Ca' Foscari University of Venice

Single Cycle Degree programme
in Management

Final thesis

From Policies to Practices: a journey in ESG implementation

Supervisor
Ch.ma Prof.ssa Vania Brino

Graduand
Leonardo Diana
Matriculation Number 889894

Academic Year
2023 / 2024

INDEX

ABSTRACT

In recent years, companies have started to include environmental, social and governance (ESG) factors in their business practices. This thesis looks at how MNEs adopt and make ESG principles part of their corporate strategies, regulatory compliance processes and stakeholder engagement, together with deeper looks at each ESG domain, showing how they affect the sustainability strategies of MNEs. It shows how important labour law is in the social part and how it links to corporate social responsibility and global business operations, also looking at the challenges that MNEs face in putting ESG goals into practice at a regional level. The thesis looks at how multinationals are regulated, especially in the EU, by examining how the different Directives and Regulations affect how MNEs implement ESG components. The thesis also looks at whether EU laws can improve labour standards and how theoretical tools can indirectly advance labour conditions: a particular focus is put into those existing regulations that are working to promote workers' rights and sustainability commitments. In the last part of the thesis, there is a deeper analysis dedicated to a case study of Pirelli S.p.A., the italian tyre manufacturing corporation, in order to show how ESG integration affects a global leader in a competitive sector like the one this company is operating in. The case looks at how Pirelli uses ESG principles in its business strategy, especially in response to globalization, with some space dedicated to a look at how the company communicates about ESG issues with partners and the public.

Overall it is possible to say that this thesis provides an extensive outlook at all the Directives and Regulations that shape the multinational enterprises adoption of ESG Principles. Of course there exist tensions between corporate strategy and all the regulatory pressures, and by giving a deeper look at the different factors through a labour law oriented view, this research puts emphasis on the fact that ESG factors are fundamental for an international corporation that is aiming at delivering value in the long term, not just for itself, but also for the society as a whole.

INTRODUCTION

During the recent years, the integration of Environmental, Social, and Governance factors into the operational framework of multinational enterprises (MNEs) has more and more become a critical topic in the sustainable business practices context.

This thesis is going to explore the adoption and integration of ESG factors and principles within multinational enterprises.

The introductory chapter is going to analyze the evolving landscape of MNEs in light of the growing ESG imperatives. This chapter is going to explain the importance of ESG factors for MNEs in the current global business environment.

ESG factors significance is then going to be contextualized against the backgrounds of globalization, technological advancements, and socio-cultural influences.

Moreover, by considering each single component of ESG, it is going to examine the significance of each component and their relevance within the environment of corporate strategies.This chapter is going to offer different perspectives on the subject, explaining why nowadays it has become so important and how it evolved: within these views, the labour law matter plays a fundamental role.

The second chapter is going to be characterized by an overview and description of the regulatory landscape, with a focus on the many interventions within the European Union (EU).

This chapter is then going to take into consideration EU regulations across environmental, social, and governance matters, and then explore how the regulations (such as the European Green Deal) are shaping the implementation of ESG components.

It is also going to tackle on the many challenges of implementing regulatory compliance within corporate frameworks, thus including what concerns topics such as cross-border harmonization and strategic integration.

Moreover, the central goal of this chapter is going to be the one to demonstrate, or otherwise discuss, the possibility of finding references to labour law within the previously outlined regulatory interventions by the European Union.

The aim is not to perform an analysis on the many different conventions, but to try to see if there is room within these sources to find tools that, while functional for something else, if used could have a positive impact on the subject of labour: with regard to this matter, many

critics arose during the time, and they are going to compose a fundamental part of this chapter.
The third and last chapter is going to focus on an analysis of Pirelli S.p.A., a major player in the multinational enterprises context. The goal of this third chapter is to provide insights into the different challenges and opportunities of dealing with the ESG topics, by taking into consideration ESG integration strategies and the impact of globalization on initiatives taken on by corporate in matters regarding sustainability.
Pirelli's ESG reporting and communication strategies are going to be highlighted in this section, especially emphasizing the importance of transparent stakeholder engagement when promoting the company's sustainable corporate practices.
Overall, this interpretation is going to take into account some critical concepts such as the internalization of the ESG principles by different enterprises, and the interplay that exists not only between regulatory interventions and corporate strategies, but also considering the labour law subject.
Thus, this thesis not only aims to define and provide a global understanding of ESG factors and their implementation, but it also wants to propose different observations regarding both the social and economic implications, and the potential that exists for leveraging the current regulatory frameworks to drive positive change, always keeping in mind that the labour matter represents a fundamental part of this development.

Chapter 1

The Evolving Landscape of Multinational Enterprises and ESG Factors

1.1. Introduction and background

The integration of Environmental, Social, and Governance (ESG) factors into the various operations of multinational enterprises (MNEs) represents a significant shift in most of the contemporary business paradigms. In this first chapter, it is crucial to understand the broader context within which this whole transformation is occurring. Over the past few decades, the global business landscape has undergone profound changes, which were driven by factors such as globalization, technological advancements, and lastly, shifting societal expectations (World Economic Forum, 2020)[1].

Not only these changes have modified the many competitive dynamics of markets, but they have also led to a higher level of awareness for what concerns the interconnectedness that exists between business activities and the broader environmental and social outcomes.
At the heart of this paradigm shift lies the recognition that businesses are not just economic entities but also stewards of the environment and stakeholders in societal progress (Freeman & McVea, 2001[2]; Elkington, 1997[3]). This realization has propelled the emergence of ESG considerations as fundamental and key drivers of what relates to corporate strategy and decision-making processes.
ESG factors include a wide range of issues, which range from factors such as environmental sustainability and climate change mitigation, to social responsibility and ethical governance practices.

---

[1] World Economic Forum. (2020). The Global Risks Report 2020.
https://www.weforum.org/reports/the-global-risks-report-2020

[2] Freeman, R. E., McVea J.F. (2001). A Stakeholder Approach to Strategic Management
DOI:10.2139/ssrn.263511

[3] Elkington, J. (1997). Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Capstone.
https://www.sdg.services/uploads/9/9/2/1/9921626/cannibalswithforks.pdf

Each component of ESG carries its own set of implications for businesses, influencing everything from operational efficiency and risk management to brand reputation and stakeholder relations (Viehs et al., 2014[4]; Eccles & Serafeim, 2013[5]).
Building on this growing recognition of ESG's importance, scholars and practitioners alike have sought to unpack the myriad ways in which these factors interlace with the strategic imperatives of modern MNEs. The realm of environmental sustainability, for instance, has been thrust to the forefront of corporate consciousness not only by regulatory pressures, but also by the economic realities of resource scarcity and the societal mandate for stewardship of the planet. Enterprises are increasingly tasked with mitigating their ecological footprints, embracing renewable energy sources, and innovating in pursuit of circular economies. These initiatives, as suatained by the likes of Schaltegger and Wagner (2011)[6], are no longer seen as mere regulatory compliance, but as pivotal components of value creation and sustainable competitive advantage.

Simultaneously, the social dimension of ESG has catalyzed a reevaluation of corporate roles in society. The evolving doctrine of 'social license to operate,' detailed by Boutilier and Thomson (2011)[7], posits that MNEs must earn the approval of their various stakeholders, not merely through traditional financial metrics but through contributing positively to the social fabric. This extends to ensuring fair labour practices, bolstering community development, and fostering inclusive corporate cultures that abate the inequalities magnified by global operations.

---

4 Michael Viehs, Gordon L Clark, Andreas Feiner (September 2014) From The Stockholder To The Stakeholder - How Sustainability Can Drive Financial Outperformance. SSRN Electronic Journal, DOI:10.2139/ssrn.250821

5 Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. Management Science, 60(11), 2835-2857. https://www.hbs.edu/ris/Publication%20Files/SSRN-id1964011_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf

6 Schaltegger, S., & Wagner, M. (2011). Sustainable entrepreneurship and sustainability innovation: categories and interactions. Business Strategy and the Environment, 20(4), 222-237. DOI:10.1002/bse.682

7 Boutilier, R., & Thomson, I. (2011). Modelling and measuring the social license to operate: Fruits of a dialogue between theory and practice. Social License, 1-10. https://socialicense.com/publications/Modelling%20and%20Measuring%20the%20SLO.pdf

Moreover, the 'G' in ESG, governance, encompasses an array of practices that undergird the ethical framework within which corporations operate. The works of Aguilera and Cuervo-Cazurra (2004)[8] articulate the need for robust systems of corporate governance that address the complexities of managing and reporting in transparent, accountable manners. With the increasing intricacy of global operations, MNEs must navigate a web of legal requirements, ethical dilemmas, and stakeholder expectations, where practices of good governance become synonymous with corporate integrity and trustworthiness.

The interconnectedness of the ESG components underscores a reality that contemporary MNEs cannot afford to compartmentalize these aspects, but must integrate them into a cohesive strategy.
This is a point echoed in the research by Eccles and Serafeim (2014)[9], which suggests that firms with strong ESG norms exhibit not only ethical leadership but may also enjoy superior financial performance, dispelling the myth that sustainable practices come at the expense of profitability.

1.1.1. Significance of ESG Factors for Multinational Companies

The significance of ESG factors for multinational companies cannot be overstated. MNEs, by virtue of their global reach and scale of operations, wield considerable influence over economies, societies, and ecosystems worldwide (UNCTAD, 2021)[10]. As such, they are increasingly expected to take on greater responsibility for the impact of their activities on the planet and its inhabitants. Failure to address ESG considerations not only exposes MNEs to reputational and financial risks but also undermines their long-term viability and

[8] Aguilera, R. V., & Cuervo-Cazurra, A. (2004). Codes of good governance worldwide: What is the trigger? Organization Studies, 25(3), 415-443.
DOI:10.1177/0170840604040669

[9] Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. Management Science, 60(11), 2835-2857.
https://www.hbs.edu/ris/Publication%20Files/SSRN-id1964011_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf

[10] https://unctad.org/publication/world-investment-report-2021

competitiveness in an evolving marketplace (Orlitzky et al., 2011[11]; Schaltegger & Wagner, 2011[12]).

The importance of ESG integration for MNEs has really been emphasized by the evolution of the different regulatory frameworks and the reporting standards.
Governments, international organizations, and civil society groups have been instrumental in shaping the regulatory landscape, mandating greater transparency and accountability in corporate practices (European Commission, 2020[13]; Sustainable Stock Exchanges Initiative, 2019[14]). Consequently, MNEs are compelled to navigate a complex web of regulations and compliance requirements, necessitating proactive engagement with ESG issues as a strategic imperative rather than a mere regulatory obligation (Ioannou & Serafeim, 2017[15]; Vogel, 2010[16]).
In light of these developments, it becomes evident that ESG factors are no longer peripheral considerations but have become integral to the core operations and value proposition of MNEs.

