocconi (2019), "Osservatorio Nazionale sulla Rendicontazione Non Finanziaria"

- The use of energy resources and the use of water resources;
- Greenhouse gas emissions and pollutant emissions into the atmosphere;
- The impact on the environment and on health and safety;
- Social and personnel management aspects;
- Respect for human rights, the measures taken to prevent their violation, as well as the actions taken to prevent attitudes and actions in any case discriminatory;
- Fight against both active and passive corruption.

It is also specified that, if the entity does not practice policy in relation to one or more of the above areas, it must, in the same statement, indicate the reasons for this in a clear and articulated way.

Article 5 of Legislative Decree 254/2016 regulates the regime of advertising and the location of the declaration. This information may be presented:

- In the management report (relazione sulla gestione);
- In a separate report, in this case, subject to publication in the company register by the directors themselves, together with the management report[12].

With regard to the method companies have to adopt to report, Directive 2014/95/EU gives flexbility to disclose information in the way they consider most useful. Companies may use international, European or national guidelines to produce their statements. For instance, they can rely on:

- The UN Global Compact;
- The OECD guidelines for multinational enterprises
- ISO 26000.

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[12] https://www.diritto.it/bilancio-di-sostenibilita/

In light of this, European Commission have issued its guidelines to assist companies in publishing environemntal and social information. These guidelines are not to be considered mandatory and companies may decide to use frameworks and the directions they prefer according to their own business[13].

Consob, with resolution no. 20267/2018, adopted the Regulation implementing Legislative Decree 254/2016. Article 2 of the Regulation provides that the non-financial statement shall be published:

- or by listed issuers, together with the annual financial report
- or by broadcast issuers, together with the filing of the separate report with the commercial register.

Consob publishes annually, on its website, a list of the entities that have published the non-financial statement.

With regard to disclosure, it is expected that listed and distributed companies use the publication and transmission channels already provided for by the current regulations of the Consolidated Law on Finance. For other companies, on the other hand, the publication of the non-financial statement on their website is envisaged in order to guarantee easier access to all the stakeholders.

Finally, the designated auditor issues a special report, addressed to the administrative body, which meets the requirements specifically indicated in the article itself. With regard to the verification of compliance of the Sustainability Report, carried out by the Statutory Auditor, companies may choose between two forms of attestation (limited assurance and reasonable assurance). Consob, pursuant to Article 6, will then carry out a sample check on non-financial

[13] https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en

statements. The set of parties whose non-financial statements will be subject to control is determined annually, on the basis of parameters established by a specific resolution (ibidem).

4.1.3 Interview with Sara Mariani, Chief Sustainability Officer at OTB S.p.A.

In the previous paragraphs the Italian context has been analysed both from the fashion and legislative point of view. In order to better understand the current and future dynamics of sustainability in the Italian fashion system, an interview was conducted with Sara Mariani, Chief Sustainability Officer at OTB S.p.A (integral interview in the Appendices).
After a Degree in International and Diplomatic Sciences and a Master's degree focused on the relationship between raw materials and geopolitics, her professional career was immediately marked by sustainability and fashion. Initially, she was senior manager of a sustainability program named Global Social Compliance Program (GSCP), she spent two years in Lebanon with the United Nations, she worked as a sustainability consultant for leading luxury brands, then she joined the French group LVMH, first in Sephora and then in Christian Dior Couture, dealing with sustainability for fashion and leather goods.

The interview deals with topics such as the current Italian situation regarding sustainability, supply chain, greenwashing, communication and corporate reporting. In addition, the interview offers several practical examples of how sustainability is treated in companies operating within the fashion industry.
In summary, what emerges from the interview is the condition of general backwardness towards sustainability that characterizes Italy and Europe. More precisely, Italy appears to be one step behind the other European nations. This condition is due not only to companies operating in the sector but also to consumers, who are often misinformed and do not sufficiently encourage companies to implement the virtuous circle that would not only bring benefits at a social and environmental level, but also at a strategic and financial level. For this reason, the measurement of non-financial performance, and subsequently the communication of it, are fundamental to measure progress and encourage motivation towards certain issues. In light of this, corporate reporting is essential for experienced

stakeholders such as audit firms and investors, but there is also a need for punctual communication to reach a wider audience.
In addition, in the fashion industry there are various realities, some of which are more limited than others in the development of sustainable practices, such as fast fashion brands and large and already very structured companies.
In conclusion, despite a certain feeling of uncertainty and frustration, things are moving, and they are moving here in Italy as well. This crisis has called into question many things and there is still not enough clarity to understand where we are going.

4.2 Materials and Methods

4.2.1 Firm selection

The aim of this research is to detect and interpret the phenomena and trends about non-financial reporting of Italian companies in the fashion industry. In this respect, the research included the Non-Financial Statements published no later than August 21, 2020. The reports that will be analyzed have been published by the sample of companies considered. The sample of companies has been selected according to precise criteria that are listed below.

Firstly, using AIDA (Analisi Informatizzata delle Aziende Italiane) program, which contains comprehensive information on Italian companies, ATECO codes that most refer to the fashion industry have been selected. The chosen codes are the following:

- 14 - Manufacture of clothing articles; manufacture of leather and fur articles;
- 15 - Manufacture of leather and similar articles;
- 323 - Manufacture of sportswear;
- 4641 - Wholesale of textile products;
- 4642 - Wholesale of clothing and footwear;
- 46495 - Wholesale of leather goods; travel goods in any material;

- 47191 - Department stores;
- 4771 - Retail trade of clothing in specialized stores;
- 4772 - Retail of footwear and leather goods in specialized stores;
- 74101 - Fashion and industrial design activities;
- 7740 - Grant of exploitation rights of intellectual property and similar products (excluding works protected by copyright).

Secondly, after the selection of Ateco codes, in accordance with D.Lgs. 254/2016, the results of three researches have been cross-referenced:

a) All the Italian listed companies have been selected;
b) All the Italian companies with more than 500 employees and revenues from sales higher than 40 million euro, from last financial year, have been selected;
c) All the Italian companies with more than 500 employees and balance sheet’s total assets higher than 20 million euro, from last financial year, have been selected.

Thirdly, the resulting data set from previous searches has been modified according to the following criteria:

- In this research, fashion companies have been considered as those that do not only sell but also design and manufacture clothes. Therefore, department, discount stores and retail firms, which only sell clothes and do not own factories or outsource any garment production, were excluded;
- Only companies operating in the fashion industry in a narrow sense have been selected. More specifically, the industry segments considered are clothing, leather goods, textiles and footwear. Hence, companies operating in eyewear, jewelry and in the production of suitcases have been excluded;
- The sample considers only B2C manufacturing companies of finished product, and not companies that produce raw materials and provide intermediate products or services. Therefore, companies specialized in tanning, fabric production and involved in the raw materials processing were not included in the sample;

- From the initial data set were excluded all affiliated and subsidiaries companies, whose group was already present in the data set, therefore only the main companies of the reference group were taken into consideration.

After applying these filters, the final sample includes 43 companies (Table 5). The table below represents corporate names with activity code, number of employees, total turnover and total assets according to last financial year.

n.	Corporate Name	ATECO 2007	Listed	Employees (2019)	Revenues from sales (2019) migl EUR	Total Assets (2019) migl EUR
1	**BASIC NET S.P.A.**	774000	Yes	211	4,438	137,657
2	**BENETTON GROUP S.R.L.**	464210		3,716	877,530	1,167,052
3	**BRUNELLO CUCINELLI S.P.A.**	143900	Yes	967	445,668	608,842
4	**CALZEDONIA S.P.A.**	464230		2,638	1,906,481	1,949,482
5	**CANALI S.P.A. (ALCOTT)**	141000		1,141	131,746	139,313
6	**CAPRI S.R.L.**	477100		1,082	226,883	160,019
7	**CONBIPEL S.P.A.**	477110		1,716	198,174	134,548
8	**COVER 50 S.P.A.**	141000	Yes	57	28,253	34,081
9	**CRIS CONF. S.P.A. (PINKO)**	143900		671	171,693	230,190
10	**CSP INTERNATIONAL FASHION GROUP S.P.A.**	143100	Yes	345	54,897	83,524
11	**DIESEL-S.P.A.**	141000		536	478,545	856,415
12	**DOLCE & GABBANA S.R.L.**	141000		2,928	988,898	1,560,725
13	**FENDI S.R.L.**	464950		956	779,757	883,000
14	**GEOX S.P.A.**	152010	Yes	517	582,707	712,473
15	**GIANNI VERSACE S.R.L.**	741010		803	508,205	542,582
16	**GIORGIO ARMANI S.P.A.**	741010		986	1,361,336	2,762,072
17	**GOLDEN LADY COMPANY S.P.A.**	143100		1,076	163,088	315,913
18	**GOLDENPOINT S.P.A.**	477130		1,466	105,924	88,746

19	**GUCCI LOGISTICA SOCIETA' PER AZIONI**	151209		825	1,090,168	494,957
20	**HARMONT & BLAINE S.P.A.**	141310		526	87,958	75,004
21	**ID KIDS ITALY S.R.L.**	477120		557	61,825	20,334
22	**IMAC S.P.A. (IGI & CO)**	152010		560	248,999	185,253
23	**INTICOM S.P.A. (YAMAMAY)**	464230		916	150,449	152,327
24	**LIU.JO S.P.A.**	141310		836	325,360	423,431
25	**LORO PIANA S.P.A.**	141000		1,914	719,663	660,089
26	**LUISA SPAGNOLI S.P.A.**	141000		863	123,984	140,954
27	**MAX MARA S.R.L.**	141310		610	755,032	558,660
28	**MAXIMA S.R.L.**	477100		822	310,633	156,952
29	**MONCLER S.P.A.**	774000	Yes	66	237,565	573,902
30	**MONNALISA S.P.A.**	141000	Yes	198	40,792	75,533
31	**ORIGINAL MARINES S.P.A.**	141310		994	161,075	159,360
32	**OVS SPA**	471910	Yes	6,357	1,458,079	1,964,874
33	**PIAZZA ITALIA S.P.A.**	464210		2,172	391,566	197,787
34	**PRADA S.P.A.**	477100	Yes	4,517	1,822,823	4,138,328
35	**PRIMADONNA SOCIETA' PER AZIONI**	477210		714	112,189	80,949
36	**CARUSO S.P.A.**	141310		559	50,973	40,464
37	**ROMAN STYLE S.P.A. (BRIONI)**	141000		1,088	65,432	60,941
38	**SALVATORE FERRAGAMO S.P.A.**	152010	Yes	977	836,947	1,034,622
39	**SANTONI SOCIETA' PER AZIONI**	152010		599	76,768	77,790
40	**STAFF INTERNATIONAL S.P.A.**	143900		590	372,125	368,657
41	**TEDDY - S.P.A.**	464210		1,970	568,058	620,090
42	**TOD'S S.P.A.**	152010	Yes	1,813	636,863	1,428,100
43	**VALENTINO S.P.A.**	141320		1,496	774,003	1,512,230

Table 5. Sample of companies resulting from the research carried out. Source: AIDA data and personal elaboration

4.2.2 Data collection

After having elaborated the previous sample, non-financial reports were collected. The sustainability reports of each firm were collected from company websites provided by AIDA companies' sections. Since some companies' 2019 reports had not been released when data was collected, also 2018 reports were included to examine how those fashion companies reported their sustainability practices (Giorgio Armani report was the only one published in 2018). Furthermore, different companies have different ways of naming their sustainability reports such as corporate sustainability report, CSR report, integrated report and non-financial consolidated statement. Based on this, the research considered all reports that aimed at communicating the social and environmental sustainability actions of a company as non-financial reports. In case companies' websites did not provide a specific section for sustainability, sustainability reports were searched in other sections and other reports published by the companies in the sample, for example as part of the annual financial report and management document. For a correct comparison and in line with the purpose of the thesis, only non-financial reports have been taken into consideration. However, in the next chapter a separate section will be dedicated to web communication. Finally, both reports written in English and Italian were included in the final data set.

As specified above, the final data set includes only legal Italian companies. Some of these – Gucci, Brioni, Fendi and Loro Piana – however, are part of large French holding companies (i.e. LVMH and Kering). This may undoubtedly be considered a limitation to the comparison of reports. Nevertheless, the reports of these latter corporations have been included in the data set, with the premise that this may give more insights on the general research.

After a careful collection, 15 non-financial reports were collected from the websites of 17 Italian Companies, except from two reports published by French groups LVMH and Kering, the first one reports for Fendi and Loro Piana, the second one for Gucci and Brioni. The companies who published their sustainability reports are Basic Net, Benetton, Brioni, Brunello Cucinelli, Calzedonia, CSP International fashion group, Fendi, Geox, Giorgio Armani, Gucci, Loro Piana, Moncler, Monnalisa, OVS, Prada, Salvatore Ferragamo and Tod's (Table 6).

n.	Corporate name	Province	ATECO 2007	Activity description
1	**BASIC NET S.P.A.**	Torino	774000	Leasing of intellectual property and similar products, except copyrighted works
2	**BENETTON GROUP S.R.L.**	Treviso	464210	Wholesale trade of clothing and accessories
3	**BRUNELLO CUCINELLI S.P.A.**	Perugia	143900	Manufacture of other knitted and crocheted apparel
4	**CALZEDONIA S.P.A.**	Verona	464230	Promotion and organisation of franchising. Retail trade of socks, stockings, clothing and accessories.
5	**CSP INTERNATIONAL FASHION GROUP S.P.A.**	Mantova	143100	Work on textiles, production of stockings and socks for women.
6	**FENDI S.R.L.**	Roma	464950	The manufacturing of furs and leather goods.
7	**GEOX S.P.A.**	Treviso	152010	Manufacture of footwear
8	**GIORGIO ARMANI S.P.A.**	Milano	741010	Creation of collections for clothing in general for men, women and children.
9	**GUCCI LOGISTICA SOCIETA' PER AZIONI**	Firenze	151209	Manufacture of other travelling items, bags and similar, leather and saddlery items
10	**LORO PIANA S.P.A.**	Vercelli	141000	Production of cloth, especially cashmere, using Australian wool.
11	**MONCLER S.P.A.**	Milano	774000	Leasing of intellectual property and similar products, except copyrighted works
12	**MONNALISA S.P.A.**	Arezzo	141000	Children clothes (up to 15 years). Uses the tradenames 'Monalisa' and 'Parsifal'.
13	**OVS SPA**	Venezia	471910	Department stores
14	**PRADA S.P.A.**	Milano	477100	Lleather goods, footwear and clothing
15	**ROMAN STYLE S.P.A. (BRIONI)**	Pescara	141000	Men's sartorial clothing
16	**SALVATORE FERRAGAMO S.P.A.**	Firenze	152010	The manufacturing and trade in footwear, clothing, textiles, fabrics, upholstery, jewellery, perfumes, bags and gifts under the Salvatore Ferragamo brand name.
17	**TOD'S S.P.A.**	Fermo	152010	Manufacture of footwear

Table 6. Final sample of companies that published non-financial report for 2019 and 2018. Source: AIDA and personal elaboration.