---

[11] Orlitzky, M., Siegel, D. S., & Waldman, D. A. (2011). Strategic Corporate Social Responsibility and Environmental Sustainability. Business & Society, 50(1), 6-27.
https://doi.org/10.1177/0007650310394323

[12] Schaltegger, S., & Wagner, M. (2011). Sustainable entrepreneurship and sustainability innovation: categories and interactions. Business Strategy and the Environment, 20(4), 222-237.
DOI:10.1002/bse.682

[13] European Commission. (2020). European Green Deal.
https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

[14] Sustainable Stock Exchanges Initiative. (2019). SSE Model Guidance on Reporting ESG Information to Investors.
https://www.sseinitiative.org/home-slider/model-guidance-on-reporting-esg-information-to-investors/

[15] Ioannou, I., & Serafeim, G. (2017). The Consequences of Mandatory Corporate Sustainability Reporting. Harvard Business School Working Paper, (16-100).
https://deliverypdf.ssrn.com/delivery.php?ID=994020123000096104086078019079097010116045067060095028110096086103022122108020023101018063099111026042034104124031091091014022029066004033083006075126098011027092037089020100017024015104081026090127019019115026012082096010009109086117008115073100017&EXT=pdf&INDEX=TRUE

[16] Vogel, D. (2010). The Politics of Precaution: Regulating Health, Safety, and Environmental Risks in Europe and the United States. Princeton University Press.
https://www.cambridge.org/core/services/aop-cambridge-core/content/view/EC3CB277B7CD2B7BFAF9C25279D98FD6/S1537592713000248a.pdf/the-politics-of-precaution-regulating-health-safety-and-environmental-risks-in-europe-and-the-united-states-by-david-vogel-princeton-princeton-university-press-2012-332p-dollar3950.pdf

Delving further into the cruciality of ESG factors for MNEs, it is essential to consider the evolving expectations of a broad spectrum of stakeholders. Beyond the traditional scope of shareholders, modern companies must now answer to a more diverse group that includes consumers, employees, suppliers, and even wider communities, whose interests are deeply enmeshed with the health and strategies of these enterprises (Clarkson, 1995[17]). As MNEs reckon with these varied interests, ESG factors have become a litmus test for assessing the ethicality and sustainability of their operations, a testament to their alignment with the broader values of society.

This broadened stakeholder approach underscores the need for MNEs to strategically embed ESG principles into their business models. In practice, this integration requires a recalibration of corporate goals, where long-term sustainability measures take precedence over short-term profit gains (Eccles et al., 2014[18]). This shift is reinforced by empirical research suggesting a correlation between ESG performance and financial performance, debunking the dated view that ESG considerations are at odds with profitability (Friede et al., 2015[19]).

Moreover, the intensifying public and regulatory scrutiny has elevated the role of ESG in risk management strategies. Issues like climate change, water scarcity, and fair labour practices are not merely social concerns but also material risks that can significantly affect the operations and financial results of MNEs (KPMG, 2020[20]). Firms that proactively

---

[17] Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. Academy of Management Review, 20(1), 92-117.
https://doi.org/10.2307/258888

[18] Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. Management Science, 60(11), 2835-2857.
https://www.hbs.edu/ris/Publication%20Files/SSRN-id1964011_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf

[19] Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. Journal of Sustainable Finance & Investment, 5(4), 210-233.
https://doi.org/10.1080/20430795.2015.1118917

[20] KPMG. (2020). The time has come: The KPMG Survey of Sustainability Reporting 2020. KPMG International Cooperative.
https://assets.kpmg.com/content/dam/kpmg/be/pdf/2020/12/The_Time_Has_Come_KPMG_Survey_of_Sustainability_Reporting_2020.pdf

address these ESG aspects can thus fortify their resilience against a multitude of emerging risks, ranging from physical risks like those related to climate change, to regulatory and reputational risks that stem from non-compliance or social discontent (Busch et al., 2016[21]).

In conclusion, it is possible to say that the incorporation of ESG factors into corporate strategy has transformed from a 'nice-to-have' to a 'must-have' for MNEs that are seeking not only to sustain their operations, but also to secure their market position. This transformation can be considered as a broader shift in the whole corporate world, as it means that it reconciles profitability with social and environmental supervision.
Thus, as MNEs continue to shape the global economy, their successful integration of ESG factors is not merely beneficial, but has really become an imperative for their continued relevance and success in the marketplaces of tomorrow.

1.2. The Global Business Environment

Today's global business environment doesn't just change; it transforms with the speed and unpredictability of weather patterns, challenging multinational companies to adapt or be left behind.
In this second paragraph of the first chapter, many factors are going to be considered, including globalization and its effects, the various technological shifts that happened and are still happening today, and all those social and cultural influences which are nowadays constantly impacting the business landscape.

1.2.1. Dynamics of Globalization

Think of globalization not just as a buzzword tossed around in boardrooms or newsrooms, but as the lived, breathing reality of our day-to-day. It's a force that's quietly tucked itself into the fabric of our lives, stitching together a patchwork of once distant economies,

[21] Busch, T., Bauer, R., & Orlitzky, M. (2016). Sustainable development and financial markets: Old paths and new avenues. Business & Society, 55(3), 303-329.
https://doi.org/10.1177/0007650315570701

cultures, and communities. The world we live in now is a place where the ripples of events and decisions cross oceans and time zones with ease, where a decision made in one part of the world can blossom into a movement across the globe, and where the ebb and flow of cultures and customs has become part of the daily ebb and flow of commerce and conversation.

This is the theater of operations for today's multinational companies—a stage much larger and more intricate than any before. Here, the scripts are written in a multitude of languages and the audience is as global as the cast. A product launch, a corporate merger, or a shift in company policy can no longer be viewed through a local or even national lens alone. The implications are immediate and widespread, reverberating through the network of global connections that bind us all. For these companies, operating on the world stage means recognizing that the heartbeat of globalization is not found in trade statistics or market reports, but it's in the everyday interactions and shared experiences of people. It's in the craftsmanship of artisans whose work reaches international markets, in the aspirations of entrepreneurs who draw inspiration from far-flung mentors, and in the innovations of tech hubs that seem to shrink our planet a little more each day.

Globalization, then, is this ever-shifting landscape, that is a place where distances shrink, opportunities expand, and the only constant is the relentless pace of change. Multinational companies that thrive in this environment are those that have learned to embrace this fluidity, to see it not as a challenge to be managed but as an opportunity to be seized. They're the ones who understand that in a borderless world, the keys to success are as much about cultural savvy and adaptability as they are about market shares and revenue streams.
Economic integration, which definitely is a cornerstone of globalization, has gained momentum thanks to the easing of trade barriers and the loosening of the capital markets. Thomas L. Friedman chronicled this transformation in "The World is Flat," describing a seismic shift toward a more level playing field in global business, a shift that has redefined who succeeds and who falls behind (Friedman, 2005)[22]. Indeed, in today's rapid-paced economy, agility and innovation can be thought as the new currencies of success.

---

[22] Friedman, T. L. (2005). The World is Flat: A Brief History of the Twenty-First Century. Farrar, Straus and Giroux.
file:///Users/leodianaz/Downloads/THE_WORLD_IS_FLAT_by_Thomas_Friedman_A_B.pdf

But Friedman's is not the only voice in this discussion. Pankaj Ghemawat, in "World 3.0," offers a nuanced view, suggesting that the world is not quite as “flat” as Friedman posits, and that differences between countries are still significant (Ghemawat, 2011)[23]. Ghemawat's perspective underscores that, while businesses expand globally, local idiosyncrasies and regional market dynamics remain critical considerations.

Adding to this dialogue, Jagdish Bhagwati's "In Defense of Globalization," emphasizes the positive outcomes of globalization, particularly in developing countries, where it has often led to improved standards of living (Bhagwati, 2004)[24]. Yet, Bhagwati acknowledges that the benefits of globalization are not automatic and calls for policies to mitigate its potential downsides. Companies navigate this complex landscape with an understanding that their supply chains, their workforce, and their customer base are no longer confined to their home turf but are dispersed across continents. They must maneuver through a maze of diverse economic environments, tapping into local advantages while weaving them into a coherent global strategy.

In tandem with economic factors, cultural forces also play a significant role. As noted by Hofstede in "Cultures and Organizations," understanding the cultural dimensions within which a multinational operates is key to navigating global business (Hofstede, 1991)[25]. The intricate dance between global integration and local identity continues to challenge even the most seasoned multinational companies.

The digital age, as we know it, has turned the once insurmountable mountains and vast oceans that separated us into mere hiccups in connectivity. Ghemawat captured this sentiment in "World 3.0", highlighting how tech advancements have made global

---

[23] Ghemawat, P. (2011). World 3.0: Global Prosperity and How to Achieve It. Harvard Business Review Press. DOI: 10.5585/riae.v14i2.2188

[24] Bhagwati, J. (2004). In Defense of Globalization. Oxford University Press. DOI:10.2307/40204318

[25] Hofstede, G. (1991). Cultures and Organizations: Software of the Mind. McGraw-Hill. file:///Users/leodianaz/Downloads/Cultures_and_Organizations_Software_of_t.pdf

interactions instantaneous (Ghemawat, 2011)[26]. Today, a startup in Seoul can troubleshoot with their software engineer in Sao Paulo as seamlessly as if they were in the same room, all thanks to the internet's ability to dissolve the kilometers between them.

But the story of technology's role in globalization is not just about connection; it's about revolution. Eric Schmidt and Jared Cohen paint a picture of this in "The New Digital Age," illustrating how mobile technology empowers individuals, reshaping societies in the process (Schmidt & Cohen, 2013)[27]. It's a world where a farmer in Kenya uses a mobile app to manage crop sales or a teacher in Finland utilizes cutting-edge software to bring lessons to life for students. And as technology marches forward, it leaves no room for complacency. Clayton Christensen's "The Innovator's Dilemma" reminds us that today's groundbreaking innovation can quickly become tomorrow's obsolete tech, pushing companies to continually evolve (Christensen, 1997)[28]. It's a landscape where a clever app or a novel piece of software can redefine entire industries overnight.

Manuel Castells takes it a step further in "The Rise of the Network Society," delving into the digital networks that are redefining our social structures and even the way we perceive our individual identities (Castells, 1996)[29]. In this networked age, a company's strategy is not just about products or markets; it's about understanding and navigating these complex digital ecosystems.

---

[26] Ghemawat, P. (2011). World 3.0: Global Prosperity and How to Achieve It. Harvard Business Review Press. DOI: 10.5585/riae.v14i2.2188

[27] Schmidt, E., & Cohen, J. (2013). The New Digital Age: Reshaping the Future of People, Nations and Business. New York, NY: Alfred A. Knopf.