CHAPTER FIVE

FINDINGS

After identifying the sample of companies with the related non-financial reports, in the following sections the reports are analyzed and interpreted, trying to understand what they communicate and the way in which companies report. Reports are analyzed in terms of their channel of communication, reporting practices, contents and rhetoric.

5.1 Communication channels

As pointed out in the previous chapter, from the analysis carried out not all 43 companies have published their own sustainability reports, which is why the final sample of reports is smaller than the initial sample of companies. More specifically, 28% of companies have reported information about their sustainability initiatives both on the website and reports, 12% of companies have released just non-financial report, 9% of companies communicate only on website, and 51% of companies did not report anything (Figure 9).

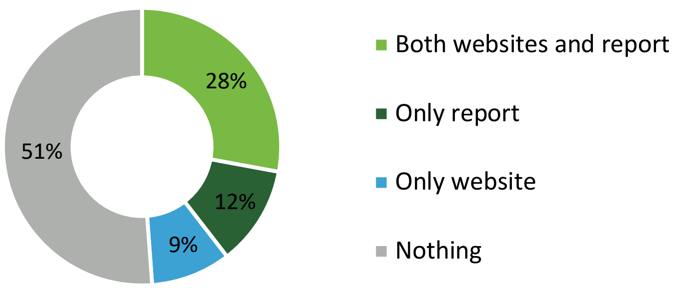


Figure 9. Communication channel of the 43 companies in the sample. Source: personal elaboration

Among the 17 companies in the sample that published non-financial reports, 71% have also a section on the website dedicated entirely to sustainability. The companies that are active on both channels of communication are: Benetton, Brunello Cucinelli, Calzedonia, Fendi, Geox, Giorgio Armani, Gucci, Moncler, Ovs, Prada, Salvatore Ferragamo and Tod's. The web-site section, called "sustainability" or "responsibility", reports the company's philosophy on sustainability, key figures, main objectives and the projects in which they participated. Moreover, in the sustainability section companies often include code of ethics, the standards they joined, and the activities they carry out to support the local community through their foundation. More generally, from the companies examined, there is the tendency to refer to the website as a more immediate means to communicate. Hence, the website becomes a means to publish the most important and essential information for the company, leaving space to the report for more comprehensive explanations. In a few words, the website provides a summary of what is in the report.

Companies who communicate only via non-financial reports are Basic Net, CSP International Fashion Group, Fendi, Loro Piana, Monnalisa and Brioni. Here too, it is possible to notice a certain trend among these companies. Basic Net, CSP International Fashion Group and Monnalisa are listed companies whose websites are particularly functional for external stakeholders, such as investors. On the other hand, Fendi, Loro Piana and Brioni are part of LVMH and Kering whose websites report in an elaborate and exhaustive way the information related to sustainability and CSR.

Companies who communicate only through their websites are Pinko, Diesel, Staff International and Valentino. What is evident from the analysis of the websites is the intention of these companies to approach sustainability issues, both in the social and especially in the environmental field. As a matter of fact, the websites refer to sustainable mobility, renewable energy, fur-free projects (Pinko), alternative responsible products and packaging, low impact materials, sustainable solutions, integrity and traceability of the supply chain (Diesel). Staff International, like Diesel, is part of OTB, which website includes a section dedicated to sustainability and charitable activities carried out by the foundation. Valentino, on the other hand, without a real section dedicated to CSR or sustainability, lists a series of mini reports about the policies they adopted in favor of environmental issues. As Ada Rosa Balzan pointed out (Millionaire, 2020), non-financial reporting is a long and complex process that involves a series of internal and external changes, it is a practice that aims to measure what has been done, an ending point, not a starting point. Therefore, at present, it can be assumed that these companies may be involved in the production of non-financial reports in the future.

5.2 Reporting practices

Non-financial report collocation

Pursuant to art. 5 of Legislative Decree 254/2016, non-financial report may be contained in the management report, constituting a specific section, or it may constitute a separate report[14]. Hence, the choice of location of non-financial information is the result of a communicative choice by the companies, whose main objective is to produce usable and clear information. According to the companies in the sample, the 15 reports have been located both in a separate report, in the management report and as part of the financial statement report. More precisely, most companies have published their DNF as a stand-alone document, that is distinct from the management report and also from the financial one (74% of reports are stand-alone documents). This is an important sign, because it highlights the willingness of Italian companies to give greater prominence to the communication of their non-financial performance through a document which is separate from the financial report.

13% of reports in the sample examined published the non-financial financial report within the management report, while 13% merging non-financial report with the financial report and the management report. The latter practices are not that common, and they were used only by four of the listed companies in the sample (i.e. Fendi-Loro Piana and Monnalisa include non-

[14] http://www.consob.it/web/area-pubblica/bollettino/documenti/bollettino2018/d20267.htm

financial information with the management report, Basic Net S.p.A. and Tod's S.p.A include it with the financial report.).

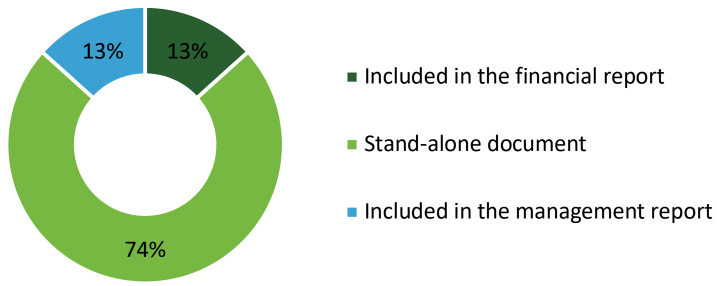


Figure 10. Collocation of non-financial reporting. Source: personal elaboration

Non-financial report extension

The average number of pages of the total number of documents analyzed is 118. The location of the document is closely related to its extension: Basic Net S.p.A non-financial report, which is included in the financial one, has an extension of 31 pages, while the 66% of reports are longer than 100 pages. This data seems to confirm scholars' criticism regarding the length of non-financial documents.

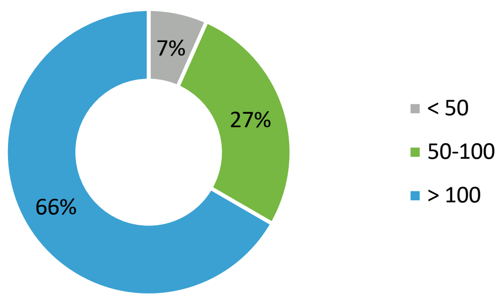


Figure 11. Non-financial reports extension. Source: personal elaboration.

Non-financial report name and related contents

Analyzing the sample of 15 reports examined, one can observe a difference in the terminology used by each company. The graph below (Figure 12) shows how companies have titled their non-financial reports for the year 2019. 33% of the reports are referred to as "Non-financial consolidated statements or DNF". As suggested by the Italian decree, all companies using this term are listed. 33% of the reports are referred to as "sustainability report", 13% as "integrated report", 7% as "annual report", 7% as "CSR report" and 7% as "management report". The way companies refer to their reports indicates how they approach sustainability issues and also refer to the type of content they communicate.

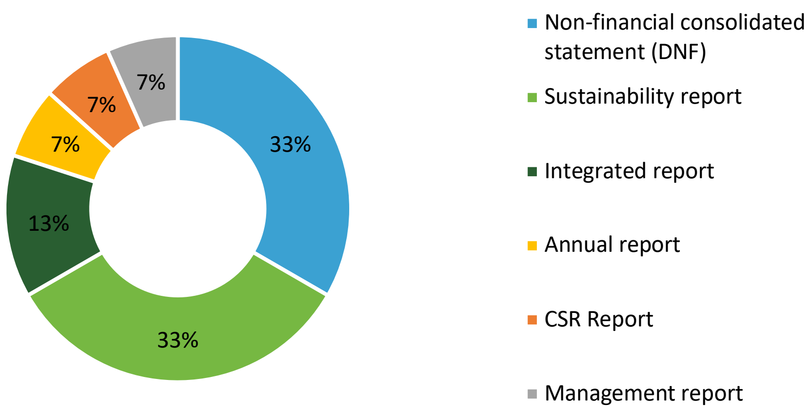


Figure 12. Non-financial reports name. Source: personal elaboration.

As will be analyzed in more detail in the next section, the reports of the sample show a certain homogeneity in the topics covered. As a matter of fact, the reports communicate about strategy, governance, people, community, partners and the supply chain, products and environment. What it appears to be different is the overall view provided by the report. In *integrated reports* and *annual reports*, the financial, sustainable and managerial dimensions appear as a single longitudinal discourse embracing all the areas of interest of the company. Besides, this is the purpose of the Integrated Report, which aims to include integrated thinking into the company's modus operandi. The same applies to those companies that insert the non-financial report within the financial statement, from these reports one gets a holistic view of the company on several aspects.

The reports of Gucci-Brioni (Kering) and Fendi-Loro Piana (LVMH) also seem to accept this view, so a separate mention should be made. In fact, the two French groups, in addition to the release of the Management Report (LVMH) and Integrated Report (Kering), which were included in the sample, have contributed with other scripts. In particular, the LVMH group published an “annual report”, "environmental responsibility report" and "social responsibility report", while the Kering group published the "environmental policy" and the "environmental P&L report" online. In this way, the main reports become an opportunity to communicate an overall view of the company, embedding the aspect of sustainability in the business context, and deepening these aspects in other reports dedicated exclusively to social causes, to the environment and the financial aspect. As to sustainability reports, CSR reports and all DNFs not included in the financial report, they communicate only non-financial information and information related to the company's strategy.
In general, as can be seen from the graph, a certain plurality persists in the terminology and practices adopted by the companies taken into consideration in the sample. Moreover, on a more academic and perhaps less practical level, there is also some confusion about the proper terms. For instance, in the *CSR report* published by Prada, a chapter is included on the environmental aspect, when, as observed in the first chapter, CSR generally refers more to the social sphere than to the environmental one.

5.3 Structure and Contents

With regard to the internal contents of the reports in the sample examined, topics were analyzed according to reporting categories. From the analysis of the reports it emerges that companies tend to follow a common line in the communication of non-financial content, starting with the introduction of corporate strategy and governance, moving on to social issues and finally concluding with environmental ones.
The first section is the one related to the business context, considering business strategy, history, values, mission, governance model, market presence, fight against corruption, risks identification and management activities, materiality analysis, sustainability strategy and

conceptual premises for reading. Subsequently, companies focus on what the company's core business is, analyzing the product and its management throughout the supply chain. In this section, especially for many luxury brands, it is essential to report the quality of raw materials, referring to the Made in Italy, its tradition and innovation. Particular attention is paid to the structure of the production chain, the creation and development phases, suppliers and partners, craftsmanship, product safety and traceability of the supply chain. The most extensive section in the reports of the analyzed sample is the one related to social aspects. In this section are included information about key stakeholders according to the company, specifically, stakeholders most considered are employees, customers, suppliers and community. Specifically, employees are considered in terms of selection methods, talent attraction, training, health, safety, wages, incentives, benefits, diversity, workers' rights, seniority, average age, turnover and the presence of women among the main managerial figures. As far as customers are concerned, reference is made to the customer experience, privacy, the fight against counterfeiting and marketing and communication. Finally, in most of the reports entire sections are dedicated to the community, the territory, non-profit activities, charitable or voluntary actions often carried out through their own foundations. On average, companies dedicate 31 pages of their reports to social issues. The section dedicated to environmental protection is less substantial, although it is reported in all reports. In this part are reported energy consumption, CO2 emissions, waste management, packaging and distribution, water withdrawal, supply, responsible consumption. When supported, green and circular economy initiatives are also reported. On average, the reports contain 13 pages on environmental issues. Finally, the economic dimension is less considered. Apart from integrated reports and annual reports, which provide a more global vision of the company's performance, reports properly dedicated to sustainability and the CSR, devote a few pages to financial aspects, in the initial section of the group presentation.

The average breakdown of DNF pages by sustainability dimensions (environmental, social and economic) shows how Italian companies tend to prefer, within their reports, the section related to social aspects. The latter represents about 25% of the entire content of the declaration while the environmental dimension constitutes on average 11% of the declaration (for more detail see Table 7).

Frameworks and reporting standard

According to the provisions of art. 3 paragraph 3 of Legislative Decree 254/2016, the information constituting non-financial reports must be provided "according to the methodologies and principles provided by the reporting standard used as a reference or by the independent reporting methodology used for the purposes of drafting the statement"[15]. The sustainability reporting guidelines or standards set by the Global Reporting Initiative (GRI) are the most widely adopted standard of the companies in the sample (87%). In particular, the GRI Sustainability Reporting Standards (GRI Standards) are used in 13 reports of the sample. The only two reports in which adherence to the GRI Standards was not found are those of Gucci-Brioni (Kering) and Fendi-Loro Piana (LVMH).

In combination with the GRI guidelines, the Integrated Reporting Framework (IR Framework) is also mentioned in the non-financial reports. Specifically, 3 companies refer to IR, including Benetton, Monnalisa and the French group Kering. On the other hand, the French group LVMH, although adhering to various standards, does not adhere to any framework for the preparation of non-financial reports, adopting its own methodology.

Figure 13. Frameworks and standards adopted in the reports. Source: personal elaboration.

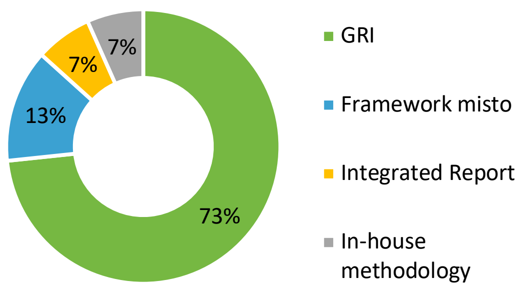
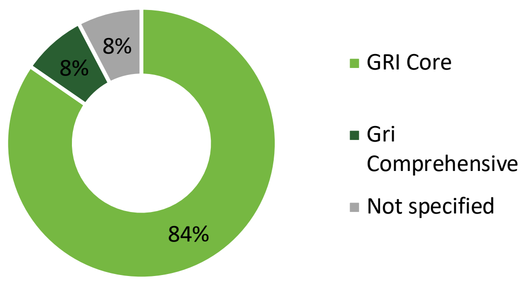


Figure 14. GRI option adopted in the reports. Source: personal elaboration.



[15] http://www.consob.it/web/area-pubblica/bollettino/documenti/bollettino2018/d20267.htm

During the report preparation phase, according to the GRI principles, several options can be adopted. The “core” option requires reporting the minimum information necessary to allow the description of the company and how it is managed, material issues and related economic, social and environmental impacts. “In accordance -Core” option is the main choice (84%) for companies in the sample.

The “in accordance – Comprehensive” option, more laborious and complete than the first one, is adopted only by a company (i.e. Monnalisa). The “comprehensive” option, starting from the basic information required by the “core” option, requires reporting more detailed information about business ethics, the governance model adopted, and to describe more accurately the impact of the company’s activities for each material issue identified. Since this option is adopted only by one company in the sample, it was not possible to identify a possible relationship between the report extension and the GRI standard option. Finally, only one company (i.e. Giorgio Armani) did not provide specifications regarding the GRI option adopted.