[28] Christensen, C. M. (1997). The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail. Boston, MA: Harvard Business School Press. https://www.hbs.edu/faculty/Pages/item.aspx?num=46

[29] Castells, M. (1996). The Rise of the Network Society. Oxford, UK: Blackwell Publishers Ltd. https://web.uniroma1.it/memotef/sites/default/files/file%20lezioni/Manuel%20Castells%20-%20The%20Rise%20of%20the%20Network%20Society%2C%20With%20a%20New%20Preface_%20Volume%20I_%20The%20Information%20Age_%20Economy%2C%20Society%2C%20and%20Culture%20%28Information%20Age%20Series%29%20%282010%2C%20Wiley-Blackwell%29%20-%20libgen.lc_.pdf

Globalization weaves a rich tapestry of diverse cultural threads, where each strand - be it from a remote village or a sprawling metropolis - adds to the complexity of the global marketplace. Hofstede's cultural dimensions theory offers a crucial lens through which to view these variances, emphasizing the importance of appreciating the unique cultural values that shape business practices around the world (Hofstede, 1980)[30].
Consider the intricate dance of a business negotiation. Erin Meyer, in "The Culture Map," explores how cultural differences impact international business interactions, demonstrating that the way we communicate, persuade, and perceive time can vary dramatically from one culture to another (Meyer, 2014)[31]: a firm handshake, a timely yes, or even an email's tone can carry varied connotations across the world's business landscapes.

Additionally, the concept of cultural intelligence, as examined by Christopher Earley and Elaine Mosakowski in "Cultural Intelligence," becomes a critical asset for individuals and organizations in this multicultural world (Earley & Mosakowski, 2004)[32]. It's about having the awareness and sensitivity to navigate the social norms and expectations that are deeply embedded in each culture's fabric. But the story doesn't end with understanding; it extends to the challenge of managing this diversity internally. As Sylvia Ann Hewlett and Ripa Rashid highlight in "Winning the War for Talent in Emerging Markets," businesses are tasked with not just understanding but also harnessing the power of cultural diversity within their workforce to innovate and grow (Hewlett & Rashid, 2011)[33].

---

[30] Hofstede, G. (1980). Culture's Consequences: International Differences in Work-Related Values. Beverly Hills, CA: SAGE Publications.
https://doi.org/10.1177/017084068300400409

[31] Meyer, E. (2014). The Culture Map: Breaking Through the Invisible Boundaries of Global Business. PublicAffairs.
file:///Users/leodianaz/Downloads/erin-meyer-the-culture-map-breaking-through-the-invisible-boundaries-of-global-business-publicaffairs-2014-pdf-NOVv.pdf

[32] Earley, P. C., & Mosakowski, E. (2004). Cultural Intelligence. Harvard Business Review, 82(10), 139-146.
https://hbr.org/2004/10/cultural-intelligence

[33] Hewlett, S. A., & Rashid, R. (2011). Winning the War for Talent in Emerging Markets: Why Women Are the Solution. Harvard Business Review Press.
https://store.hbr.org/product/winning-the-war-for-talent-in-emerging-markets-why-women-are-the-solution/13024

The global political scene is a chessboard with pieces in constant motion, where governance, trade agreements, and laws are the moves that can shift the balance of power in the blink of an eye. Rugman and Collinson have dissected this intricate game, revealing how expertise in this area is vital for any multinational looking to stay afloat, let alone succeed (Rugman & Collinson, 2009)[34]. Just like a seasoned chess player, a multinational must be strategic, thinking several moves ahead, always aware that today's ally could be tomorrow's competitor, and vice versa. On top of that, multinationals must contend with an ever-evolving patchwork of regulations: Susan Strange's "The Retreat of the State" discusses how the diminishing role of the state in international affairs affects global business (Strange, 1996)[35]. Companies now operate in a world where the rules are not only written by governments but also by international bodies, NGOs, and even other businesses.

And then there's the human side of the globalization story, one that's charged with complexities. Joseph Stiglitz puts a spotlight on the stark realities, the way globalization can be a double-edged sword, capable of lifting economies but also deepening inequalities (Stiglitz, 2002)[36]. Companies have an important role to play in weaving the social fabric of the communities they operate in, ensuring that the tapestry is as fair as it is vibrant.
Yet, it's not just about mitigating the negatives: Ha-Joon Chang in "Kicking Away the Ladder" explores how developed nations have set the rules of the economic game in ways that can hinder developing countries (Chang, 2002)[37]. This raises the bar for multinationals to engage ethically, to support policies and practices that foster an equitable playing field.

---

[34] Rugman, A. M., & Collinson, S. (2009). International Business, 6th Edition. Pearson Education Limited. https://students.aiu.edu/submissions/profiles/resources/onlineBook/z7u7v3_International_Business.pdf

[35] Strange, S. (1996). The Retreat of the State: The Diffusion of Power in the World Economy. Cambridge University Press.
https://doi.org/10.1017/CBO9780511559143

[36] Stiglitz, J. E. (2002). Globalization and Its Discontents. W. W. Norton & Company.
https://wwnorton.com/books/globalization-and-its-discontents/

[37] Chang, H-J. (2002). Kicking Away the Ladder: Development Strategy in Historical Perspective. Anthem Press. https://anthempress.com/kicking-away-the-ladder-pb

1.2.2. *How technological advancements have impacted the business environment*

The Rise of Connectivity and E-commerce

Gone are the days when international business meant a passport full of stamps, as now it's about having a strong Wi-Fi signal. The digital marketplace isn't just another venue for transactions; it's become the bustling main street for modern commerce. This evolution is dissected by Kotler, Kartajaya and Setiawan in "Marketing 4.0," where they illustrate how digitalization has transformed the marketplace from a physical space into a digital one, bridging gaps between businesses and consumers (Kotler, Kartajaya, & Setiawan, 2017)[38].

As smartphones turn into shopping carts, companies are seeing their customer base stretch to far corners of the world without setting up a single overseas branch. And it's not just about selling; it's about building relationships. In "The Thank You Economy," Gary Vaynerchuk talks about the power of social media in creating dialogues between businesses and consumers, turning each transaction into a conversation (Vaynerchuk, 2011)[39]. But the shift to digital goes deeper, into the very fabric of how products are designed and delivered. In "The Lean Startup," Eric Ries paints a picture of how the digital age has enabled businesses to adopt lean methods, using customer feedback gathered from online interactions to iteratively develop products (Ries, 2011)[40]. This approach has turned product development into a conversation with the market, and this happens in real-time and can involve people from across the globe.

In this new digital realm, the barriers to entry are lower, but the competition is fiercer than ever. "Competing in a Flat World" by Victor Fung, William Fung, and Yoram (Jerry) Wind

---

[38] Kotler, P., Kartajaya, H., & Setiawan, I. (2017). Marketing 4.0: Moving from Traditional to Digital. Wiley https://www.drnishikantjha.com/booksCollection/Marketing%204.0_%20Moving%20from%20Traditional%20to%20Digital%20(%20PDFDrive%20).pdf

[39] Vaynerchuk, G. (2011). The Thank You Economy. Harper Business. https://writerjournalist.files.wordpress.com/2013/10/the-thank-you-economy-gary-vaynerchuk.pdf

[40] Ries, E. (2011). The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses. Crown Business. file:///Users/leodianaz/Downloads/The_Lean_Startup_How_Today_s_Entrepreneu.pdf

provides insights into building networks and platforms that harness the collective power of collabouration to compete on a global scale (Fung, Fung, & Wind, 2008)[41].

Data and Personalization

Business strategies today are inseparable from the analytics that fuel them. In their book, Provost and Fawcett tackle the intricate ways businesses can harness the power of data, turning it into a golden compass that guides decision-making and innovation (Provost & Fawcett, 2013)[42]. The narrative of the data scientist's role is captivatingly chronicled by Davenport and Patil, who discuss how blending data expertise with storytelling is rewriting the rulebook for business strategy (Davenport & Patil, 2012)[43], including that this role has transcended the cubicles of tech departments, and has then stepped into the limelight as a strategic protagonist.

And in the wings, there's the GDPR, the plot twist in the digital drama. Voigt and von dem Bussche's work is a guide through this new legal landscape, ensuring businesses play by the rules that protect us all (Voigt & von dem Bussche, 2017)[44]. Siegel's contribution to the discourse with "Predictive Analytics" is a foray into the future, an examination of how businesses can almost gaze into a crystal ball to see the patterns and trends that will define tomorrow (Siegel, 2016)[45].

---

[41] Fung, V. K., Fung, W. K., & Wind, Y. (2008). Competing in a Flat World: Building Enterprises for a Borderless World. Wharton School Publishing. https://ptgmedia.pearsoncmg.com/images/9780132332903/samplepages/0132332906.pdf

[42] Provost, F., & Fawcett, T. (2013). Data Science for Business: What You Need to Know About Data Mining and Data Analytic Thinking. O'Reilly Media. file:///Users/leodianaz/Downloads/Data_Science_for_Business.pdf

[43] Davenport, T. H., & Patil, D. J. (2012). Data Scientist: The Sexiest Job of the 21st Century. Harvard Business Review. https://hbr.org/2012/10/data-scientist-the-sexiest-job-of-the-21st-century

[44] Voigt, P., & von dem Bussche, A. (2017). The EU General Data Protection Regulation (GDPR). Springer. file:///Users/leodianaz/Downloads/978-3-319-57959-7.pdf

[45] Siegel, E. (2016). Predictive Analytics: The Power to Predict Who Will Click, Buy, Lie, or Die. Wiley. https://www.predictiveanalyticsworld.com/book/pdf/Predictive_Analytics_by_Eric_Siegel_Excerpts.pdf

Artificial Intelligence as a Business Norm

AI isn't some distant tomorrow; it's the here and now, shaping everything from how we shop to the kind of customer service we expect. In "AI Superpowers," Kai-Fu Lee doesn't just outline the landscape; he dives into the stories behind the technology, the startups that explode onto the global scene out of nowhere and the established giants fighting to stay ahead (Lee, 2018)[46]. It's a world where algorithms understand your shopping habits better than you do and where businesses that don't keep up with AI might as well be dialing in from rotary phones.

Sustainability in Tech

In the thick of the sustainability conversation, tech it's a commitment to greener operations. Gary Sernovitz delves into this complex relationship between energy use and environmental care in "The Green and the Black," a deep dive into the energy industry's pivot towards more environmentally conscious methods (Sernovitz, 2016)[47].
Bringing the point home, reports from places like the Boston Consulting Group tell stories of businesses that don't just use technology but use it thoughtfully, with a firm eye on the planet (BCG, 2021)[48]. They're using smarter tech not just for profit, but to tread lightly on Earth.
And then there's Gartner's report, pointing to a near future where sustainability isn't optional. It talks about cloud services getting cleaner and companies measuring their carbon footprint with a fine-tooth comb (Gartner, 2022)[49]. These aren't just tools; they're signs of a business world waking up to its environmental responsibilities.