Sustainability priorities and Materiality

The Decree explicitly states that the declaration of a non-financial nature, "to the extent necessary to ensure an understanding of the company's business, its performance, its results and the impact produced by the same, covers the issues [...] that are relevant considering the activities and characteristics of the company". This indication of the Decree is interpreted as a criterion of relevance or "materiality" of the contents to be included in the DNF and is confirmed by both Consob and the European Commission Guidelines[16]. As already introduced in the third chapter, the GRI standards also include this concept. Ultimately, the topics that must be included in the non-financial reporting are those that can reasonably be considered important, as they reflect the impacts that the company's activities generate economic,

[16] http://www.consob.it/web/area-pubblica/bollettino/documenti/bollettino2018/d20267.htm

environmental and social benefits, or can significantly influence stakeholder assessments and decisions. Stakeholder expectations therefore represent an important element to take into account in the identification of the relevant aspects to be included within the DNF. To strengthen this element, a further principle of the GRI to follow in the defining the content of non-financial disclosure is that of stakeholder inclusiveness, that is the involvement of identified stakeholders aimed at understanding their expectations and information needs. The analysis of the reports in the sample shows good stakeholder engagement: in fact, 87% of the sample stated that they have carried out stakeholder engagement activities for the purposes of materiality analysis. However, some companies identified the most material issues for the group through well-defined methods, others through more informal practices mainly identified by management.

Among the companies having involved stakeholders for the analysis of materiality, the most used method is the survey, paper or online, used by the 60% of the sample. Surveys were employed to gather information mostly from management but also from employees, suppliers, consumers, stores, partners, franchisee and investors. This practice is followed by workshops, which was employed by the 20% of companies in the sample, here too workshops have been attended mostly by management representatives but also from suppliers and main stakeholders (for more detail see Table 7).

Figure 15. Materiality determination process (survey). Source: personal elaboration.

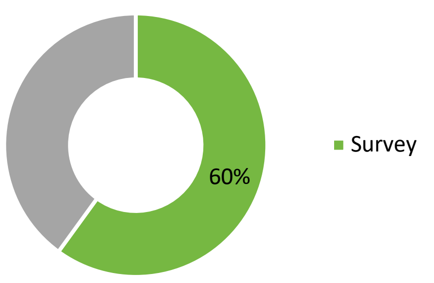
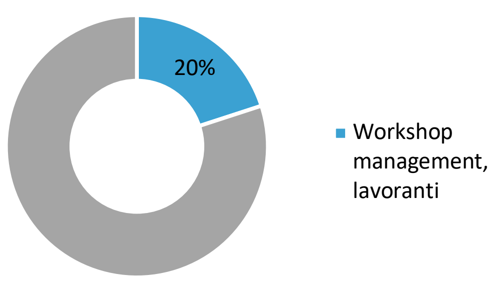


Figure 16. Materiality determination process (workshop). Source: personal elaboration.



Strategy and Sustainability Plan

Companies are required to describe how non-financial issues interact not only with the main risks, but also with the company's long-term strategy and policies. Companies are required to disclose relevant information about their business model, strategy and objectives" in order to assess future prospects and measure the company's progress towards long-term goals[17]. The development and communication of a sustainability by sharing medium and long-term objectives may favor companies in communicating better their responsibilities with respect to the issues identified as material and ensures greater control over non-financial data. Moreover, a sustainability plan may help companies in visualizing their objectives, enhancing and sharing transparency with stakeholders. Through the definition of a specific Sustainability Plan, sustainability can therefore become a distinctive element, able to promote the competitiveness of a company.

Regarding this analysis, the presence of the Sustainability Plan in the company strategy, and therefore with the Industrial Plan, signals a step towards the merging of sustainability in the company's business. From the analysis it emerges that among the companies of the sample, Sustainability Plan is still not a widespread practice, in fact just the 33% of companies has it (i.e. Fendi-Loro Piana (LVMH), Gucci-Brioni (Kering), Moncler, Salvatore Ferragamo and Tod's). For these companies, the presence of the Industrial Plan implies the setting of specific targets both qualitative and quantitative ones. On this aspect, listed companies are more mature as all the companies who have a Sustainability Plan are listed.

In other reports of the sample, sustainability is still included in the strategy and long-term perspective of companies, but targets are exclusively qualitative, vaguer and less practical. Often these companies refer to Sustainable Development Goals for the sustainability strategy. On the other hand, just one company of the sample has included the sustainability strategy within the industrial plan (i.e. CSP International Fashion Group).

[17] Deloitte, SDA Bocconi (2019), "Osservatorio Nazionale sulla Rendicontazione Non Finanziaria"

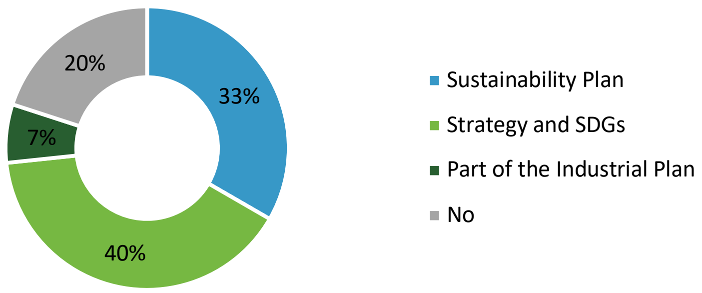


Figure 17. Presence of Sustainability Plan and sustainability stratgye in non-financial reports. Source: personal elaboration.

SDGs

Sustainable Development Goals, already introduced in the first chapter, have been created in order to lead all kind of actors taking actions against poverty, climate change and inequality. These goals are extremely used by companies, both to set objectives for the long-term and to highlight improvements in the sectors proposed by SDGs. According to Agenda 2030 for Sustainable Development, there is no a standardized method to purse the 17 SDGs, but companies are asked to use their creativity and innovation in order to find a solution to the challenges of sustainable development. The 17 SDGs, declined in 169 targets, can represent a concrete reference framework for companies to integrate sustainability practices within their medium and long-term strategies, contributing to the achievement of global objectives.

In the reports analyzed, 9 reports on 15 show Sustainable Development Goals among their objectives. Among these, 4 companies link SDGs to materiality topics, while 5 companies link them to objectives they want to pursue in the next years.

For what concerns the topics on which companies seems to be focused the most, the following SDGs are most frequently cited:

SDG 8 – decent work and growth

SDG 12 – responsible consumption and production

SDG 5 – gender equality

SDG 13 – climate action

While the less cited are:

SDG 2 – no hunger

SDG 9 – innovation and infrastructure.

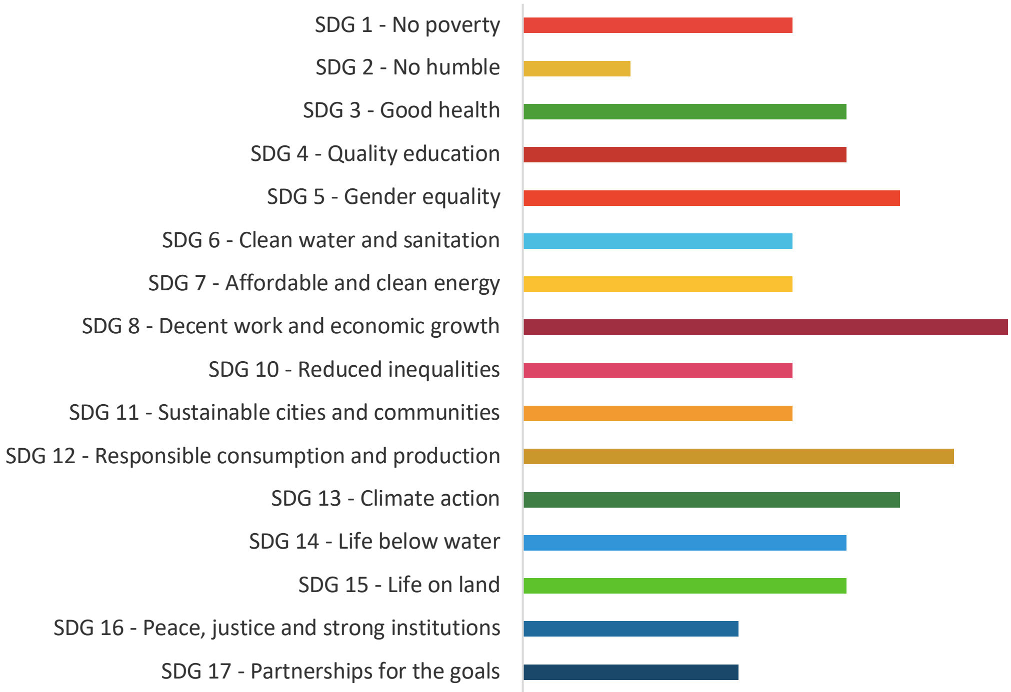


Figure 18. SDGs most frequently used. Source: personal elaboration

Governance and Sustainability Committee

Another element that contribute to the accuracy and completeness of non-financial information is a dedicated support in the governance of companies. Such attribution of responsibility contributes to better management and supervision of sustainability issues, also indicating a strong awareness and integration of sustainability practices in business activities. Moreover, the Code of Self-Regulation of the Listed Companies invites the companies belonging to the FTSE MIB index to evaluate the opportunity to set up a dedicated committee for the supervision of sustainability issues. Alternatively, the Council of Administration may consider grouping or distributing these functions among other committees[18].

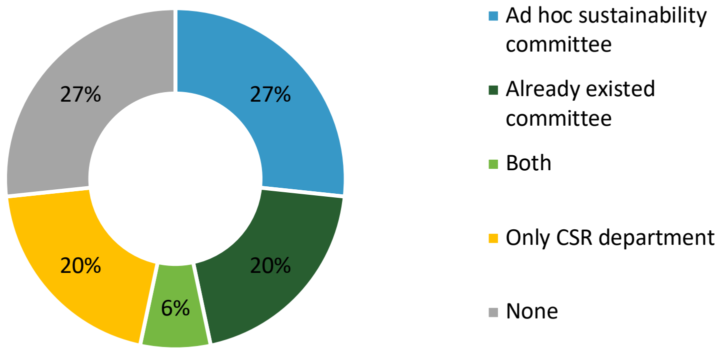


Figure 19. Presence and type of sustainability committee. Source: personal elaboration.

All sustainability committees have been established within the board of directors or formed by independent directors. Of these, 27% have set up a new committee dedicated entirely to sustainability, while the 20% have assigned this task to an already existing committee within the board of directors. In particular, the task of sustainability was mainly delegated to the control and risk committee. Exceptionally, Ferragamo chose both options. On the other hand, 20% of companies did not set up a sustainability committee but stated that they had an internal CSR department dealing with these issues. Finally, 27% of the reports do not report that they have set up a sustainability committee. It can be noticed that the presence of a committee to which sustainability issues are delegated has a positive impact on elements such as the performance of stakeholder engagement activities, the development of a Sustainability Plan and the inclusion of SDGs within non-financial statements, all elements that confirm the willingness of companies to make sustainability a central element of their strategy.

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[18] Deloitte, SDA Bocconi (2019), "Osservatorio Nazionale sulla Rendicontazione Non Finanziaria"

Incentives and remuneration for sustainability performance

A driving force for the increasing integration of sustainability into business strategy can come from the introduction of incentive systems linked to objectives in this area. This element generates increasing awareness at managerial level about the path and objectives of sustainability that the company sets, and on the other hand it contributes to creating a positive culture of widespread responsibility regarding sustainability issues. Hence, the main objective of defining sustainability incentive systems is to align the company's performance with the expectations and needs of stakeholders and shareholders in this field. However, at present, among the companies of the sample, this practice is still not that consolidated. As a matter of fact, only 13% of the companies in the sample integrate sustainability objectives within the incentive and/or remuneration systems. Specifically, just 2 of the 15 reports state they have introduced sustainability incentive systems (i.e. Gucci-Brioni (Kering) and Moncler). Kering states to have annual variable remuneration based on the achievement of financial (70%) and non-financial (30%) targets (including organization and talent management: 10%, corporate social responsibility: 10%, sustainability: 10%), even making a difference between the sustainability targets and the more social ones. Moncler also claims to have incentives for objectives related to sustainability. For both companies, the incentives are aimed exclusively at executive directors and top management.

Although the Kering group is made up of other brands, this aspect indicates that for this group sustainability has permeated into the company's strategy and vision, and this can influence the brands of the groups examined in this analysis (i.e. Gucci and Brioni). On the other hand, among the Italian companies we note that Moncler is the only one to have established this type of practice.

For clarification, the French LVMH group has also introduced incentives linked to sustainability objectives, specifying the brands that have adhered to this practice. Since Fendi and Loro Piana were not mentioned, these brands were not considered among the brand that introduced sustainability incentives.

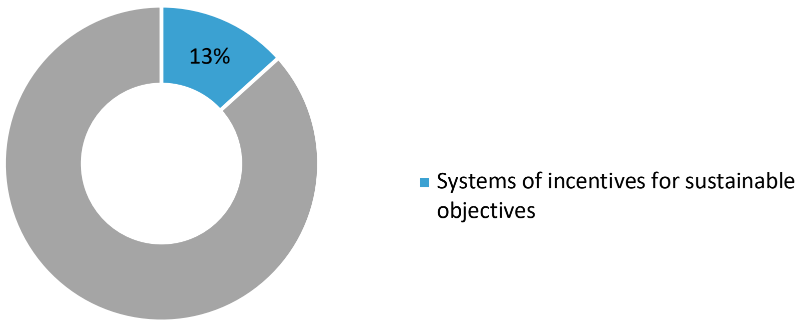


Figure 20. Incentives for sustainability objectives. Source: personal elaboration.

Environmental policy

As we have seen in the previous chapters, environmental problems are becoming increasingly important and demanding for fashion companies. For this reason, big fashion houses are called upon to play a primary role on two fronts: on one hand by increasing annual investments and on the other by improving the reporting of climate-related information.

For what concerns climate-specific risks, there is evidence that 60% of the report include environmental risks among the risks identified. Another element that indicates the level of commitment that a company directs towards environmental issues is a specific environmental policy. For this purpose, environmental policies are mentioned in the 47% of reports in the sample. Again, also in this aspect listed companies seem to be more mature and structured.

Figure 21. Non-financial reports that reported environmental policy adoption. Source: personal elaboration.

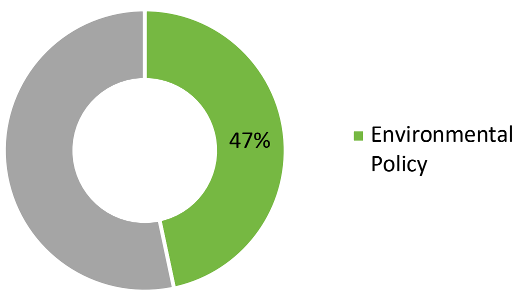
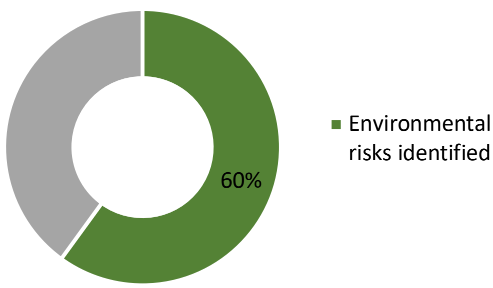


Figure 22. Non-financial reports that reported environmental risks identification. Source: personal elaboration.