---

[46] Lee, K-F. (2018). AI Superpowers: China, Silicon Valley, and the New World Order. Houghton Mifflin Harcourt.
https://bawar.net/data0/books/5c711041c66e0/pdf/AI_Superpowers,_China,_Silicon_Valley_and_the_New_World_Order_-_Kai-Fu_Lee.pdf

[47] Sernovitz, G. (2016). The Green and the Black: The Complete Story of the Shale Revolution, the Fight over Fracking, and the Future of Energy. St. Martin's Press.

[48] https://mkt-bcg-com-public-pdfs.s3.amazonaws.com/prod/how-technology-helps-sustainability-initiatives.pdf

[49] https://www.gartner.com/en/newsroom/press-releases/2022-04-21-gartner-says-three-emerging-environmental-sustainability-technologies-will-see-early-mainstream-adoption-by-2025

1.2.3. *Social and Cultural Influences on Multinational Companies*

In the realm of international business, understanding and respecting the complex mosaic of societal customs and traditions is essential for any multinational enterprise (MNE) aiming to achieve success across borders. At the core of this understanding lies the construct of cultural intelligence (CQ), a concept brought to the forefront by Earley and Ang (2003)[50]. This form of intelligence is not merely an academic ideal; it is the practical skill set that allows firms to decode and engage with the varied cultural landscapes in which they operate. Companies such as Nestlé and Procter & Gamble exemplify the practical application of CQ through their adeptness at customizing offerings to align with the palates and consumer habits of different regions. Their success in these ventures speaks volumes about the necessity of a profound engagement with local cultures rather than a surface-level exploration, highlighting the intricate interplay between global brand strategies and regional cultural sensitivities.

Corporate social responsibility (CSR) has transformed the operational ethos of MNEs, expanding their mandate beyond profit generation to encompass ethical and philanthropic considerations, a transition well-articulated by Carroll (1991)[51]. The efforts of companies such as Unilever and Patagonia illustrate this transformation, underscoring how societal expectations have become entwined with business operations, echoing Porter and Kramer's (2006)[52] treatise on shared value. The ethical issues faced by companies such as Google and Amazon, especially in reconciling local laws with global standards of conduct, are prime examples of the ethical challenges underscored in the work of Donaldson (1996)[53], who

---

[50] Earley, P. C., & Ang, S. (2003). *Cultural Intelligence: Individual Interactions Across Cultures*. Stanford University Press.
https://www.researchgate.net/publication/40421838_Cultural_Intelligence_Individual_Interactions_Across_Cultures

[51] Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons, 34*(4), 39-48.
https://www.researchgate.net/publication/4883660_The_Pyramid_of_Corporate_Social_Responsibility_Toward_the_Moral_Management_of_Organizational_Stakeholders

[52] Porter, M. E., & Kramer, M. R. (2006). Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review, 84*(12), 78-92.
https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility

[53] Donaldson, T. (1996). Values in Tension: Ethics Away from Home. *Harvard Business Review, 74*(5), 48-62. https://hbr.org/1996/09/values-in-tension-ethics-away-from-home

advocates for the establishment of universal ethical principles that can be adapted to local contexts.

Hofstede's study from 1980 has become something of a North Star for understanding cultural effects on business, laying out a map of cultural dimensions that continue to guide multinational enterprises.[54]

Organizational behavior, as Schein (2010)[55] observes, is shaped by the societal culture in which it operates, a principle embraced by companies like Google as they tailor their corporate cultures to match the collective ethos of their international workforces.

The accumulation of cultural and social capital, concepts explored by Bourdieu (1986)[56] and Inkpen & Tsang (2005)[57], is instrumental for MNEs in establishing trust and networking within new markets. Companies like Starbucks use these assets to fine-tune their offerings to local preferences while maintaining a consistent global brand image. Global leadership styles and their effectiveness in different cultural milieus have been examined by House et al. (2004)[58] in the GLOBE study, emphasizing the need for adaptability, a trait embodied by Hewlett-Packard in its leadership development programs.

The foresight demonstrated by Shell and BP in conducting social and cultural impact assessments prior to market entry reflects a recognition of the importance of such practices,

---

[54] Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. Sage Publications. https://journals.sagepub.com/doi/epdf/10.1177/017084068300400409

[55] Schein, E. H. (2010). *Organizational Culture and Leadership* (4th ed.). Jossey-Bass. https://ia800809.us.archive.org/14/items/EdgarHScheinOrganizationalCultureAndLeadership/Edgar_H_Schein_Organizational_culture_and_leadership.pdf

[56] Bourdieu, P. (1986). *The forms of capital*. In J. G. Richardson (Ed.), Handbook of Theory and Research for the Sociology of Education (pp. 241-258). Greenwood. https://www.socialcapitalgateway.org/sites/socialcapitalgateway.org/files/data/paper/2016/10/18/rbasicsbourdieu1986-theformsofcapital.pdf

[57] Inkpen, A. C., & Tsang, E. W. K. (2005). Social capital, networks, and knowledge transfer. *Academy of Management Review, 30*(1), 146-165. https://web.archive.org/web/20170809053615id_/http://www.crossingboundaries.eu/wp-content/uploads/2014/02/Inkpen-Tsang-2005.pdf

[58] House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.). (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Sage Publications. https://www.researchgate.net/publication/240475527_Leadership_and_Organizations_The_GLOBE_Study_of_62_Societies

as advocated by Vanclay (2003)[59], and highlights the benefits of understanding potential community impacts.

1.3. ESG Factors: an overview

Environmental, Social, and Governance (ESG) factors are on the fast rise of the agenda of the modern corporate world, finding an intrinsic place within the strategic frameworks of multinational enterprises (MNEs). It is not all about conformity; actually, it is in response to the growing pressure from society but also from consumers and investors to grow in a more sustainable and ethical manner of doing business. ESG stands for environmental, social, and governance, and respectively, each takes a different role in defining how businesses should be done at the global environment.
The "E" of ESG focuses really on the environmental segment of the company's relation to the earth and nature and, in many ways, acts as a lobbyist for careful, sustainable resource management and leaving a very small environmental footprint. It brings out the kind of ESG that goes beyond the direct economic cost incurred by the operations of companies to enshrine, indeed, the responsibility to the integrity of the ecosystem in which they operate.

Within the social perspective, it is underlined that ESG factors reveal the need for relations developed with employees, suppliers, clients, environment, community in which a firm operates. This ranges from labour equity and favorable working environment to participation in fair trade and consumer rights. Here, the "Social License to Operate", as explained by Robert Boutilier and Ian Thomson in 2011, becomes very relevant.[60] This means to say that if businesses are to operate in a sustainable manner, they would have to continue to receive social license not only by law but also with reference to the societal expectations and ethical standards.

---

[59] Vanclay, F. (2003). International principles for social impact assessment. *Impact Assessment and Project Appraisal, 21*(1), 5-12.
https://www.tandfonline.com/doi/epdf/10.3152/147154603781766491?needAccess=true

[60] Boutilier, R., & Thomson, I. (2011). *Modelling and Measuring the Social License to Operate: Tools and Techniques*. Routledge.
https://socialicense.com/publications/Modelling%20and%20Measuring%20the%20SLO.pdf

Governance, the third pillar of ESG, entails the arrangement of practices, controls, and processes by which corporations govern themselves in the provision of effective and regulatory compliance with the law by meeting the needs of outside stakeholders. The good practices of governance are, therefore, very essential not only in ensuring accountability and transparency but to make sure that the interests of companies are collectively aligned with stakeholders. Research realised by Aguilera and Cuervo-Cazurra in 2004 clearly pointed out how well-structured corporate governance frameworks can, in fact, help to diminish risks and improve the reputation of a firm by supporting its sustainability and profitability over the long term.[61]

Not less demanding is the fact that it is quite complicated to measure the ESG results. Usually, ESG metrics are qualitative and highly differ from the very many industries and regions compared to the financial results that are easily quantifiable and comparable. In addition, Ioannou and Serafeim added that even for companies measuring ESG factors, the integration of such issues into the overall business strategy presents yet another challenge, as there is a need for their goals to be aligned with already predefined corporate goals.[62] The issues at play, however, do not diminish the importance; they just mean a more sophisticated way in which management approaches and integration strategies should take place. With regulatory frameworks constantly evolving around ESG and stakeholders becoming better in the measurement of companies on ESG performance, the incentives for the company to report but also to truly integrate these practices do nothing but grow. Looking ahead, the significance of ESG factors in corporate strategy is only set to increase. In fact, the predictions drawn from the KPMG 2020 study on sustainability reporting would suggest

---

[61] Aguilera, R. V., & Cuervo-Cazurra, A. (2004). Codes of good governance worldwide: What is the trigger? *Organization Studies, 25*(3), 417-446.
https://deliverypdf.ssrn.com/delivery.php?ID=476013072022120113097078098085110095028032023043029030023008004088117108065124021070033000021120038125121099106018093003085027054048045092025011091075082021079046034046087076101105003108065067093104069005080095094007000113017065098024125103110094&EXT=pdf&INDEX=TRUE

[62] Ioannou, I., & Serafeim, G. (2019). The consequences of mandatory corporate sustainability reporting. *Harvard Business Review*.
https://deliverypdf.ssrn.com/delivery.php?ID=615100008007027083097090113072017068002059093093031010095070002067124125072104020099058027096058051040011088108000094010112009108058062055076065126090071100101102024085057003120009125025085065083017015002005107074083015116006124108107072075120114009&EXT=pdf&INDEX=TRUE

that transparency in ESG reporting is starting to become a bigger focus for the companies, driven by changing regulation among other things.[63]

With this ability, firms will most likely more and more be determined to compete and succeed in the market because of this ability to not measure and only improve the ESG performance. So, these three, environmental, social, and governance factors, stand for a kind of "checklist" of corporate responsibility. More than these traditional, narrow definitions, ESG represents holistic thinking around how to build a resilient and sustainable business model capable of success in the kind of complex, interdependent world we live in today and are likely to face in the future. Multinational enterprises that simply understand and bake in ESG considerations do so not just to increase their market share or meet the regulatory requirements, but basically to ensure longevity and relevancy in a truly market-conscious world. This holistic approach to corporate sustainability is morphing from a “nice-to-have” to a “must-have”, reflecting a fundamental evolution mirroring the greater trend across the global business environment.