5.4 Rhetoric

This section will analyze the communication mode used in the reports analyzed. With respect to the previous paragraphs, the analysis is based on qualitative and textual data.

By analyzing the 15 reports, 5 different communication methods adopted by the companies have been identified; these methods are described below.

The first mode of communication is configured in reports in which the written parts prevail over images, which sometimes are almost absent. In order to simplify the quantity and type of information there are some tables, which function is purely informative and not decorative. The style of the text appears concrete and functional to the actual reporting activity. In this sense, this way of communication is the one that seems most similar to that used in the annual financial statements. The companies whose communication style falls into this category are mainly two: Basic Net and CSP International Fashion Group.

DICHIARAZIONE CONSOLIDATA DI CARATTERE NON FINANZIARIO

Risorse per tipologia contrattuale (nr.)*	2019			2018		
	Uomini	Donne	Totale	Uomini	Donne	Totale
Italia	209	405	614	195	384	579
Tempo indeterminato	148	313	461	133	281	414
Tempo determinato	61	92	153	62	103	165
Estero	92	109	201	6	11	17
Tempo indeterminato	72	74	146	4	3	7
Tempo determinato	20	35	55	2	8	10
Totale	**301**	**514**	**815**	**201**	**395**	**596**
di cui:						
Full-time	282	416	698	193	309	502
Part-time	19	98	117	8	86	94

* *I dati relativi al numero totale dei dipendenti si riferiscono solo agli headcount (non FTE) del personale interno al 31 dicembre*

Nel 2019 sono state assunte 454 nuove risorse (199 uomini e 255 donne), registrando una continua crescita del Gruppo, grazie soprattutto all'ingresso di Kappa Europe all'interno del Gruppo. Il numero delle risorse in uscita, prevalentemente registrato nell'area retail, è stato pari 235 persone, che ha comportato un tasso di turnover pari al 28,8%.

Tasso di entrata e turnover	2019				2018			
	Assunzioni (nr.)	Cessazioni (nr.)	Tasso di Entrata*	Turnover**	Assunzioni (nr.)	Cessazioni (nr.)	Tasso di entrata	Turnover
Genere								
Uomini	199	99	66,1%	32,9%	65	49	32,3%	24,4%
Donne	255	136	49,6%	26,5%	117	102	29,6%	25,8%
Fasce di età								
Meno di 30 anni	259	135	96,3%	50,2%	132	97	69,5%	51,1%
Da 30 a 50 anni	164	88	37,7%	20,2%	49	53	14,6%	15,8%
Oltre 50 anni	31	12	27,9%	10,8%	1	1	1,4%	1,4%
Area geografica								
Italia	223	188	36,3%	30,6%	177	146	30,6%	25,2%
Estero	231	47	114,9%	23,4%	5	5	29,4%	29,4%
Totale	**454**	**235**	**55,71%**	**28,83%**	**182**	**151**	**30,5%**	**25,3%**

* *Rapporto tra il numero di assunzioni per categoria e il totale dei dipendenti per categoria al 31 dicembre*
** *Rapporto tra il numero di cessazioni per categoria e il totale dei dipendenti per categoria al 31 dicembre*

La ".com" BasicGuys presidia le attività riguardanti la gestione e l'amministrazione del personale per tutte le società del Gruppo, tra cui:

- pianificare e garantire l'adeguatezza delle Risorse Umane impiegate, sia in termini quantitativi che qualitativi;
- gestire i rapporti con le risorse dall'assunzione alla cessazione del rapporto di lavoro, curando la corretta applicazione della normativa giuslavoristica, previdenziale e fiscale e pianificare, programmare e controllare il costo del lavoro assicurando la puntuale e corretta gestione di paghe, stipendi e dei relativi adempimenti contributivi e tributari;

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DICHIARAZIONE CONSOLIDATA DI CARATTERE NON FINANZIARIO

- gestire i rapporti con le rappresentanze sindacali, le associazioni imprenditoriali e gli enti previdenziali;
- assicurare, tramite politiche, procedure e norme interne, opportunamente diffuse e aggiornate, l'ordinato svolgimento delle attività aziendali in conformità agli standard operativi e alle direttive aziendali.

In termini di procedure di recruiting, le assunzioni effettuate dal Gruppo scaturiscono sempre dalle necessità espresse direttamente dai responsabili delle ".com" evidenziate in sede di predisposizione del budget, nonostante sia prassi favorire lo spostamento delle risorse interne qualora questo sia possibile. In generale, i canali di recruiting utilizzati sono i seguenti:

- la ricerca dei profili richiesti tra i dipendenti del Gruppo;
- le candidature provenienti dal sito ufficiale di BasicNet (section BasicGuys jobs);
- convenzioni con Università (limitatamente a stage).

L'iter di selezione è gestito attraverso l'applicativo BasicGuys, al quale possono accedere le Risorse Umane della ".com" BasicGuys e i Responsabili di tutte le ".com", e che garantisce la tracciabilità dell'iter di selezione. Per facilitare l'inserimento delle risorse, BasicNet promuove costantemente numerose esperienze formative. Il Gruppo utilizza il tirocinio con una media di stabilizzazione in rapporto di lavoro subordinato nel biennio 2018 - 2019 di circa il 53,7%

3.2 Diversità e pari opportunità

Come descritto nel Codice Etico, il Gruppo ritiene fondamentale, nell'espletamento dell'attività economica, che la gestione dei rapporti di lavoro sia orientata a garantire pari opportunità e a garantire la crescita professionale di ciascuno.

A prova di ciò, al 31 dicembre 2019 l'organico totale di Gruppo risulta essere formato per il 36,93% da uomini e per il 63,07% da donne, a conferma di una forte componente femminile nel Gruppo. Il 53,37% dell'organico complessivo è composto da risorse di età compresa tra i 30 e i 50 anni, il 13,62% ha un'età superiore ai 50 anni e il 33,01% ha un'età inferiore ai 30 anni.

Risorse per indicatori di diversità	2019			2018		
	Dirigenti	Impiegati	Operai	Dirigenti	Impiegati	Operai
Genere						
Uomini	70,51%	32,68%	57,14%	65,5%	31,2%	50%
Donne	29,49%	67,32%	42,86%	34,5%	68,8%	50%
Fasce di età						
Meno di 30 anni	4%	36%	19%	0,0%	34,7%	10,7%
Da 30 a 50 anni	61%	53%	48%	55,2%	56,2%	60,7%
Oltre 50 anni	35%	11%	33%	44,8%	9,1%	28,6%
Totale	**9,57%**	**87,85%**	**2,58%**	**4,9%**	**90,4%**	**4,7%**

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Figure 23. Evidence from Basic Net report (1st category). Source: Basic Net financial statement.

The second mode is the one used by most of the reports analyzed. These reports are characterized by an important presence of images, infographics and frameworks. These are used both for information purposes and as an aesthetic element within the non-financial report. In fact, much attention is given to the design and aesthetics of these reports. In addition, the text highlights, with different colors and fonts, the objectives achieved and those planned for the coming year. The tone of the report appears concrete and consistent although more evocative than the first one. To this category belong companies like Benetton, Giorgio Armani, Kering, Moncler, Prada and Salvatore Ferragamo.

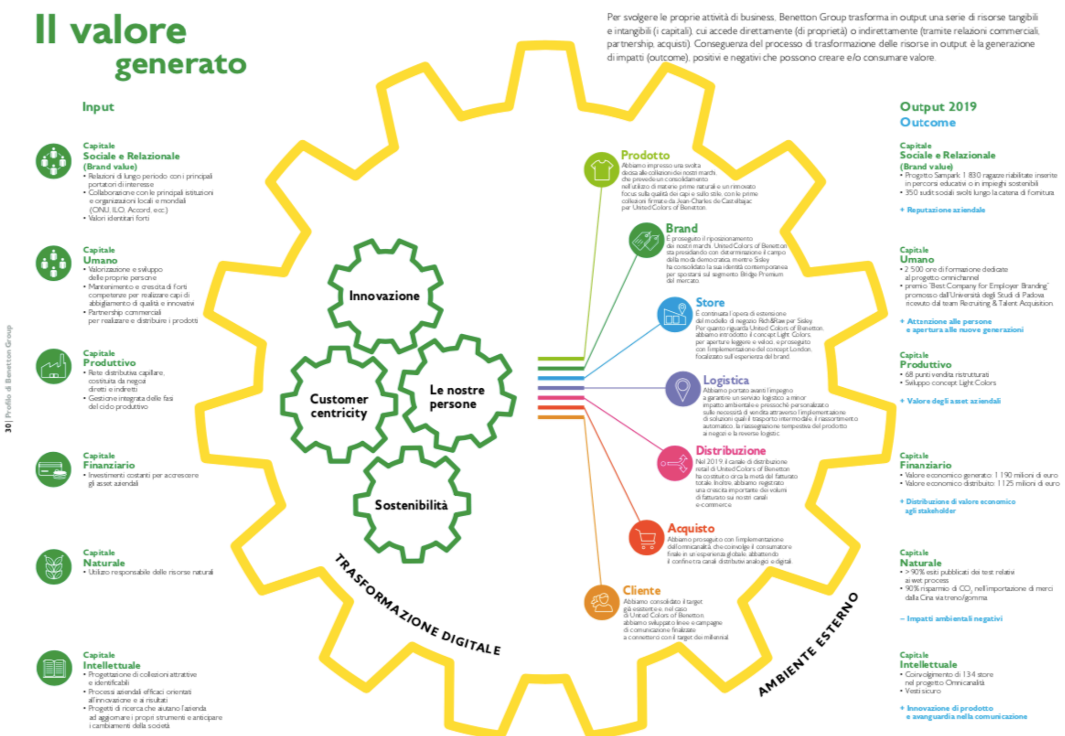
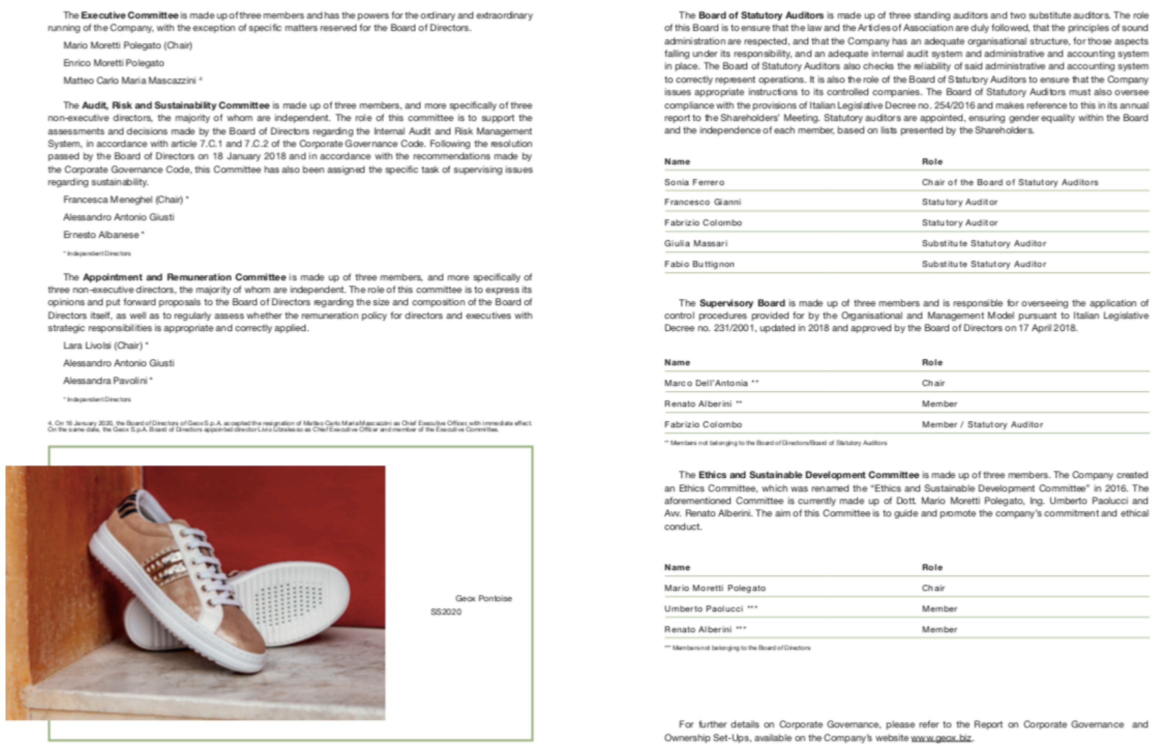


Figure 24. Evidence from Benetton sustainability report (2nd category). Source: Benetton sustainability report.

The third category is a mix of the two previous categories. The documents report infographics and frameworks but less than the previous category. Moreover, images are less frequent as well. Compared to the previous category, which was very focused on the decorative aspect, in these reports, readers tend to focus more on the information and the concreteness of the final report. Calzedonia, Geox, OVS and Tod's use this type of communication in their DNFs.



The **Executive Committee** is made up of three members and has the powers for the ordinary and extraordinary running of the Company, with the exception of specific matters reserved for the Board of Directors.

Mario Moretti Polegato (Chair)

Enrico Moretti Polegato

Matteo Carlo Maria Mascazzini [4]

The **Audit, Risk and Sustainability Committee** is made up of three members, and more specifically of three non-executive directors, the majority of whom are independent. The role of this committee is to support the assessments and decisions made by the Board of Directors regarding the Internal Audit and Risk Management System, in accordance with article 7.C.1 and 7.C.2 of the Corporate Governance Code. Following the resolution passed by the Board of Directors on 18 January 2018 and in accordance with the recommendations made by the Corporate Governance Code, this Committee has also been assigned the specific task of supervising issues regarding sustainability.

Francesca Meneghel (Chair) *

Alessandro Antonio Giusti

Ernesto Albanese *

* Independent Directors

The **Appointment and Remuneration Committee** is made up of three members, and more specifically of three non-executive directors, the majority of whom are independent. The role of this committee is to express its opinions and put forward proposals to the Board of Directors regarding the size and composition of the Board of Directors itself, as well as to regularly assess whether the remuneration policy for directors and executives with strategic responsibilities is appropriate and correctly applied.

Lara Livolsi (Chair) *

Alessandro Antonio Giusti

Alessandra Pavolini *

* Independent Directors

4. On 16 January 2020, the Board of Directors of Geox S.p.A. accepted the resignation of Matteo Carlo Maria Mascazzini as Chief Executive Officer, with immediate effect. On the same date, the Geox S.p.A. Board of Directors appointed director Livio Libralesso as Chief Executive Officer and member of the Executive Committee.

The **Board of Statutory Auditors** is made up of three standing auditors and two substitute auditors. The role of this Board is to ensure that the law and the Articles of Association are duly followed, that the principles of sound administration are respected, and that the Company has an adequate organisational structure, for those aspects falling under its responsibility, and an adequate internal audit system and administrative and accounting system in place. The Board of Statutory Auditors also checks the reliability of said administrative and accounting system to correctly represent operations. It is also the role of the Board of Statutory Auditors to ensure that the Company issues appropriate instructions to its controlled companies. The Board of Statutory Auditors must also oversee compliance with the provisions of Italian Legislative Decree no. 254/2016 and makes reference to this in its annual report to the Shareholders' Meeting. Statutory auditors are appointed, ensuring gender equality within the Board and the independence of each member, based on lists presented by the Shareholders.

Name	Role
Sonia Ferrero	Chair of the Board of Statutory Auditors
Francesco Gianni	Statutory Auditor
Fabrizio Colombo	Statutory Auditor
Giulia Massari	Substitute Statutory Auditor
Fabio Buttignon	Substitute Statutory Auditor

The **Supervisory Board** is made up of three members and is responsible for overseeing the application of control procedures provided for by the Organisational and Management Model pursuant to Italian Legislative Decree no. 231/2001, updated in 2018 and approved by the Board of Directors on 17 April 2018.

Name	Role
Marco Dell'Antonia **	Chair
Renato Alberini **	Member
Fabrizio Colombo	Member / Statutory Auditor

** Members not belonging to the Board of Directors/Board of Statutory Auditors

The **Ethics and Sustainable Development Committee** is made up of three members. The Company created an Ethics Committee, which was renamed the "Ethics and Sustainable Development Committee" in 2016. The aforementioned Committee is currently made up of Dott. Mario Moretti Polegato, Ing. Umberto Paolucci and Avv. Renato Alberini. The aim of this Committee is to guide and promote the company's commitment and ethical conduct.

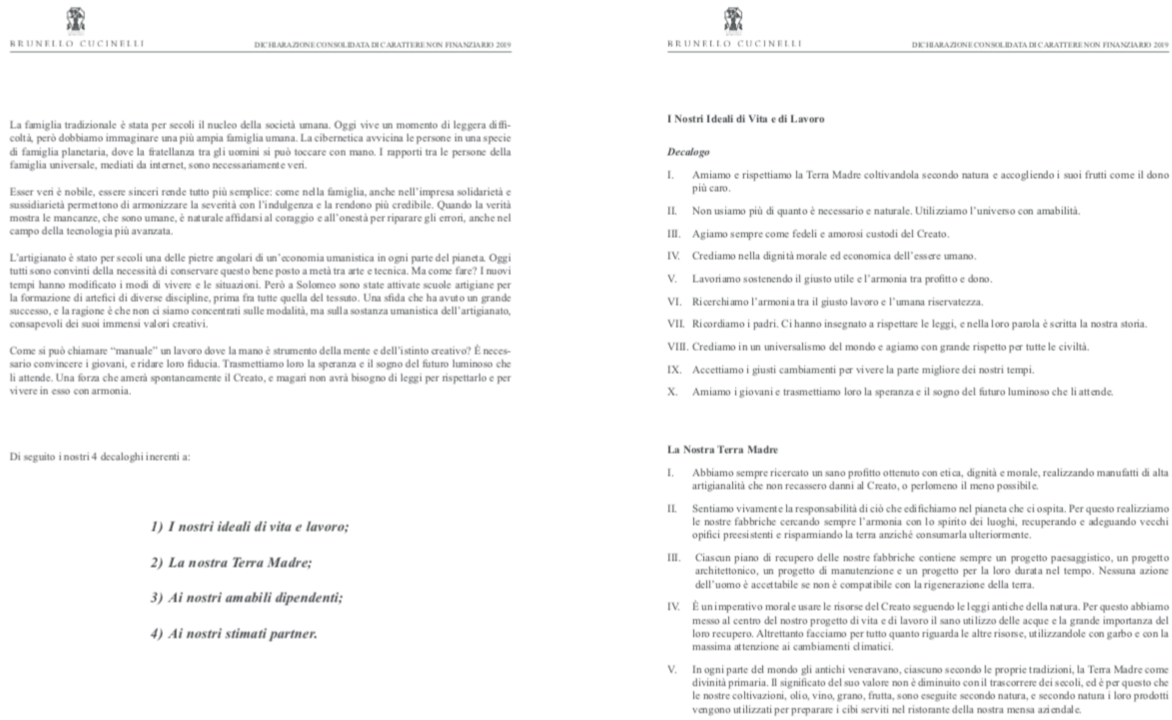
Name	Role
Mario Moretti Polegato	Chair
Umberto Paolucci ***	Member
Renato Alberini ***	Member

*** Members not belonging to the Board of Directors

For further details on Corporate Governance, please refer to the Report on Corporate Governance and Ownership Set-Ups, available on the Company's website www.geox.biz.

Figura 25. Evidence from Geox report (3rd category). Source: Geox non-financial statement.

Only one company belongs to the fourth category (i.e. Brunello Cuccinelli S.p.A.). Compared to the ways of communicating that characterize the other companies, this company differs above all for the tone used in the report. As a matter of fact, the tone is much more evocative, almost fairy-tale. The text uses expressions such as "human relationships", "working in harmony with creation", "lovable periphery", "lovable relationships with suppliers". In terms of content, there are no differences from the other reports, image, data and information are almost balanced. However, in line with the company philosophy and values, there is a clear reference to the territory, the past and the land of origin.



BRUNELLO CUCINELLI DICHIARAZIONE CONSOLIDATA DI CARATTERE NON FINANZIARIO 2019

La famiglia tradizionale è stata per secoli il nucleo della società umana. Oggi vive un momento di leggera difficoltà, però dobbiamo immaginare una più ampia famiglia umana. La cibernetica avvicina le persone in una specie di famiglia planetaria, dove la fratellanza tra gli uomini si può toccare con mano. I rapporti tra le persone della famiglia universale, mediati da internet, sono necessariamente veri.

Esser veri è nobile, essere sinceri rende tutto più semplice: come nella famiglia, anche nell'impresa solidarietà e sussidiarietà permettono di armonizzare la severità con l'indulgenza e la rendono più credibile. Quando la verità mostra le mancanze, che sono umane, è naturale affidarsi al coraggio e all'onestà per riparare gli errori, anche nel campo della tecnologia più avanzata.

L'artigianato è stato per secoli una delle pietre angolari di un'economia umanistica in ogni parte del pianeta. Oggi tutti sono convinti della necessità di conservare questo bene posto a metà tra arte e tecnica. Ma come fare? I nuovi tempi hanno modificato i modi di vivere e le situazioni. Però a Solomeo sono state attivate scuole artigiane per la formazione di artefici di diverse discipline, prima fra tutte quella del tessuto. Una sfida che ha avuto un grande successo, e la ragione è che non ci siamo concentrati sulle modalità, ma sulla sostanza umanistica dell'artigianato, consapevoli dei suoi immensi valori creativi.

Come si può chiamare "manuale" un lavoro dove la mano è strumento della mente e dell'istinto creativo? È necessario convincere i giovani, e ridare loro fiducia. Trasmettiamo loro la speranza e il sogno del futuro luminoso che li attende. Una forza che amerà spontaneamente il Creato, e magari non avrà bisogno di leggi per rispettarlo e per vivere in esso con armonia.

Di seguito i nostri 4 decaloghi inerenti a:

1) I nostri ideali di vita e lavoro;

2) La nostra Terra Madre;

3) Ai nostri amabili dipendenti;

4) Ai nostri stimati partner.

BRUNELLO CUCINELLI DICHIARAZIONE CONSOLIDATA DI CARATTERE NON FINANZIARIO 2019

I Nostri Ideali di Vita e di Lavoro

Decalogo

I. Amiamo e rispettiamo la Terra Madre coltivandola secondo natura e accogliendo i suoi frutti come il dono più caro.

II. Non usiamo più di quanto è necessario e naturale. Utilizziamo l'universo con amabilità.

III. Agiamo sempre come fedeli e amorosi custodi del Creato.

IV. Crediamo nella dignità morale ed economica dell'essere umano.

V. Lavoriamo sostenendo il giusto utile e l'armonia tra profitto e dono.

VI. Ricerchiamo l'armonia tra il giusto lavoro e l'umana riservatezza.

VII. Ricordiamo i padri. Ci hanno insegnato a rispettare le leggi, e nella loro parola è scritta la nostra storia.

VIII. Crediamo in un universalismo del mondo e agiamo con grande rispetto per tutte le civiltà.

IX. Accettiamo i giusti cambiamenti per vivere la parte migliore dei nostri tempi.

X. Amiamo i giovani e trasmettiamo loro la speranza e il sogno del futuro luminoso che li attende.

La Nostra Terra Madre

I. Abbiamo sempre ricercato un sano profitto ottenuto con etica, dignità e morale, realizzando manufatti di alta artigianalità che non recassero danni al Creato, o perlomeno il meno possibile.

II. Sentiamo vivamente la responsabilità di ciò che edifichiamo nel pianeta che ci ospita. Per questo realizziamo le nostre fabbriche cercando sempre l'armonia con lo spirito dei luoghi, recuperando e adeguando vecchi opifici preesistenti e risparmiando la terra anziché consumarla ulteriormente.

III. Ciascun piano di recupero delle nostre fabbriche contiene sempre un progetto paesaggistico, un progetto architettonico, un progetto di manutenzione e un progetto per la loro durata nel tempo. Nessuna azione dell'uomo è accettabile se non è compatibile con la rigenerazione della terra.

IV. È un imperativo morale usare le risorse del Creato seguendo le leggi antiche della natura. Per questo abbiamo messo al centro del nostro progetto di vita e di lavoro il sano utilizzo delle acque e la grande importanza del loro recupero. Altrettanto facciamo per tutto quanto riguarda le altre risorse, utilizzandole con garbo e con la massima attenzione ai cambiamenti climatici.

V. In ogni parte del mondo gli antichi veneravano, ciascuno secondo le proprie tradizioni, la Terra Madre come divinità primaria. Il significato del suo valore non è diminuito con il trascorrere dei secoli, ed è per questo che le nostre coltivazioni, olio, vino, grano, frutta, sono eseguite secondo natura, e secondo natura i loro prodotti vengono utilizzati per preparare i cibi serviti nel ristorante della nostra mensa aziendale.

Figure 26. Evidence from Brunello Cucinelli report (4th category). Source: Brunello Cucinelli non-financial report.

Finally, the reports of Monnalisa and Fendi-Loro Piana (LVMH) have been placed in a separate category. The Monnalisa report is included with the management report and, since it adopts the IR framework, it also includes a section dedicated to the financial information. In the analysis of the report there is a substantial difference between the way financial and non-financial information is reported. The first section is much more written and with more information than the second one, which include images, infographics and frameworks of various kinds. Similarly, LVMH's non-financial reporting – included in the management report – reports non-financial information in a very similar way to financial information. On the other hand, looking at the reports dedicated entirely to sustainable aspects (i.e. Social Responsibility Report and Environmental Sustainability Report), communication style changes, preferring also in this case, images, frameworks and various infographics.

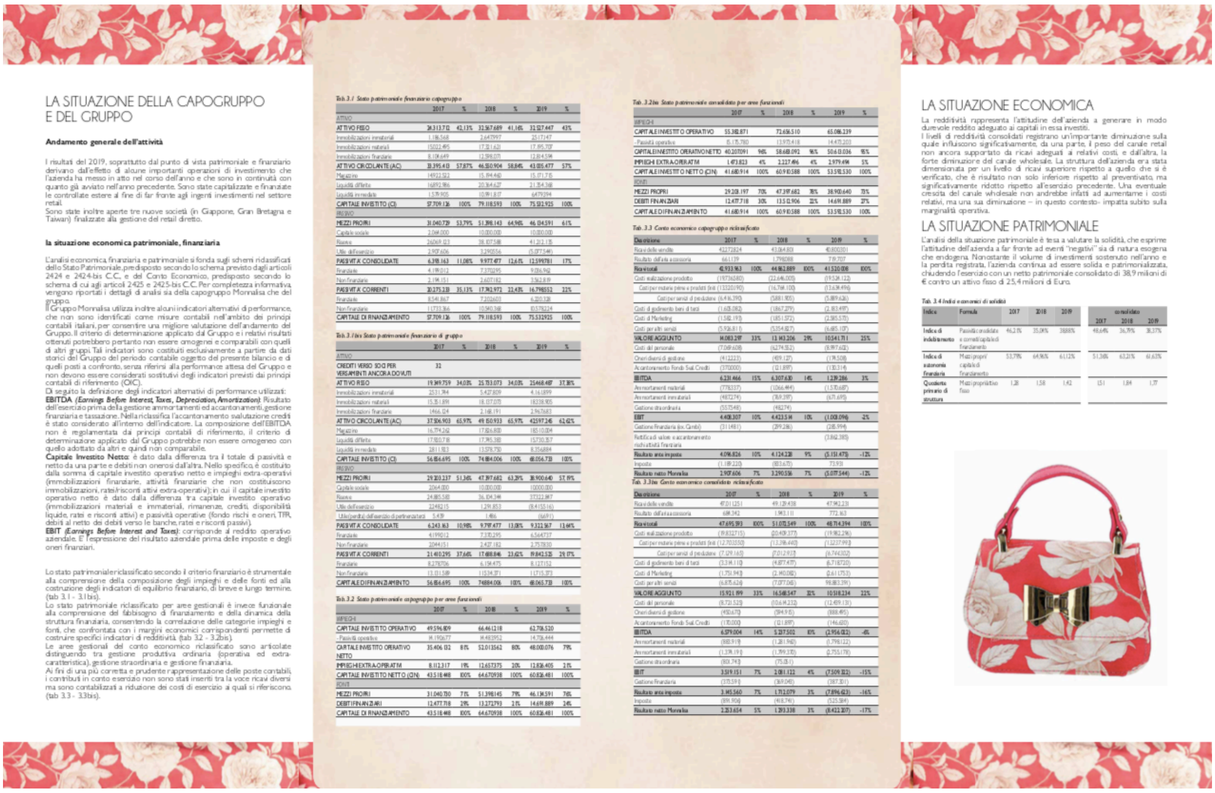


Figure 27. Evidence from Monnalisa report (5th category); financial information. Source: Monnalisa's Annual Report