---

[63] KPMG (2020). *The KPMG Survey of Sustainability Reporting 2020*. https://assets.kpmg.com/content/dam/kpmg/be/pdf/2020/12/The_Time_Has_Come_KPMG_Survey_of_Sustainability_Reporting_2020.pdf

1.3.1. ESG – Definition and Components

Defining ESG is almost a task aimed at the dissection of a concept that has become the cornerstone of conscientious business practice for any company that operates upon the world stage. The underlying meaning of ESG is: the relevant factors used by companies to measure and report their commitment to sustainable, ethical, just, and responsible practices. The environmental perspective assesses how the operations of the firm relate to the natural surrounding. It is concerned with the control of carbon footprints, minimization of pollutants, conservation of resources, and biodiversity. Social factors cover the way the organization develops its relations with staff, suppliers, and the community in which it operates, dwelling much on questions related to labour rights, safety at work, and responsibility regarding the products and welfare of the community. Governance, then, comprises the systems of rules, practices, and processes by which companies are directed and controlled, all aimed at balancing the interests of its various stakeholders with the needs of the business.

Above all, the above-mentioned issues are equally important but should not be seen independently. A company that does excellent work in environmental stewardship but falters on issues of fair labour may find itself losing points at the bank as well. On the other hand, a company that is exemplary when it comes to social responsibility yet lacks transparency in practices of governance is often viewed with skeptical glances by the investors and even by the regulators. Such a comprehensive approach to ESG is reinforced by research like that of Eccles and Krzus (2010)[64], which documents what tangible benefits companies stand to reap from strong ESG performance: not in goodwill, but in financial returns. In light of this, the task for MNEs today is not just to understand what ESG stands for but to embed these principles at the heart of their operations. It is not a simple process; it requires changing the mindset of businesses, operational change, and often entails substantive investment. Yet, the demand for this change is nothing more than urgent and pressing through the growing tides of climate change, social revolution, and increased calls

---

[64] Eccles, R. G., & Krzus, M. P. (2010). Integrated reporting for a sustainable strategy. *Financial Executive, 26*(6), 28-32.
file:///Users/leodianaz/Downloads/Integrated%20reporting.pdf

for corporate transparency. In fact, some of the industry helmsmen and academicians go ahead to suggest that, through the integration of ESG, it will be the only way in which such a business will be able to hold sway and relevance in the socially conscious marketplace that typifies the 21st century (Schaltegger and Hörisch 2017)[65].

The ESG story is one that has morphed in the business community from the margin to the mainstream, fueled by everything from the rise of social media to growing public awareness and investor scrutiny. Companies that have been boasting of their ESG credentials as a badge of honor now know that these things are the baseline of expectation. The ever-increasing prevalence of ESG-focused funds and ESG metrics taking their due place in the global market, as emphasized by Sullivan and Mackenzie (2017)[66], are reflections that draw one to look into the world of investment today. The strength of the ESG framework is not in the definition itself, but in its application across both different sectors and cultural contexts. For example, an IT company in Silicon Valley will handle its ESG commitments very differently from the way a mining company in South Africa will handle its ESG, yet both are under similar mandates to run responsibly. As evidenced by the works of Ioannou and Serafeim (2012)[67], this is demonstrated as the approaches and challenges differ from industry to industry, from size to size, and from location to location. It is a broadly complex vista of ESG in the world of multinationals. This is really not so much a snapshot of today, but more a mapping of the territory over which businesses will need to pilot their way in the next few decades. It is a terrain marked by rapid technological advance, shifting cultural tides, and an increasingly interconnected global economy. It's a landscape wherein ESG ceases not to be part of the strategy, but rather the very ground on which one sustains a sustainable business.

---

[65] Schaltegger, S., & Hörisch, J. (2017). In search of the dominant rationale in sustainability management: legitimacy- or profit-seeking? *Journal of Business Ethics, 145*(2), 259-276. file:///Users/leodianaz/Downloads/s10551-015-2854-3.pdf

[66] Sullivan, R., & Mackenzie, C. (2017). Responsible Investment: New thinking for the next generation. *Journal of Sustainable Finance & Investment, 7*(2), 111-113. https://www.taylorfrancis.com/books/edit/10.4324/9781351283441/responsible-investment-rory-sullivan-craig-mackenzie

[67] Ioannou, I., & Serafeim, G. (2012). What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies, 43*(9), 834-864 https://www.jstor.org/stable/pdf/41674526.pdf?refreqid=fastly-default%3A93eb4f6600ac250732da818910500e8a&ab_segments=&origin=&initiator=&acceptTC=1

1.3.2. Sustainability: the key to success?

The summary of sustainability in the context of MNEs is commitment to responsible environmental stewardship, proactive social engagement, and governance practices that are strict, altogether nurturing resilience and profitability over time. The multi-fold, sustainability-linked success is all about ensuring ecological balance on one hand and deriving economic gains on the other.
Elkington (1997) has coined the term "Triple Bottom Line", bringing up the need for business to measure its success in terms not only of finances but also in view of the contributions made to society and the environment.[68] On average, sustainability is most often embraced by strong risk management strategies that shield firms from raw material price volatility, the risk of regulatory penalties, and reputation damage from unsustainable practices. PRI[69] is an initiative on investment, which partners with UNEP Finance Initiative and UN Global Compact and demonstrates that an increasing number of investors are considering sustainability criteria in their investment.

Also, companies that are strong champions of sustainability and are often viewed as more innovative, and they stand a better chance to attract top talent and loyal customers with similar values. According to Nidumolu, Prahalad, and Rangaswami (2009)[70], this connecting of sustainability with innovation links sustainability and organizational innovation. This way, companies, considering those challenges as opportunities, may reinvent their business model and products, breaking through toward new markets and creating value for themselves and the society. But the way toward sustainability into corporate DNA is not without complexities. This means that it is sensitive to appreciating the divergent stakeholder expectations in different markets and cultures. This, therefore, is an understanding sensitive challenge within the local context. Today's companies, in

---

[68] Elkington, J. (1997). Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Capstone. https://www.sdg.services/uploads/9/9/2/1/9921626/cannibalswithforks.pdf

[69] Principles for Responsible Investment (PRI). https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment

[70] Nidumolu, R., Prahalad, C.K., & Rangaswami, M.R. (2009). Why Sustainability Is Now the Key Driver of Innovation. Harvard Business Review. https://hbr.org/2009/09/why-sustainability-is-now-the-key-driver-of-innovation

addition, have to try to make ends meet between short-term financial pressures and long-term sustainability goals, and therefore have to navigate a terrain rife with potential trade-offs and dilemmas.

Contrarily, the promise of this, as Porter and Kramer (2006)[71] assert in their explication of "Creating Shared Value", is anchored on the most successful firms whose business models are in congruence with societal needs, and therefore social progress becomes part of the competitive advantage. As we look toward the future, the importance of sustainability as a key to success is only likely to increase. In one direction, the pull of driving towards a already low-carbon economy, the global consumer base who demands sustainability, and the pull of complex global supply chains, all will point toward a world in which sustainability becomes integrant to economic viability. This is, in fact, a story being written in real-time: MNEs are at the helm of steering the business community into a future where success is not wealth generated but where the well-being is fostered and the environments preserved.

1.3.3. The Role of ESG in Corporate Strategies

The ESG finds application as an integrative and essential tool in the development of corporate policies, recognizing a shift of a transformational character in the way multinational enterprises (MNEs) conceptualize success and longevity in the world market. From being a kind of adjunct to the business operations, ESG has become a lens through which today all the operational decisions need to be questioned and evaluated. In the view of the environment, businesses have to evaluate their operations in light of climate change and sustainability. Social considerations have brought to the very core of corporate policy-making issues of workers' welfare, community involvement, and customer satisfaction moving beyond mere compliance, but rather, to foster goodwill and brand loyalty. Governance practices ensure that the company should underline its ethical underpinning and

[71] Porter, M.E., & Kramer, M.R. (2006). Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility. Harvard Business Review. https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility

transparency in dealing so as to be intact in a manner that the reputation and trust of the stakeholder is safeguarded.

The role that ESG reporting plays in the ambit of corporate strategy is a move away from the traditional business metrics and to inspire companies to look further than making short-term financial gains toward the creation of long-term sustainable value. Indeed, the theoretical and empirical work documents that firms with strong ESG practices realize a host of benefits, including improved risk management, more innovation, and competitiveness, to more market access and greater stakeholder loyalty (Eccles, Ioannou, and Serafeim, 2014)[72]. As reported by the Global Impact Investing Network (GIIN)[73], the increasingly channeled funds to such businesses form part of the rising tide of impact investing, where ESG is strategically integrated into the core of such business operations. The ESG mandate cuts across all sectors and geographies, posing a challenge to MNEs in attempting to align their strategies through those many diverse regulatory environments and myriad cultural landscapes that they straddle. But this is not just a top-down initiative; it stands to reason this will only happen through regular dialogue in which the stakeholder engagement must play an important part to shape corporate policy and strategy. As discussed by Freeman (1984)[74], in relation to the emerging field in the area of stakeholder theory that underlines, he says that, in every strategic decision, a company has to involve the stakeholders. Business should create value for all the stakeholders and not the shareholders alone.

MNEs are employing a variety of tools and frameworks to embed ESG into their strategic planning. Materiality assessments, stakeholder consultations, and sustainability reporting guidelines, for example, of the Global Reporting Initiative (GRI)[75] type, are increasingly in use for identification and prioritization of those ESG issues most material for the business

---

[72] Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science, 60*(11), 2835-2857. https://www.hbs.edu/ris/Publication%20Files/SSRN-id1964011_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf

[73] Global Impact Investing Network (GIIN) https://thegiin.org/

[74] Freeman, R. E. (1984). Strategic management: A stakeholder approach. Boston: Pitman. https://www.researchgate.net/publication/228320877_A_Stakeholder_Approach_to_Strategic_Management

[75] Global Reporting Initiative (GRI). https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/

and its stakeholders.[76] The newly adopted United Nations Sustainable Development Goals (SDGs)[77] provide the shared set of objectives that MNEs can operationalize in determining their targets as they further seek to integrate ESG into the strategic objectives. Together with the implementation of ESG in corporate strategies, these come with a set of issues like the necessity of cultural change in the organization, alignment with the already established business objectives, and development of new competencies. On the other hand, firms that have successfully woven ESG into their corporate strategies, demonstrated improved performance not only in terms of their financial bottom line, but also by showing resilience in the economic and social turmoil. The future trajectories of corporate strategies seem inextricably linked to ESG integration, which is: the MNE with a core strategy likely linked to ESG emerges as a leader within a business environment that is growingly complex and characterized by growing external pressures for sustainability.