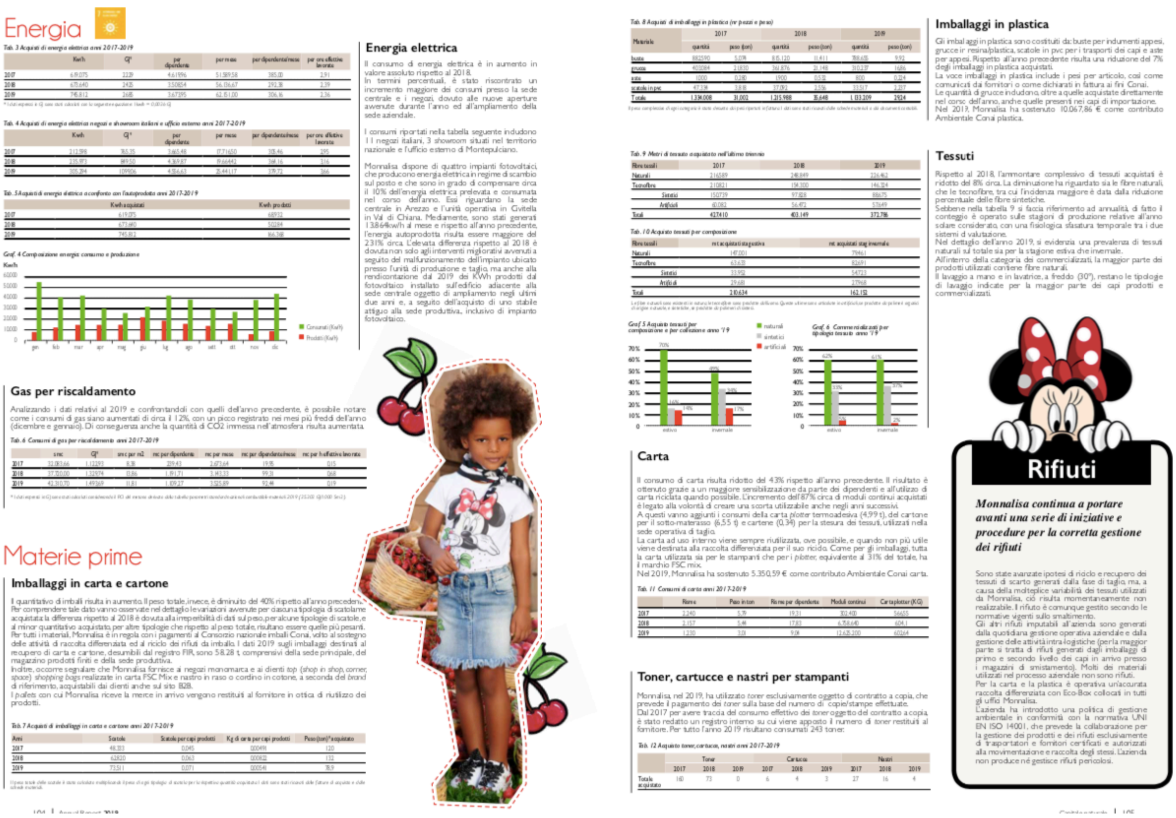


Figure 28. Evidence from Monnalisa report; non-financial information. Source: Monnalisa's annual report.

Company	Listed	Title	Collocation	Extension	Reporting standard	Strategies and Sustainability Plans	SDGs	Materiality analysis - Materiality determination process	Sustainability governance (Sustainability Committee)	Sustainability incentives system	Environmental policy	Social pages	Environmental pages
BASIC NET S.p.A.	Yes	*"Relazione Finanziaria annuale 2019 e dichiarazione non finanziaria consolidata"*	Included in the financial statement (with management document)	38	Gri Core	No	No	Yes- not specified	No	No	No policy	11	4
BENETTON GROUP S.R.L.		*Bilancio Integrato 2019*	Stand-alone document	131	GRI Core Integrated Reporting	SDG - but there are no quantitative data	5,8, 12, 13, 17 (Objectives)	Yes - survey	Yes	No	No policy	24	16
BRUNELLO CUCINELLI S.P.A.	Yes	*Dichiarazione Consolidata di Carattere non finanziario 2019*	Stand-alone document	146	Gri Core	In program	8,10,11,12,13,16 (Materiality)	Yes - survey management	No	No	No policy Environmental risks	66	22
CALZEDONIA S.P.A.		*Report di Sostenibilità 2019*	Stand-alone document	144	GRI Core	In program	1,3,4,5,6,8,9,10,12,13 (Materiality)	Yes - management but not specified	Department	No	No policy Environmental risks	48	25
CSP INTERNATIONAL FASHION GROUP S.P.A.	Yes	*Non financial consolidated Statement 2019/Sustainability Report*	Stand-alone document	92	Gri Core	Part of the industrial plan	No	Yes - suppliers survey, management interviews	No	No	Yes (environmental risks)	20	13
(LVMH) FENDI S.R.L and LORO PIANA S.P.A.		*Management Report 2019 + Annual report + Social responsibility report + Envrironmental responsibility report*	In the management report	112	In house methodology	Yes (environmental and social)	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17 (Objectives)	No	Yes	No in Fendi and Loro Piana	Yes	18	16
GEOX S.P.A.	Yes	*Non financial consolidated statement 2019*	Stand-alone document	211	Gri Core	Strategy - but no quantitative data	No	Yes - structured assessmente process	Yes	No	No	61	24
GIORGIO ARMANI S.P.A.		*Report Sostenibilità 2018*	Stand-alone document	110	GRI	Strategy - but no quantitative data	No	Yes - not specified	CSR unit	No	No	37	13
(KERING) GUCCI LOGISTICA S.P.A. and ROMAN STYLE S.P.A.		*Kering - Integrated Report 2019*	Stand-alone document	84	Integrated Report	Yes	1,3,4,5,6,8,12,13,14,15,16,17 (Objectives)	No	Yes	yes (10%sustainability, 10% social responsibility)	Yes	1	1
INDUSTRIES S.P.A. (Moncler)	Yes	*Dichiarazione Consolidata non Finanziaria 2019*	Stand-alone document	203	Gri Core	Yes	3,4,5,8,7,11,12,13,14, 15 (Objetives)	Yes - Survey	Yes	Yes (for top management)	Yes	62	10
MONNALISA S.P.A.	Yes	*Annual report 2019*	Annual report (with Management report)	115	Gri Comprehensive Integrated Reporting	Strategy	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17	Yes - Internal survey + external survey to monobrand store	CSR manager	No	Yes policy No environmental risks	20	8
OVS SPA	Yes	*Report di sostenibilità 2019*	Stand-alone document	89	Gri Core	Strategy - but no quantitative data	6,7,13,14,15,5,8,10(Materiality)	Yes - workshop + online survey (for clients, suppliers, investors, franchisee)	Yes	No	No policy Environmental risks	12	6
PRADA S.P.A.	Yes	*Social Responsibility Report*	Stand-alone document	72	Gri Core	SDG - Sustainability Policy	No	Yes -not specified	No	No	No	12	9
SALVATORE FERRAGAMO S.P.A.	Yes	*Bilancio di sostenibilità 2019*	Stand-alone document	112	Gri Core	Yes - SDG objectives	3,4,7,8,11,12,13,14,15 (Objectives)	Yes - survey + 2 workshop with employees	Yes	No	Yes policy Yesenvironmental risks	34	13
TOD'S S.P.A.	Yes	*Relazione finanziaria annuale, compresa della DNF 2019*	Included in the management report (with the financial statement)	120	Gri Core	Yes	No	Yes - workshop (group and stakeholders) + online survey	Yes	No	Yes policy Yesenvironmental risks	22	7

Table 7. Summary of findings. Source: personal elaboration.

Part III

Bridging discourses and practices of sustainability in the fashion industry

CHAPTER SIX

BRIDGING DISCOURSES AND PRACTICES

In the previous chapter, the results obtained from the analysis of the non-financial reports of the sample of companies examined have been reported. Below, the empirical results, presented in the fifth chapter, will be discussed, comparing them with the theories that emerged in the first part of the thesis. In the collection of findings, several elements emerged that confirm and contradict what was highlighted in the theory of the first part (i.e. in the chapters dedicated to sustainability and non-financial reporting).

6.1 Matching practices

Starting from the first section of the previous chapter (i.e. Communication channels), there is evidence that half of the companies selected in the first sample do not communicate about sustainability. As a matter of fact, 51% of the companies do not publish the non-financial report and do not communicate this kind of information on their web page. This fact appears even more significant when considering that according to the criteria imposed for the selection of the sample, most companies were expected to publish non-financial reports based on companies size, number of employees and turnover. Moreover, this consideration meets the thought expressed by Sara Mariani in the first question of the interview. The path towards sustainability requires time and resources, and, on the basis of empirical evidence, it is clear that the practice towards sustainability of the sample of companies is put into practice, but it is still adopted in a limited and not so deep way.

With regard to the companies that have worked on both channels of communication (i.e. Benetton, Brunello Cucinelli, Fendi, Geox, Giorgio Armani, Gucci, Moncler, Ovs, Prada, Salvatore Ferragamo and Tod's), it is confirmed the consideration expressed by Sara Mariani that a different type of communication than the one provided by the reports, but side by side with it, can have a positive impact and reach a larger audience. In this sense, the report appears essential to measure what has been done and understand future objectives, but it seems to remain a long practice delegated to insiders and stakeholders such as investors.

In this regard, some companies within the sample have communicated the non-financial information exclusively through reports (i.e. Basic Net, CSP International Fashion Group, Fendi, Loro Piana, Monnalisa and Brioni). Brands such as Fendi, Loro Piana and Brioni belong to the French groups LVMH and Kering, whose websites already communicate their actions towards sustainability. As far as Basic Net, CSP International and Monnalisa are concerned, they are listed companies whose websites are particularly functional for external stakeholders, such as investors. With the exception of Monnalisa, and unlike other listed companies that also publish sustainability information on their websites, the reports of these companies are not particularly comprehensive in terms of content and seem to use these reports more for constitutional compliance. This less thorough practice suggests that a true sustainability orientation is not yet rooted and permeated, despite the European directive and the latest cultural changes on sustainability.

This insight can be linked to a broader consideration on the quality of non-financial reporting. As previously noted among the criticisms reported in both the first and third chapters, non-financial reporting is often criticized for the quality of its content, which is lower than the quality usually found in the financial statements. In fact, criticisms accuse many companies of being involved in a weak form of sustainability that uses the company's history and heritage as a device to divert attention from what "is not really sustainable". The doubt is that for companies sustainability is seen as a duty to be performed to adapt to competitors and satisfy stakeholders, without affecting the redefinition of the system of values and practices of the company and with the danger of a degeneration into a formalistic practice. In this sense, the reports of the companies examined differ from each other. Although it is difficult to make a proper comparison between reports, some of them are well done and detailed, others are more superficial and approximate. Some reports spend a very substantial first part to introduce the company, strategy, history, values and heritage. The rhetoric is also an

important sign of how sustainability issues are addressed in the reports. An excessive presence of images and frameworks may lead the reader to perceive these reports as light or frivolous and, in general, may give them a rough character, especially when compared to the financial reports of the same companies. Again, it is clear that companies are working towards sustainable practices, but these elements lead to the conclusion that sustainability is not yet an established practice for some companies of the sample.
For what concerns the contents published in non-financial reports, as evidenced in the literature review of the third chapter, companies dedicate more pages to social issues with respect to environmental ones. This is also confirmed by the number of reports who declare to have environmental policy (i.e. 47%), hence less than the half of reports.

This thesis is also confirmed by the low presence of Sustainability Plan, Sustainability Commitee and incentives linked to sustainability objectives. These elements are fundamental to understand definitively how much companies are actually oriented towards sustainability. The presence of the Sustainability Plan and the Sustainability Committee is an important sign of how much companies value sustainability issues and how much they are committed to make sustainability a central element of their strategy. As reported in the previous chapter, among the sample of companies analyzed, those that claim to have a Sustainability Plan are Fendi-Loro Piana (LVMH), Gucci-Brioni (Kering), Moncler, Ferragamo and Tod's; while those that claim to have a Sustainability Committee are Benetton, Fendi-Loro Piana (LVMH), Gucci-Brioni (Kering), Geox, Moncler, OVS, Ferragamo and Tod's.
Another essential element is the presence of incentives linked to sustainability objectives. In this, most of the companies in the sample are still one step behind (i.e. only Gucci-Brioni (Kering) and Moncler claim to have incentives related to sustainability).
This is a further proof of how an effective orientation towards sustainability in the fashion industry is still not only a limited practice, but also perhaps only a rhetorical exercise. In fact, if sustainability is not linked to an incentive system, it is unlikely that companies' behavior will really change. From this result, one can deduce the lack of an effective implementation of sustainability and, in this sense, listed companies and French groups (LVMH and Kering) are more mature and prepared.

Regarding the positioning of non-financial documents, 74% of the reports were considered as stand-alone document. This trend is confirmed by two other Italian studies concerning the analysis of non-financial reporting. Usually, as evidenced in the third chapter, stand-alone reports are criticized for their length and prolixity. This trend can also be seen in the sample of reports examined, counting an average of 118 pages per report. However, contrary to what was expected, with the exception of Basic Net, the position of the non-financial report did not have a significant influence on the length of the report. In fact, Basic Net report was the only one to be included in the financial report and to count less than 50 pages (i.e. 38 pages).
The choice of companies to differentiate non-financial information in a single report, separating it from the management report and the financial statements, would highlight a real interest in communicating sustainability in a more visible and effective way. In addition, this choice would mean giving non-financial information more space and prominence. On the other hand, the choice to include the DNF together with the annual report and the management report could mean that for these companies sustainability is an essential part of the business and corporate strategy, especially if the communication tone within the different sections remains unchanged, within the sample Tod's is an excellent example of this approach. In this regard, the Integrated Report meets the need of companies to combine the different parts that affect the company in a single report. From the sample of reports that make use of this type of reporting, the comprehensive perspective of these reports is clear and the role of intangibles in the company context is positively perceived. Similar to IR, the annual report has a similar purpose. However, it is evident that this practice is limited in the sample of companies surveyed: only Benetton, Kering and Monnalisa refer to IR as a reporting practice.

Another element found by the analysis of the reports, which confirms what is highlighted in the first and third chapters, is the presence of a certain plurality in the practice of non-financial reporting. In this sense, plurality is reflected in the titles of the reports, in the terminology used and in the current practices adopted by the companies in the sample. More specifically, as can be seen in Figure 12, the 17 reports analyzed are named in substantially different ways: "Non-financial Statement (DNF)", "Sustainability Report, "Integrated Report", "Annual Report", "CSR report" and "Management report".

In terms of the practices adopted, it can be observed that companies behave differently, an indication of which is the location of the reports themselves and the choice to publish more than one report. For example, the two French groups LVMH and Kering have chosen to publish more than one report dedicated to sustainability issues. Finally, there is also some confusion about the terminology and proper terms. For instance, in the CSR report published by Prada, a chapter is included on the environmental aspect, when, as observed in the first chapter, CSR generally refers more to the social sphere than to the environmental one. In summary, despite the introduction of mandatory regulation on social and environmental information, the low specification of the directive leads to a certain diversity in the reporting practices of the sample reports, making it difficult to effectively compare reports.

6.2 Mismatching practices

One of the empirical evidences not found in the literature is the criticism of the multiplicity of standards used. As a matter of fact, contrary to what was suspected, the reports analyzed show a certain homogeneity among the standards used. GRI standards are the most used (i.e. 73% of reports use GRI standards, 13% of reports use both GRI and Integrated Report). The IR framework, on the other hand, is not widely used. The only exception is Fendi-Loro Piana (LVMH), which uses an in-house developed framework. Moreover, among the various GRI options that companies can adopt, the GRI Core option is the most used in the sample reports (i.e. 84%). This feature brings a considerable advantage for the comparison of the contents of the reports, which usually from the materiality analysis start to develop all other issues related to product, social and environmental aspects.

Another element that is not supported by the theory previously analyzed concerns the materiality and involvement of stakeholders. One of the key points of non-financial reports, derived from GRI standards and Integrated Reporting, is the interaction with stakeholders and their involvement to find the material aspects on which to focus the reporting. To achieve this result, companies usually use a number of methods (i.e. interviews, online surveys and workshops) to gather feedback from all stakeholders. From the analysis of the reports, companies confirm that they are committed to the materiality determination process through solid communication and continuous stakeholder involvement in the company's activities. In some cases, however, it seems that there is a lack of a process functional to the materiality analysis. In fact, not all companies report to have used surveys and workshops for the materiality determination process. In addition, in cases where these methods are present, often only top management and executive staff are taken into account.

Finally, the last consideration that does not find correspondence concerns the criticism advanced by Milne and Gray (2012), summarized in the following sentence: "*The critical issue which arises from the poor quality of reporting is the clearly ludicrous situation whereby the one thing that one cannot infer from information is the very thing the information purports to present. The one thing you cannot learn from a sustainability report is the contribution to sustainability that the organization has made*". To confirm what has been said in the previous section, despite being the beginning of a path, companies in the sample are beginning to work towards sustainability and its communication. In line with sustainability theories and more precisely with the triple bottom line concept, the reports mainly communicate data regarding social, environmental, product and supply chain aspects. Nevertheless, it may be argued that companies are still far from having a deep-rooted focus on sustainability in their business practices. Reports communicate significantly, but perhaps little of that effective orientation, which is not yet in place.

CONCLUSIONS

The main objective of this thesis was to explore the contents and practices within non-financial reporting of companies operating in the Italian fashion industry. The analysis of non-financial reports has not only allowed to understand what kind of information companies report and how they do it, but it has also provided important insights about the position of companies on the path towards sustainability. The thesis has addressed this aim by analyzing 15 non-financial reports from 17 Italian companies, both listed and unlisted. To achieve this result, the thesis has been divided into three conceptual parts. The first part offers a literature review of the three topics on which the thesis focuses: a review of the concept of sustainability with its main theories (Chapter 1), an insight into the fashion industry and its impacts (Chapter 2) and an overview of non-financial reporting (Chapter 3). The second part of the thesis (Chapter 4 and 5) deepens the issues dealt with in the previous part by placing them in the context on which the empirical analysis is based. Hence, Chapter 4 focuses on the Italian fashion system and the legislative decree that regulates non-financial information in Italy, introducing a methodological section that describes the criteria used to select companies and the related non-financial reports. In addition, this chapter introduces an interview with Sara Mariani, Chief Sustainability Officer of OTB, who offers important insights on the issues on which the thesis is developed, including practical examples from her corporate experience. Thereafter, in chapter 5 we analyze the findings that emerge from the analysis of the reports, trying to understand what they communicate and the way in which companies report. Reports are analyzed in terms of their channel of communication, reporting practices, contents and rhetoric. Finally, in the third and last part, the empirical results obtained from the analysis of reports are discussed and related to the theory set out in the first part of the thesis (Chapter 6).

The discussion of the findings revealed various considerations that converge towards a common conclusion. Firstly, out of the sample of companies initially selected, only 40% of the

companies engaged in the production of non-financial reports. Hence, it may be argued that the practice of non-financial reporting is present but still partially adopted. Despite the criteria for selecting the sample, which could make it biased, it is noted that there is not yet full evidence of an established and extensive non-financial reporting practice. Secondly, when adopted there are some elements that lead to the conclusion that some of the companies in this sample are still at a level of sustainability not yet rooted and deepened. An effective comparison between reports is difficult due to the lack of unique regulations and the presence of many qualitative data, therefore, to understand the level of maturity of these companies in sustainability we use some specific data. For instance, the presence of Sustainability Plans, Sustainability Committees and incentives linked to sustainable objectives can indicate how much companies are really investing in sustainability and how integrated it is into their business strategy. In light of this, it seems that some companies are engaged in the preparation of the non-financial report more for constitutional compliance and as a rhetorical exercise. The evidence is in the format, content, rhetoric and lack of explicit incentives. Nevertheless, in the sample of companies it seems that some Italian listed companies and the French groups LVMH and Kering are more evolved and advanced in the practice of non-financial reporting and in the process towards sustainability.
This thesis also contains several limitations that suggest directions for further research. One of the limitations is the choice of ATECO codes. Although specific ATECO codes have been chosen for the fashion industry, it cannot be excluded the presence of Italian fashion companies with ATECO codes different from those selected for this sample. A second limitation is the data collection process. In fact, all non-financial reports have been collected exclusively on the websites of each company. However, some companies may have published their reports in other portals than their websites. Finally, although justified, the inclusion of Fendi-Loro Piana (LVMH) and Gucci-Brioni (Kering) could make the final findings biased.

In the coming years the approach to sustainability will become increasingly crucial for the fashion industry. Currently the youngest and most innovative brands are already moving in this direction, promoting transparency, new technologies and the development of innovative materials. As suggested by Sara Mariani, in this context it is essential that Italian brands do not lag behind but invest in sustainability both for a positive return on the environment and society and as an essential tool for competitive advantage. For this reason, it is necessary that sustainability becomes an integral part of corporate strategy. In this context, the communication of certified sustainability translates into greater shared value and profitability for the company. Therefore, the non-financial report is an opportunity to manage better the company and a mean to improve it. The non-financial report was born as a marketing and communication tool to describe the company and make its impacts known even to those who do not know the company. Precisely this function is necessary to raise awareness among consumers who are too often not informed about how the supply chain is managed and what they are going to buy. However, to start this virtuous circle, a greater commitment by the law is needed. Stricter guidelines are needed to regulate this practice and the functioning of the industry so that companies increasingly undertake it as an honest, accountable process. If further direction is not implemented in the future, there is the risk that companies will not take on sufficient momentum to steer their business towards sustainable practices. Ultimately, brands are the ones who have to bear this responsibility, who often blame the manufacturing companies to whom they contract the production of their garments. Systematic change will only come with the cooperation of consumers, governments and businesses. In light of this consideration and the empirical analysis carried out, Italian fashion companies of the sample are at the beginning of a path and it is desirable that greater collaboration is created between managerial and governmental actors to move forward and consolidate the practice of non-financial reporting and sustainability.

APPENDICES

Interview with Sara Mariani, Chief Sustainability Officer at OTB S.p.A.

Talking about the fashion world, recent events have led to a rapid transition to what was already about to arrive, that is a general reconsideration of the values that until recently were the pillars of our economy. This being said, in your opinion, how far have we come in Italy, compared to other advanced and industrialized countries, on the subject of sustainability?

S: In Italy, we are way behind, in Europe we are quite behind. That is, in my experience, in 2007 I was fighting as much as I am doing today. After 13 years, we did not come that far. As far as I am concerned, the path to follow has been clear for years, thus it is nice to see the change now, but it is a bit frustrating to know that we knew all along what had to be done. Therefore, there is a little frustration. However, things are moving, and they are moving here in Italy as well. Companies start to equip themselves with structures and with dedicated people. This subject is complex and encompasses many disciplines, it requires technical abilities rather driven and varied; consequently, you have to find people who can do this job instead of taking someone from Human Resources (HR), as very often happens, and giving them other responsibilities or even taking people who have a special sensitivity from other departments. It is a great idea, but it is important to have a professional technician as well, because some things require years and years of practice. As for the reconsideration of values, I can definitely see it. I do not know if, broadly speaking, it will be long-lasting and really put into practice, because nowadays it is very fashionable to talk about something "seasonless", rather than making five collections and five fashion shows. It is not clear whether it is a reflection of the crisis, whether it will be long-lasting or, most of all, whether it will be put into practice. Because there is goodwill, but a company which is sized for a turnover that is based on five collections, cannot survive on two seasonless collections, economically speaking. Therefore, the concept is quite complex. I think that we are still too close to this crisis to understand what it will be like afterwards. Honestly, at the beginning of the crisis I was also very excited, I really hoped that some negative behaviour would change, but if we take into consideration the example of "revenge shopping" in China, we can see that nothing has changed. In fact, as soon as they could go into their stores and even shop online, they started to spend three times more than before. Therefore, I wonder what it takes to change. If not even this pandemic has succeeded in changing certain bad behaviour, I do not know what we will need. This crisis has called into question many things and there is still not enough clarity to understand where we are going.

The supply chains of companies operating within the fashion sector are, in most cases, very fragmented and located in different countries. In addition, nowadays, the consumer is probably not yet fully informed and sensitive to this issue. Both of these factors lead many companies, which are considered in some way sustainable or pro-sustainability, to create smaller collections or to create some items with organic and ecological materials. To some extent, could we talk about "greenwashing"? At this point, how practicable is it to bring an entire company already structured, with already highly industrialized and standardized internal processes, to a complete change in order to make it sustainable?

S: The consumers are hardly informed on the supply chains, indeed. They receive information through campaigns and fake news, especially regarding everything that is mass market and fast fashion. People should know that if they buy a T-shirt that costs two euros, it was probably not made in Italy. In fact, I believe that from a logical point of view one should wonder, but I see that many people do not.

The consumer is too far behind. If there is not enough push on his part, even with drastic actions, such as boycotting companies that do not meet the standards that someone has, he is not fully conscious of what is going on behind the scenes; thus, he does not even have the tools to ask for a change. Moreover, if the consumer does not push for this change, the brand alone is not motivated enough to change, because it means taking the most expensive transactions; therefore, it is a marginal issue. Unless there is a 360-degree intervention that also includes the consumer, it is difficult to change some bad habits. Then, there is the fact that many companies, even though they claim to be sustainable, make minor collections or some items with organic and ecological materials, and this can be considered either greenwashing or not. In the sense that in the agri-food sector, thirty years ago and at the time of the COOP supermarkets, I remember some campaigns where people had collected signatures to propose some laws on the fair treatment of workers, in the banana or perhaps the cocoa industry. This was thirty years ago. Everything that nowadays is considered as "sustainable fashion" started long after; there is at least a ten-year difference. I understand that, either way, twenty years is a long time. Surely, we did not go where we had to go, but a brand that is born now, is born sustainable and it is much easier for a young brand, a start-up, to be sustainable, because it knows what it should and should not do, where to start and which are the righteous attitudes. Introducing sustainability in a big company and structure that already exists and is used to working in a certain way, entails some kind of inertia of the system that can continue for years, before you can really change things in a radical, continuous and substantial way. If there are eco-sustainable collections, I do not necessarily see it as greenwashing. If you are going to change but you are inside a complex company and you do not have the resources and skills to change, it is still a breakthrough; on the other hand, if it is just a matter of facade and you are not going to change, then that is another story. In my opinion, it is better to do something than nothing. If instead, it is a one-off, just to say "we did something" and then behind it there is no will, then it becomes greenwashing. I would go a bit cautious on this point because having often worked as a consultant I have seen surprisingly negative things, even in really unsuspected companies. For example, in 2008, I conducted an audit in a company, a large supermarket chain in the United States. Their work consisted of supply chains, which means buying, moving and selling products. Therefore, I was surprised to learn that for the majority of the products they sold they were unaware of where they came from and they were such a huge player in the United States, employing thousands of people. The astonishing thing is that they did not possess the information needed from their suppliers and they had no way of getting it. They bought their products through platforms and agents who were not used to providing this kind of information and in turn, they did not collect it from the lowest tier. It took years for each tier of the supply chain to understand, one day, what type of information would be asked by the higher tier. It is a little more complicated than most people think.

For instance, talking about fast fashion the problem is that their type of business model is not sustainable because of the volumes. Starting from this, we have two options: option one is to suppress any kind of fast fashion, whereas option two is to let fast fashion go well. Taking into consideration the second option, from personal experience, companies from the Inditex group do many different things towards sustainability within the limits of their business model, which is fast fashion. Fast fashion produces and transports too much, it uses too much raw material and creates too much waste. This is undoubted. Nevertheless, within the limits of this “wrong” model, some big players do plenty of things; maybe they just do not talk about it. Let me give you a concrete example: last year, in July, Zara published a report on their progress, which was very good, in which they explained what stage they have reached in some issues. Knowing their standards, I am aware that they have worked with scientists for years even for the whole water management and the chemicals part. There is a very big and heavy behind the scenes at Zara, and this is done well too. When they published the report, last year, they were severely attacked. In fact, this incident strengthened my management’s willingness not to communicate about what we were going. Because they thought: if Zara, who has been working on it for fifteen years and has a team, a strategy that measures and reports, that has visibility on its supply chain even though the model is fast fashion, gets massacred, we would get killed since we started much later. Therefore, we say nothing.

The business model of fast fashion may be intrinsically wrong, but then it is also important how you try to measure and get a footprint, in order to see the progress of what you are doing. Anyway, having worked there and knowing a little about what happens backstage, I have to say that they try. I am not saying that they succeed, but at least they try. However, I understand the concept: it is not enough to have a “conscious” line, and it is very misleading for the customer as well. Sometimes I get the feeling that no matter what you do, you are wrong. Because if you do nothing they tell you that you do nothing; you do something and it is not enough; you try to communicate and you still have not done enough; you interact with the customers and even try to educate them, and you are doing an action of greenwashing.

From a company's point of view, it is very difficult to find a balance, because there is no maturity and there is too much debate. Nowadays, it has become a fashion theme and everybody is talking about it, 80% of people is talking about it inappropriately though. Many have ridden the wave to do greenwashing and they pass with impunity for the defenders of sustainability, and these poor people, who have been rolling up their sleeves for 15 years and trying to do a decent job, are killed as soon as they lift their heads.

Example of greenwashing can be seen on Facebook: Facebook suggests us to buy products; many small companies promote their products on Facebook. I lived in France for a long time, so I follow French market's advertisements, and I came across a company that made towels and household linen. It talked about cotton sponges saying that their cotton was Egyptian and sustainable, soft and very absorbent; it absorbed water better and so it was more natural. Egyptian cotton is soft because the Egyptian cotton fibre is the longest that exists among the cotton fibres. It is soft because it is handpicked, unlike the cotton produced in Pakistan, where people began to understand that the machine does its job very well. The machine shreds and shortens the fibre, making it harder; therefore, the cotton is harder as well.
I was in the Egyptian cotton fields during the harvest and saying that they are sustainable, just because their cotton is super-soft and from Egypt, is not actually a nice advertisement for someone who knows the truth behind it. First of all, we are talking about cotton, which is a very polluting fibre and needs more water and more pesticides. Yes, it was handpicked, but until this year initiatives such as the "Better Cotton Initiative" did not work in Egypt because they did not find the right conditions in the fields. That is why, in my opinion, claiming that a company is sustainable just because their cotton is soft as a result of handpicking is not something to say if you want to make a good impression.

Do you think Corporate Reporting is useful in order to make the supply chain and internal processes traceable and transparent? Do you consider this useful to raise the consumer's awareness of sustainability issues? Or do you think it is still a very long and confused

process? Within the next few months, do you intend to adopt a framework to measure OTB's non-financial performance?