1.3.4. Labour Law as a Pillar of ESG Strategy

The labour law contains a complex, dynamic relationship with Environmental, Social, and Governance (ESG) strategies in multinational corporations. This, therefore, makes labour law a critical ingredient in ensuring the "Social" component of ESG, as it forms the legal framework of the relationship among employers and employees, trade unions, and the government. For a fact, labour law integration within ESG strategies should not be viewed through the lens of compliance only but rather active development in shaping corporate cultures and behaviors. Effective knowledge of labour laws empowers a company to deal effectively with, for example, factors like good remuneration, safe working conditions, and collective bargaining, factors that influence the well-being of workers and hence social sustainability.

---

[77] United Nations. Sustainable Development Goals (SDGs). https://www.undp.org/sustainable-development-goals#:~:text=The%20Sustainable%20Development%20Goals%20(SDGs)%2C%20also%20known%20as%20the,people%20enjoy%20peace%20and%20prosperity

In sum, the symbiotic influence of labour laws and ESG is illustrated strongly when one accounts for how these legal standards, on matters of labour, in the state of constant flux in which they currently exist, can foster changes in corporate ESG policy. For example, minimum wage laws, hours of working, and anti-discrimination practices all coerce businesses to change their internal policies directly and, thereby, impact the governance practices within a firm and its social equity. Complying with labour laws is another point through which a firm's social responsibility gets realized, often enhancing the reputation with which it gets built up for the firm and increasing trust among its stakeholders. Research supports this linkage of legal compliance with perception of the stakeholders; amongst these works, the one which elabourates how the perceived corporate social responsibility, including fair labour practices, can lead to competitive advantage, has been elabourated by Matten and Moon (2008)[78].

This, in turn, influences corporate strategies since organizations, with compliance with labour laws, may be encouraged by the labour laws to consult or involve employees in the decision-making process where affected. Companies that integrate labour considerations in their ESG frameworks go even further into the "Social" aspect. Such integration may include the establishment of working conditions that are not only safe but above the legal minimum or may give rise to programs for worker participation in corporate decisions. Global Compact Principles on Labour[79], inspired by the International Labour Organization (ILO)[80], that stress the need for standards have become a reference point for corporations around the world.

On the other side, in the labour law field, ESG may have an impact by introducing the new standard of best practices on the employee relations currently required by legislation. On the other side, in the field of labour law, ESG may have an impact on employee relations by the introduction of a new standard of best practices currently required by legislation.

[78] Matten, D., & Moon, J. (2008). "Implicit" and "Explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review,* 33(2), 404-424. https://www.researchgate.net/publication/228311150_Implicit_and_Explicit_CSR_A_Conceptual_Framework_for_a_Comparative_Understanding_of_Corporate_Social_Responsibility

[79] United Nations Global Compact. The Ten Principles of the UN Global Compact. https://unglobalcompact.org/what-is-gc/mission/principles

[80] International Labour Organization (ILO). Declaration on Fundamental Principles and Rights at Work. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/normativeinstrument/wcms_716594.pdf

Leading companies in ESG can have progressive labour practices, which hence leads to the emerging labour law. Buhmann, K. (2011)[81], points out the potential of corporate social responsibility to reform legal norms; through its proactive approach in ESG strategies, it sets new precedents for fair labour practices.

Incorporating labour law considerations into ESG strategy, while a no-brainer on business and ethical merits, adds one more layer of complexity to strategic planning. Multinational corporations must navigate the mosaic of labour legislation across jurisdictions to achieve a balance between the necessity for global uniformity of ESG policies and local legal requirements. This complexity provides an opportunity for MNEs to exhibit their commitment not only to ethical practices of labour that fortify the "Social" pillar of ESG but also to demonstrate a holistic approach towards corporate responsibility.

Essentially, the labour law is the driving base and the mirror at the same time for the ESG strategy of the company. In respect to this, therefore, the inclusion of labour laws in ESG ensures the company conforms to legal standards and caters for broader social goods, hence helping it develop a favorable corporate image based on strong premises for sustainable business practice. It is such a linkage of labour law to ESG that further solidifies the centrality of legal compliance as one of the features undergirding governance, sustainability, and ethics-centric corporation policies.

[81] Buhmann, K. (2011). Integrating human rights in emerging regulation of Corporate Social Responsibility: The EU case. *International Journal of Law in Context, 7*(2), 139-179. https://www.cambridge.org/core/services/aop-cambridge-core/content/view/4B160A71A6454CD7DC6CDCE69016C532/S1744552311000048a.pdf/integrating-human-rights-in-emerging-regulation-of-corporate-social-responsibility-the-eu-case.pdf

Chapter 2

EU Regulation and Business Integration

2.1. EU REGULATORY LANDSCAPE

The EU regulatory landscape carries great importance for any multinational enterprise to be able to integrate its activities within Europe. On one hand, this is a landscape that is wrestling with backing of sustainability and protection of human rights and, on the other, its rules remain the guarantee for a fair competition within the single market. Underpinning this regulatory framework are directives and regulations that range from environmental standards to data protection laws, and we must remember the labour regulations. For example, the European Green Deal, that is a massive package of measures that have the goal to make Europe climate-neutral by 2050, is to have a profound influence on business behaviour in all sectors.[82] These will include rules 2020/852 EU Taxonomy Regulation, which establishes a framework ensuring that a certain group of activities is green and channels capital to the technologies and businesses that are more sustainable.[83]

Enacted in 2018, the General Data Protection Regulation sets new bars for data protection and privacy, from how companies collect to how they store and process personal data.[84] The European Pillar of Social Rights[85], on the social side, is meant to give guidance to fair working conditions, adequate social protection, and inclusive education. These regulations mirror not only the commitment toward a sustainable growth model by the European Union but influence how companies design and build their corporate strategies within the standards of this regulation. Compliance with these regulatory frameworks is not only a requirement of the law but also an opportunity to run their operations in a smooth and efficient manner,

---

[82]European Commission. (2020). The European Green Deal. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

[83] European Union. (2020). EU taxonomy for sustainable activities. https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en#:~:text=The%20Taxonomy%20Regulation%20was%20published,to%20qualify%20as%20environmentally%20sustainable.

[84] European Union. (2018). General Data Protection Regulation (GDPR). https://www.consilium.europa.eu/en/policies/data-protection/data-protection-regulation/#:~:text=The%20GDPR%20establishes%20the%20general,data%20processing%20operations%20they%20perform

[85] European Union. (2020). European Pillar of Social Rights. https://ec.europa.eu/social/main.jsp?catId=1226&langId=en

foster innovation, and boast their corporate image. Companies that proactively engage with the regulations often find themselves best placed in terms of anticipating changes in the legal environment and repositioning their strategies accordingly.

This will imply that the EU regulatory environment would spill over to be a part of the strategic decisions of MNEs: their product designs, market entry strategies, and their supply chain management. It means that any business already operating or wanting to enter the European market must understand and move through the space created by these regulations. Proper assimilation of EU regulations into corporate strategies will avert risks and also leverage opportunities for growth and innovation. One appreciates that detailed information is provided as to what exactly such regulations mean for businesses, through the many sources such as the official publications of the EU, legal databases, and scholar articles. Such resources may be of pivotal importance to the survival of businesses that may wish to stay ahead of new changes in regulation and appreciate more widely what impacts such changes may have on their operations.

In essence, the EU regulatory landscape may be considered the highly critical environment in which a multinational enterprise exists, influences strategies, shapes operations, and directs corporate governance toward more sustainable and socially responsible business models. The latter is gradually changing to adapt to the dynamic character of the European Union's vision toward a more integrated and sustainable economy.

2.1.1. Overview of ESG regulations in the European Union

The regulatory landscape with respect to the criteria of Environmental, Social, and Governance (ESG) in the European Union is complex and fast evolving, thereby significantly influencing corporate strategies and operations. The European Union's approach to the regulation of ESG is captured by a holistic framework in which sustainability is designed as the very core of business activity. The Non-Financial Reporting Directive, introduced in 2014, requires large companies to disclose information regarding the way they operate and manage social and environmental challenges, thus aiming to increase transparency and motivate such companies to build a responsible approach to doing business (European Commission, 2014)[86]. Just in 2020, the European Union, yet again, took another step towards advancing these fronts by putting in place the Sustainable Finance Disclosure Regulation, where financial market participants are to disclose information on sustainability risks and impacts for greater transparency in how sustainability factors are integrated into their investment decisions (European Union, 2021)[87]. The present challenge for businesses and corporations is to understand the impact across a number of inter-related regulations with the E.U.'s Corporate Sustainability Reporting Directive (CSRD) at the center. Clearly, now is the time for companies to pay attention to and understand the impact of these regulations. (Thomson Reuters, 2023).[88]

This includes the most recent initiative, the EU Taxonomy Regulation, which was adopted in 2020 and lays down a classification system on environmentally sustainable economic activities in a manner that enables a common language and clear criteria through which an economic activity can be considered environmentally sustainable, hence avoiding its

---

[86] European Commission. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095

[87] European Union. (2021). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088

[88] https://www.thomsonreuters.com/en-us/posts/esg/related-eu-regulation/

practice as greenwashing and sustainable investment (European Union, 2020)[89]. These should be part of the wider EU Green Deal, with the general ambition of making Europe climate neutral by 2050, where this commitment significantly applies to the strategies of companies, especially in the sectors of energy, manufacturing, and transportation (European Commission, 2019)[90].

Moreover, to this there is the EU Action Plan on Financing Sustainable Growth from 2018 which launched a broad roadmap to develop a greener and more sustainable economy, by the very fact of setting its cornerstone for the integration of sustainability in the financial system and, respectively, the finance function in this context. It includes actions on the clarification of fiduciary duties, which increase transparency in financial and economic activities and, therefore, ripple their effects across all sectors doing business on the European market (European Commission, 2018)[91].

All these rules take tremendous effect as they force companies to act within them, and at the same time, they work on redefining business activity and strategy in the spirit of sustainability. That is enabled through growing guidance and frameworks, such as the European Financial Reporting Advisory Group (EFRAG) that would assist the companies on how to put into practice the EU's increasingly complex regulatory standards (EFRAG, 2020)[92].

With these regulatory frameworks integrated into their governance models, firms operating in the EU should not only improve their practices on sustainability but also contribute to a

---

[89] European Union. (2020). Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

[90] European Commission. (2019). The European Green Deal. https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF

[91] European Commission. (2018). Action Plan: Financing Sustainable Growth. https://finance.ec.europa.eu/publications/renewed-sustainable-finance-strategy-and-implementation-action-plan-financing-sustainable-growth_en#documents

[92] European Financial Reporting Advisory Group (EFRAG). (2020). EFRAG's work on sustainability reporting. https://www.efrag.org/Activities/2010051123028442/Sustainability-reporting-standards-roadmap?AspxAutoDetectCookieSupport=1

larger goal of environmental protection, social justice, and transparent governance. The deeper the regulative requirements are embedded in the tissue of the business world, the more the standard becomes a driving force of the global market, as the European economy is one of the biggest and thus influential in the world. A firm effectively able to navigate through this regulatory environment, therefore, may derive significant competitive advantages, leveraging the compliance for creating innovation opportunities, better stakeholder engagement, and better positioning in the marketplace.

2.1.2. Evolution of ESG Policies and Frameworks

The evolution of ESG policies and frameworks within the European Union represents a tectonic change in the way sustainability is mainstreamed into the corporate and financial landscape. This has been a continuation of the process in which regulatory evolutions, market forces, and stakeholders' pressures have together shaped a powerful framework of ESG integration. At first, ESG policies were very voluntary; companies adopted all sorts of sustainable practices at their own discretion. However, the rise of awareness of environmental and social issues, as well as the financial impacts of these issues becoming clearer, the EU started moving to formalizing ESG requirements through more stringent regulations and directives.

The milestone in the EU ESG landscape was setting the EU Sustainable Finance Action Plan of 2018, which clearly defined a full-fledged strategy for the reorientation of capital flows to sustainable investment, management of financial risks related to climate change, and encouraging transparency and long-termism in financial and economic activity (European Commission, 2018)[93]. This has set a number of regulatory milestones, including the 2020 EU Taxonomy Regulation to provide a classification system on sustainable activities so that investors and companies may channel investments toward sustainable activities and meet sustainable performance targets (European Union, 2020)[94].

---

[93] European Commission. (2018). Action Plan: Financing Sustainable Growth. https://finance.ec.europa.eu/publications/renewed-sustainable-finance-strategy-and-implementation-action-plan-financing-sustainable-growth_en#documents

[94] European Union. (2020). Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

The second leg of this regulatory package is the SFDR, which took effect in 2021, and mandates the disclosure by the financial market participants as to how they integrate ESG into risk processes and investment decisions. In doing so, it would prevent greenwashing and ensure transparency in the market in a manner that such claims of sustainability would be based on a real practice[95]. There are also seen further developments in the creation of ESG frameworks, as included in sustainability, in the corporate governance codes. For example, the new EU Shareholder Rights Directive of 2017 clearly makes the point of the duty of shareholders to ensure that the company is attuned toward long-term sustainability and not only aiming at driving short-term profits[96].

Non-Financial Reporting Directive was initiated in 2014 and has expanded the ESG agenda. The directive pertains to large companies, which are to disclose non-financial information on environmental, social, and employee-related, human rights, bribery and corruption, and board diversity matters, as stated in European Union (2014)[97].

This information is going to be useful for investors, customers, and all the other parties that are interested in the non-financial impacts of the companies, thus being able to know how to influence the company behaviour and the investment choices

Therefore, the dynamic growth and extension of ESG frameworks within the EU prove increasing comprehension of these interconnections between the environmental, social, and economic elements. This will, therefore, help define corporate strategies and at the same time redefine the roles of business entities in furthering the goals of society. As such, this approach is not just dynamic but also on the front line of making sure that the EU remains

---

[95] European Union. (2021). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088

[96] European Union. (2017). Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0828

[97] European Commission. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095

ahead of the global movement toward sustainability through good corporate governance and best financial practices.

2.2. Key Areas where Regulations are implemented

In the EU, each regulation is implemented accordingly to each sector and each industry: this is a proof that the European Union is committed to develop the concepts of sustainability, fairness and innovation, as all of them are a clear indication of a form of governance that involves all the crucial aspects for a company.
Such regulations are spread to include areas of environmental protection, social equity, and even corporate governance, with each one of the above-mentioned playing a critical role in shaping the business practices and strategies of multinational enterprises operating in the Union.
This is buttressed by tough environmental regulations, led by the EU Green Deal articulating an ambitious plan to cut carbon emissions and enhance energy efficiency across the continent. There is key support to this initiative by such specific regulation as the EU Emissions Trading System (EU ETS), which puts a cap on the total amount of greenhouse gases that can be emitted by installations covered by it (European Commission, 2021)[98].

The system gives the allowance for companies to buy or sell emission allowances as the need arises and, thus, inciting a cut in reductions where it is cost-effective. Renewable Energy is yet another cornerstone, whereby the Renewable Energy Directive has seen binding targets set for renewable energy by all member states, which are key in cutting the carbon footprints and use of fossil fuels from non-renewable sources (European Parliament, 2018)[99]. Social regulations center on how to improve labour conditions, enhance consumer protection, and foster social inclusion. The Working Time Directive, for instance, seeks to

---

[98] European Commission. (2021). EU Emissions Trading System (EU ETS).
https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en

[99] European Parliament. (2018). Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001

regulate, among others, the maximum number of hours employees in the EU can legally work, in a bid to protect the health and safety of the worker by restricting long working hours and ensuring they get adequate rest (European Union, 2003)[100]. The other social regulation involves the General Data Protection Regulation, which is a vital move towards personal data privacy that seeks to allow the citizens to control their own data and further impose very strict rules on those that host and process this data, whether within or outside the EU (European Commission, 2016)[101].

Governance regulations are set in place to ensure that businesses operate with a high level of transparency and accountability, reinforcing transparency in related-party transactions and ensures shareholders are granted a say on directors' remuneration to prevent inappropriate risk-taking and to promote a long-term engagement in corporate governance (European Union, 2017)[102]. Besides, the Market Abuse Regulation (MAR) enhances the regime for prohibition of insider dealing and market manipulation, therefore ensuring the integrity and transparency of European financial markets (European Securities and Markets Authority, 2016)[103].

These regulations are not considered separately but are part of an overall and integrated approach by the EU to see to it that businesses not only thrive economically but also contribute positively to the societal goals and environmental sustainability. Each regulation complements others and the whole of them creates a sum that ensures businesses are steered more to operations that are more sustainable, fair, and responsible. Such a holistic regulatory

[100] European Union. (2003). Directive 2003/88/EC of the European Parliament and of the Council concerning certain aspects of the organization of working time.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0088

[101] European Commission. (2016). Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation).
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0679

[102] European Union. (2017). Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0828

[103] European Securities and Markets Authority. (2014). Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation).
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0596

approach not only resonates with global goals of sustainability but sets a benchmark for corporate responsibility worldwide.

2.2.1. Environmental Regulations

EU environmental regulations are part and parcel of the sustainability approach of the union; they form part of the legal framework of the union and at the same time determine the way forward for MNEs on their practices on the environment.
Regulations are based on different kinds of mechanisms that are focused on the so called creation of sustainable development, reduction of the footprint on the environment, and a more responsible use of natural resources. Most central among these mechanisms is the European Green Deal unveiled in 2019; it is supposed to make Europe the first continent to become climate neutral by 2050 (European Commission, 2019)[104]. Supposedly, it is intended to mobilize enterprises and economies in Europe in order to achieve and even accelerate more change than the deal expects to bring. The European Green Deal has been designed as a wide-ranging package, going all the way from cutting down on the emissions of greenhouse gases, to investing in new research and innovation, and all of this is in order to protect Europe's natural environment.

The Green Deal is followed by other targeted initiatives, which feature even more pointed attempts in the form of Climate Action policies and Green Initiatives that impose stiff measures to cut carbon emissions and, at the same time, take increases in the usage of renewable energies into different industries. These not only are considered to be instrumental in combating the ill effects of climate change but are also required to set international benchmarks in the domains of sustainability (European Parliament, 2020)[105].

---

[104] European Commission. (2019). The European Green Deal.
https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF

[105] European Parliament. Climate Action.
https://climate.ec.europa.eu/eu-action_en

Another giant stride in this regard with the Green Deal is the Circular Economy Action Plan, which treats the current linear economy as a thing of the past, working with minimal waste and maximal reusability to sustain an economic model that remains a source of prosperity for business, society, and the environment (European Commission, 2020)[106].

Together, these frameworks underpin EU environmental regulations, which are vital for an understanding of and formulation of operations and strategy by business in the EU. By a firm aligning with these, companies are not just mere legal standards compliant but have a competitive edge in doing so, since the nature of sound sustainability practices behoove them to do so. This is in congruence with implementation of these regulations hand in hand with a deep understanding of their implications and opportunities, and it is very imperative that MNEs be flexible and remain updated.

2.2.1.1. The European Green Deal

The European Green Deal is a set of initiatives related to a wide range of policies, developed by the European Commission that were disclosed in December 2019, with the goal to make Europe the first climate-neutral continent by 2050. This is, by no means, a purely environmental agenda with its set objectives; it means an overall broad, well-thought economic strategy that should ensure the fact that the economy and society of the EU will go through a huge change in line with climate objectives. Sustainability is the base of the Green Deal, and in this matter it affects all the areas including energy, agriculture, biodiversity, and transport. At its core, the Green Deal is a pledge to reduce greenhouse emissions by at least 55% by 2030 from a 1990 baseline and set a path to net-zero emissions by 2050, facilitated by a plethora of policies and incentives, and met with huge increases in production and use of renewables, an unprecedented renovation wave involving the built and transport infrastructure, and a sustainable transport strategy toward emission reduction and decongestion with efficiency and connectivity.[107]

---

[106] European Commission. (2020). Circular Economy Action Plan. https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

[107] European Commission. (2019). The European Green Deal.

Probably most critical of the Green Deal is the shift to a circular economy. This is to revise several EU directives and regulations in a way that would mean the resources stay within the economy for as long as possible, the value in the materials and products is retained, and minimization of waste generation. A key part of the Green Deal, the Circular Economy Action Plan, proposes measures from stricter recycling and waste reduction to new business models which will not allow resource wastage (European Commission, 2020)[108]. In addition to this, the Green Deal also looks at the aspect of biodiversity and tackles pollution. For example, the 2030 Biodiversity Strategy aims to protect nature and reverse the degradation of ecosystems. In fact, this forms a very important strategy in order to ensure that the economic growth of Europe is associated with habitat preservation, sustainable agriculture practices, as well as freshwater systems and ocean restoration (European Commission, 2021)[109].

Financially underpinned by significant funding mechanisms, the Green Deal will make sure this is a just transition in which nobody is left behind. Within the Sustainable Europe Investment Plan, this Just Transition Mechanism is going to mobilize at least €100 billion between 2021 and 2027 in the most affected regions so that nobody is left behind in the climate-friendly transition (European Commission, 2020)[110].