S: As far as I am concerned, adopting a framework to measure a company's performance is crucial, it is something complicated to do, especially if you have to set it up from scratch and in a group with different brands, positioning, strategies and different levels of maturity. That is why it will be difficult, but it must be done. At least you need to measure and understand where you are, make a gap analysis, understand what is missing, what has been done and what can be put in place between different brands. I can give you an example because I come from LVMH (Moët Hennessy Louis Vuitton SE). In LVMH, for instance, there is a network of what in French are called "correspondants environnement", the environmental managers of the various fashion houses, who work very often together because they are in very small and slender structures, sometimes even with just a person. The problems within the group are treated by areas: the perfumery works together, the Wines & Spirits part works together, as well as the fashion and leather goods part. This network of people within the brands, not having many resources, is pushed to work together. We exchanged information, we telephoned each other, and we had working groups, regular meetings. Therefore, sustainability was a topic on which we all worked together, although the brands could be in competition with each other, commercially speaking. What I would like to do, after seeing what is possible considering the economic situation, the contracts situation and so on, is to establish a network of people responsible for sustainability within each brand to develop a common project, share good ideas and create economies of scale. I would also like to create a dynamic among all employees, in order for them to know what brands do, not brainwashing, but what they do concretely, to motivate everyone to do their part. Obviously if I want to measure, I need to use the information that will be given to me by this team of sponsors/ambassadors, within each brand.

Going back to the question, if one does not measure, one cannot measure progress, which is essential to understand if we are on the right path, to create motivation on the various issues, and to encourage everyone to contribute according to what they can do and what is related to their functions. I have good examples of things that have been done in the past, for instance what LVMH used to do and how they used to work. To do Corporate Reporting, what is important is the quality of the data and then the format can also be an Excel sheet, if compiled well and done well. Therefore, it can also be done with limited budgets and a situation like this grey area we are in right now.

You can start anyway. For example, one thing we did in LVMH was to calculate performance of the boutiques and point out the “bad stores”, for example: I have a boutique of 250 square meters, I look at its annual consumption, I divide it by the number of square meters and I get another number. If that number is under certain parameters it is fine, but if it is above other parameters it becomes a "bad store", that is a store that consumes too much per square meter. At that point, you have to intervene and do something. If I have not done this calculation, I have no visibility from where I start. This is a very simple kind of calculation to do, because everybody gets bills with kilowatts in them and everybody knows how many square meters their stores have. This could be a starting point, if one knows the mass of all the stores. Obviously, I am talking about free-standing stores, because measuring consumption inside a corner store in a mall is very difficult, since very often there are no specific bills for each space. However, if you own a boutique, you know how many square meters there are and how much you consume. This general mapping, for example of the square meters that a group owns and how much they consume per square meter, is something relatively simple that can be done quickly. It is not exhaustive, but at least a part of the problem is mapped. Then you will have to intervene year by year, for example replacing all the lights with LED lights.

There are geothermal projects, for example in Via Monte Napoleone that serve multiple stores, there are so many ways to reduce consumption.

About reporting, there is a certain plurality about the format to adopt. There was an attempt to harmonise with the GRI (Global Reporting Initiative), which dictated the guidelines, but as you said it is wordy, complex and sometimes you do not have the data that you would like to communicate. Multiplicity of formats in reporting is a very complicated problem to solve. Everyone does what he or she wants. Thus, it is also hard to compare one report with another, because they do not speak the same language. Nevertheless, it is something that needs to be done, because in some countries, for example, there is a legal obligation to do so. In France, for instance, the “Devoir de Vigilance Act” requires all listed companies to publish a non-financial performance report. It is necessary to carry out a risk analysis and to communicate, according to each identified risk, what actions are intended to mitigate the risk. That is an obligation.

In Europe, a working group is working on guidelines to create a European legislation on reporting on non-financial performance and, if the push does not come from the regulatory legal point of view, it will come from investors. Because more and more investors and banks use this criterion to provide funds or make investments. This is something that I am also very pleased with, because personally, I think that when you touch on the economic side, then things go on. It is unpleasant, but it is true. So if you get to a point where to get good funds and good credit from banks you have to have provided some non-financial performance, to me it is fine, because that means we are going to start doing it seriously, since everybody needs credit and investors at some point.

G: So do you believe that sustainability is also communicated through other channels?

S: Absolutely. For me sustainability is a certain way of doing things and doing them well. 90% of the time, sustainability is common sense, which means that if you do things well and you have certain values, you are sustainable. Whether you know it or not.

During the Covid crisis there have been many companies who cancelled orders, so they did not have to pay their suppliers. In OTB orders were maintained, and suppliers paid. This was not necessarily done for a sustainability reason only, but to preserve good relationship with suppliers and therefore preserve the supply chain. Some actions that are done for other reasons than sustainability, or with other assessment criteria, can also prove sustainable actions. It is about a company’s responsibility to say "I have placed orders, I have suppliers that employ workers who depend on me paying the order and therefore I pay my orders". Is it only out of sustainability? There could be other economic reasons involved, but ultimately it is still sustainability. At the end, it is another type of channel, but it always flows into the best practices related to corporate responsibility.

G: But do you think this kind of communication is more effective than, for example, Corporate Reporting?

S: Yes, in Corporate Reporting there are just the experts, specialists, audit firms, investors and rating companies that read them. Having a more punctual communication about what you are doing probably manages to reach a wider audience and it is easier than to concentrate everything in a report that takes four months to write.
I am not saying the reporting is not important, because it is also important to take stock of where you are and where you are going, that is fundamental. In terms of communication and information accessibility, perhaps the report is still a bit relegated to the insiders.

Given your recent entry, in broad terms, how do you intend to operate in the coming months? What steps do you think are essential and necessary to take?

S: I think it is essential to do a gap analysis, understand what is there, what is not there, identify people in each brand, set up systems to measure and track progress. Nothing transcendental, but it is necessary to start. Then, at the same time, it is necessary to try to create – and this is the heaviest and less pleasant part – a dynamic in which everyone feels responsible and brought into play, so that everybody understands what they can concretely do in their daily life. But also inspire, why not? As soon as you can, you should call some inspiring speakers to talk about lived life situations, positive results, what you can do and how to do it, even the difficulties so that you can understand what should not be done to avoid mistakes.

Do you think it is easier for a luxury brand to implement sustainable policies than a fast fashion brand? And in this sense, do you believe that sustainability communication

(Corporate Reporting) is a disadvantage or an advantage for one or the other market segment? Do you believe that, in the future, there will be a possible union between sustainability and profit or that it will continue to be, for many people, a strategic marketing choice?

S: If I were a young brand and I had to create my own start-up today, my little designer brand can be 110% sustainable, because I know what needs to be done. The difficulty, once again, lies in inserting different ways of working in large structures.

Then for luxury, sometimes it is easier and sometimes it is not. I come from the luxury world, so it is something I know quite well. The high-end client does not care enough about that yet. The super wealthy clients who want their crocodile bag just go on and buy them, they want a fur coat, they buy it, they want a diamond necklace and they just buy it. Probably, the premium customer or customers of slightly lower segments are more cautious.

The investors are situated on one side and the customer on the other side. If one of the two, ideally both, do not push the brand, the brand does not move, because it has no interest in moving. That is because doing sustainability is longer, harder and at the beginning more expensive. Let us face it.

We can say it as much as we want, the truth is that it costs more to set up; it takes more time and skills that maybe a brand does not have immediately available but needs to build. Luxury has at least one advantage: shorter, more centralized supply chains.

Luxury controls a lot its supply chains and very often it also produces internally through its own atelier, it produces high artisanship. The "artisanat d'art" of a certain type is made in Italy or in France, to get to a certain quality. Once again, luxury brands do not produce in Italy just to practice sustainability and lower CO_2; they do it because a certain quality, a certain leather and a certain artisan, that guarantees them a certain level of work, can be found only here. This factor shortens the chain a lot and highly simplifies the management of the supply chain. Luxury has higher margins than a premium, so it can reduce that margin to produce a more sustainable alternative in terms of raw material and processes, while maintaining a large slice of its margin compared to a premium, whose margins are lower. So technically, it is easier for luxury.

For fast fashion, unfortunately, the margins are built on the volumes, if they do not have volumes they have no margins, and then obviously they have very long chains in countries of production and raw material that need to be cheaper. Thus, just the basic model is an unsustainable model.

The treatment of garments after their purchase is also essential and there should be more education on this. No one ever talks about it, all people talk about is the impact of a garment on the raw material and the process, but a very significant impact is on its life and end of life: how many times do I wash it? With which products do I wash it? Do I dry clean it or I can wash it in the washing machine? Consumers don't really care about these things, but if we do the life cycle analysis of a product, I have to include its real life. Can I use my product twice without washing it or do I have to wash it every single time I wear it? The impact is very different, and, on these issues, there is absolutely no education. None.

However, it is still about sustainability, because we consume water and a big impact is the electricity that we need to heat the water in the washing machine, and we consume detergent as well. Therefore, you also need a consumer education on what to do with a product once I buy it, on how to treat it. In the luxury world, of course, you have maintenance booklets that explain what to do, because if I have a cashmere sweater that costs 4000 euros, I want to know how I can avoid ruining it. When I buy a cotton T-shirt, no one explains it and it is considered normal. But if you throw it in the washing machine at 90 degrees, it gets ruined, so you have to throw it away and in the end you throw away all the raw material you needed to get to that t-shirt. It probably would get ruined after six months anyway, due to its poor quality, but if I do not wash it correctly, it gets ruined after a rinse or maybe two. So, I throw it away, even though it could possibly last six months if treated right. This for me is an aspect on which there is a total black hole, no one ever talks about it and every time I talk about these things, they ask me if I am talking about detergents. Yes, I am telling you about detergents because once I put on an item of clothing, I usually wash it and then how I treat it affects its durability. A product is made to be worn; we are talking about fashion, after all. If I, once again, came to Ca' Foscari University and asked fifty people where they bought their jeans and if it ever happened to them to sit on a white sofa and leave a mark, how many people would say yes? I do not know how many people have white couches at home but if you ever sit on a white leather sofa with a pair of jeans on and they leave a mark, it means that the pigment that is left on the leather is actually absorbed by the skin and clog the system. There are many aspects related to fast fashion, beyond the stratospheric consumption of resources that nobody talks about, if you look closely at the chemical part, it can be scary. I would be afraid to buy a pair of five-euro jeans and put them on, because our skin absorbs led and arsenic, which are heavy metals that accumulate in the system and do not go away. Nobody talks about these details to the general public, but it is still sustainability. It is the "health and safety" part, which is related to how I make my products, how much chemicals I use, that then are poured into the wastewater and later the residue of these products gets absorbed by my body. Toxic materials, substances that can cause cancer and endocrine changes: there is a lot of rubbish in what we wear every day. This is another reason why I have not bought low-cost fashion for fifteen years, deluding myself that maybe if I spend more, I will not have this kind of problems, although there can always be exceptions. However, an average pair of five-euro jeans will certainly have more junk in it compared to a hundred-euro one. I hope so.

If nowadays I went around in this company or in any other company to talk about the theories of production and about the principles of sustainability, in purely sustainability related terms, people would look at me as if I were an alien, and possibly laugh at me. If instead I explained that by optimizing this logistics process people could reduce costs, lead time, quantity of packaging and increase the speed of unpacking a delivery, people would see the advantage, other than the sustainability related ones and they will do it. (To give an example that exists, the store clerk instead of spending three hours unpacking a delivery takes twenty minutes, so then the products are immediately ready to be sold). Therefore, for it to work in real life, you always have to link sustainability to something.

When we talk about logistics, for instance, nobody talks about being able to reduce the empty space when shipping cardboard boxes. Let's talk about leather goods, for example: from the factory I get a business card holder that will be 5 cm x 6 cm, inside a box that is 20 x 30cm. This means I am basically carrying around just air. I have got to use more cardboard and I move air. When ship it by plane, because very often goods get shipped by plane, the cost of my shipment is calculated on the volume of my package, so I am paying the same amount to ship air and to ship leather. If I could - and I could, by working on it – reduce my packaging to a size more appropriate to my product, I would have to use less cardboard, produce less waste, use less space in the stock and above all I would spend almost a half of air freight, because I stop transporting air. In fact, I implemented a project like in the past and over two years the costs of my airfreight would be reduced so much that I would start getting return on my investment. Therefore, this is sustainability for me. My driver is sustainability, but there are ten thousand more drivers in a project like this. First of all, it reduces the costs of the plane, which is always welcomed in a business. I end up having less cardboard, less waste, less carbon dioxide, which are the sustainability aspects that matter to me. A logistics director sees less volume to transport and less transport cost. So, it is a win-win situation when sustainability works.

Sustainability done in this way works. Therefore, I always refer to the aspects purely related to sustainability as "retombées positives", or positive effects, coming from other aspects of a project I may start, which are more business related. One has always to look at the positive effects that sustainability has on the optimization of processes.

So I work like this, my driver always remains the same, but to convince others to do things I have to put in an externality, an action impacting on an aspect dear to this person. It can be on the logistics, it can be on the quality of a product, there are many positive externalities.

In Italy and France above all, even in Europe, there is also this notion of CSR merely as charity and solidarity. OTB has a foundation that works very well, it falls into the broader hat of sustainability, in the Community & Engagement part. But CSR, sustainability also has other areas. There is Climate Change, Health and Safety, Social progress, Biodiversity and Circular Economy.

Therefore, the approach has to be holistic, it is complex, because you tend to look at the tip of the iceberg: like organic cotton. But organic cotton is one of the many problems. It is important focus on the product, but also on everything that revolves around the product. By this, I am talking about how it is manufactured, what chemicals one finds in it, how I unpack it, how I send it and where, how I put it on display, how I sell it and how I organize the after sales, how I carry it, how I wash it and finally, how I destroy it. The approach is much complex than just making a t-shirt with organic cotton. Sustainability is all this and more and we need to work simultaneously on 360,000 aspects at the same time, its' sometimes complicated. It is complicated today, and it is going to be complicated tomorrow, but it is my job.

For what concerns the strategic choice, Yes, more and more companies will see it as a strategic choice, in terms of the organization of processes. Sustainability, if done well, can truly bring concrete results in a company. There are those who have understood this and those who still see it as a superstructure that brings us costs but not benefits. I wish that in fifteen years there the role of Chief Sustainability Officer will no longer exist, that sustainability will be fully integrated into a company's activities and operations. But I have no illusions, in fifteen years there will still be Chief Sustainability Officers around.

Chief Sustainability Officers who directly depend on a CEO, who are high enough in an organisation to be able to give guidance and implement projects, who really have a decision-making role as well as a representation and communication role, can bring about true and positive change, but there are still too few of us. For me, OTB made a strategic choice in hiring a Chief Sustainability Officer, a choice aimed at the sustainability and resilience of its business, and I thank it for that.

As much as I wish that there won't be work left for us, the sustainability professionals in fifteen years, given how long it took for the industry to get to where it is now, I think you will see us around some more.

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