This means that the regulatory implications of the European Green Deal are massive. They impose on companies the obligation to conform to the new regulatory requirements but not only with less carbon footprints; the new procedures must drive systemic changes in the ways production patterns, energy usage, and general corporate governance are taking place. The firms operating in Europe are, therefore, obligated to innovate the processes and

https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF

[108] European Commission. (2020). Circular Economy Action Plan. https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

[109] European Commission. (2020). Biodiversity Strategy for 2030. https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en#:~:text=The%202030%20EU%20Biodiversity%20Strategy&text=The%20EU's%20biodiversity%20strategy%20for,contains%20specific%20actions%20and%20commitments.

[110] European Commission. (2020). Just Transition Mechanism. https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/just-transition-mechanism-performance_en#:~:text=Mission,an%20effective%20and%20fair%20manner.

products to meet the new standards imposing in fact a lot of investment in green technologies and sustainable practices.

2.2.1.2. Climate Action and Green Initiatives

Climate Action and Green Initiatives are at the very core of the European Union's strategy against climate change and for sustainable principles; they are an intrinsic part of the global vision within the European Green Deal. The EU has always been in the vanguard of important measures to reduce carbon emissions, with consequent encouragement of renewable energy resources and energy efficiency within the member states. This has been well communicated through ambitious targets and a large number of regulatory measures developed to move the continent toward a low-carbon, sustainable future.

Prime among those initiatives is the 2030 Climate and Energy Framework, with three headline targets: at least 40% reduction of greenhouse gas emissions from 1990 levels, at least 32% of renewable energy share, and at least 32.5% improvement in energy efficiency (European Commission, 2014)[111].

On the other hand, the EU ETS, the largest carbon market in the world and the first of its kind, has been at the forefront of reducing emissions by imposing a cap on the total amount of specific greenhouse gases emitted by installations covered by the scheme.[112] Companies can buy or sell emission permits as necessary, and this way, reduction measures are triggered where it is most cost-effective to implement them. This character of the system is an example of the innovative strategies of the EU in environmental regulation. Moreover, the EU has committed big financial resources. The largest Innovation Fund in the world, oriented at financing demonstrations of low-carbon and innovative technologies and industry solutions, which will decarbonize Europe and enable the uptake of innovative renewable energy generation, energy storage, and CCUS technologies (European Commission, 2020)[113].

---

[111] European Commission. (2014). 2030 Climate and Energy Framework https://data.consilium.europa.eu/doc/document/ST-169-2014-INIT/en/pdf

[112] European Commission. (2021). EU Emissions Trading System (ETS). https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en

Furthermore, the program known as LIFE, the EU funding instrument in the field of environment and climate action, has been quite supportive of different projects that take place under the climate mitigation and adaptation and governance and information initiative areas in the EU (European Commission, 2018)[114]. This is a program representing the holistic approach of the EU toward the problems of climate change by using both mitigation and adaptation strategies.

Being part of corporate strategy, these initiatives are huge. They insist not just on following particular emission and energy use limits but also on innovation and transformation of business by the company in accordance with sustainable practice. The integration of the two regulatory frameworks therefore allows businesses working in the EU to extract financial and reputational benefits by aligning their business operations with broader global sustainability currents.

[113] European Commission. (2020). Innovation Fund.
https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/innovfund

[114] European Commission. (2018). LIFE program.
https://cinea.ec.europa.eu/programmes/life_en

2.2.1.3. Circular Economy: overview of the practices

The concept of the Circular Economy surely is a key element of the European Union's strategy in creating a more sustainable and durable economy. The Circular Economy Action Plan, adopted by the European Commission in March 2020, represents a comprehensive approach aimed at redefining the traditional linear economy, where products are made, used, and disposed of, into a more sustainable model that focuses on keeping resources in use for as long as possible, extracting maximum value from them, and then recovering and regenerating products and materials at the end of their service life (European Commission, 2020)[115].

In order to reach the many environmental goals, this transition plays a fundamental role along with those objectives that have been set out in the European Green Deal.

Designing out waste and pollution, keeping products and materials in use, and regenerating natural systems are at the heart of the approach to a circular economy. A set of principles like this is operationally managed by governments through various regulatory measures and initiatives related to everything from manufacturing and agriculture to consumer goods and waste management. For instance, among the general principles of waste management set by the EU Waste Framework Directive are on according priority waste prevention, reuse, recycling, and recovery over disposal of waste (European Parliament, 2008)[116].

One of the more complete measures within the Circular Economy Action Plan is the Sustainable Products Initiative, with which products would be designed to last longer, be more accessible to reuse, repair, and recycle, and use more recycled materials in production, thus making possible recycling loops of products' life cycles. This will also bring in new measures for sustainability product design, with requirements on product passporting and requirements to provide some specific product information digitally, which should increase transparency and traceability (European Commission, 2020)[117].

---

[115] European Commission. (2020). Circular Economy Action Plan.
https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

[116] European Parliament. (2008). Waste Framework Directive.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008L0098

[117] European Commission. (2020). Sustainable Products Initiative.
https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12567-Sustainable-products-initiative_en

EU has also enacted strong regulations concerning plastic waste under the Single-Use Plastics Directive, targeting the ten single-use plastic products most often found on European beaches, together contributing up to 70% of all marine litter. This Directive includes steps which aim to diminish the consumption of plastic products and restrict the placement of certain plastic products in the market.

Moreover, it includes different kind of obligations for producers with the final goal to help cover a part of the costs that are incurred during the waste management and clean up phases. The circular economy will work again with innovation and new business models supporting sustainability, with a number of projects designed to improve (together with the European Innovation Council) those areas involving recycling technologies and sustainable materials. This way, it not only builds a culture of innovation but also ensures that incentives in the economy are towards acting right for the environment, thus leading for a development of new products and processes (European Commission, 2019)[118].

Let's change perspective and move towards the one of consumers, who certainly play a key role in the transition to a circular economy. The EU fosters consumer participation in the European Consumer Agenda, encouraging consumers to choose wisely and contribute to the circular economy. This includes increasing access to information on product sustainability and rights to repair. Hence, it fights against planned obsolescence and obliges products to have longer lifespans (European Consumer Agenda, 2020)[119].

Another area where strong implications of circular economy principles such as those of limited lifespan and reverse logistics (from dispatch to delivery back to the manufacturer or next user) are in the strategies of corporations: businesses will need to re-envision the design of their supply chain, aiming for near-zero waste, and near-optimal resource efficiency. These include circular supply chain management, sourcing for secondary raw materials and investment in reverse logistic systems enabling take-back and recycling of products. Moving towards a more circular economy model provides great advantages to companies:

---

[118] European Parliament. (2019). Single-Use Plastics Directive.
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L0904

[119]European Consumer Agenda (2020)
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0696

cost saving, new income opportunities, and a stronger brand since it is assessed more on environmental performance (Ellen MacArthur Foundation, 2019)[120].

As we previoulsy stated, the circular economy is at the heart of the EU's climate goals: its principles also provide for a cut in greenhouse gas emissions by reducing the extraction and processing of raw materials. Further, according to the European Environment Agency, transitioning to a Circular Economy in Europe could potentially cut the EU's annual greenhouse gases up to 56% by 2050 (European Environment Agency, 2020)[121]. Incorporating the many different practices set out by the EU makes it possible for businesses to meet regulatory needs and gives them a head start through innovation to waste resource efficiency and finally benefit from an increased public confidence. The European Union is now looking dominance in the global scene especially in the realm of sustainable development and sees to it that it can establish an aspirational example for other regions to pick up on.

[120] Ellen MacArthur Foundation. (2019). Completing the Picture: How the Circular Economy Tackles Climate Change.
https://www.ellenmacarthurfoundation.org/completing-the-picture

[121] European Environment Agency. (2020). The Circular Economy and the Bioeconomy.
https://www.eea.europa.eu/publications/circular-economy-and-bioeconomy

2.2.2. Social Regulations

Social regulations in the EU are an integral part of the ESG framework; they cover many issues and are used to ensure fair labour practices and human rights, at the same time providing for social inclusion and equity throughout the member states. These regulations are necessary for multinational enterprises (MNEs) because it is necessary for them, while operating within the complex legal setup of the EU, to meet the set standards protecting the welfare of the employees and the general public. The social regulations of the EU are laid out in a manner that high standards can be achieved to create a more just and inclusive society by regarding labour rights, safe workplaces, anti-discrimination, and social impact assessments, thus creating an enabling environment for businesses where, at the heart of their activities, ethical concerns remain. Some of the basic principles upon which the framework of social regulation within the EU is based are labour laws, which ensure that all workers receive fair treatment and work in safe conditions. These laws are based on the fundamental conventions of the International Labour Organization (ILO) and form a solid background of labour law and labour in general. Specifically, these conventions provide the basis for the formulation and implementation of the Discrimination (Employment and Occupation) Convention (No. 111)[122], the Occupational Safety and Health Convention (No. 155)[123], the Forced Labour Convention (No. 29)[124], and the Minimum Age Convention (No. 138)[125] in the decision-making systems of the European Union on issues related to labour laws (ILO, 1958; ILO, 1981; ILO, 1930; ILO, 1973). All of these conventions stress how important the topics of the elimination of discrimination in employment, make the workplace safer, eliminate forced labour, and prohibit child labour are to ensure that all workers are treated with dignity.

---

[122] ILO. (1958). Discrimination (Employment and Occupation) Convention, No. 111. https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:55:0:::55:P55_TYPE,P55_LANG,P55_DOCUMENT,P55_NODE:CON,en,C111,/Document

[123] ILO. (1981). Occupational Safety and Health Convention, No. 155. https://normlex.ilo.org/dyn/normlex/en/f?p=normlexpub:12100:0::no::p12100_instrument_id:312300

[124] ILO. (1930). Forced Labour Convention, No. 29. https://normlex.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C029

[125] ILO. (1973). Minimum Age Convention, No. 138. https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138

The EU's commitment to eradicating workplace discrimination is further entrenched with other directives that include the Racial Equality Directive (2000/43/EC) and the Employment Equality Directive (2000/78/EC), which prohibit discrimination in any form related to race, ethnic origin, religion, disability, age, and sexual orientation (European Commission, 2000a[126]; European Commission, 2000b[127]). The whole of these legislations aims to ensure that there are equal opportunities for everybody, and that every person has the right to receive a fair treatment in employment and other areas within their social life. Moving forward to occupational health and safety, we can say that these topics are also central to the EU's social regulations. The Framework Directive 89/391/EEC on safety and health at work set out general principles for the prevention of occupational risks, protection of safety and health, and provision of information and training of workers (European Commission, 1989)[128]. This directive focuses on the active management of workplace safety. It is willing to consider the element of continuous improvement, with total active involvement by employers and employees in a working environment.

The EU ensures that its commitment to fight against forced labour and human trafficking is total and multi-pronged. For instance, the EU directive on prevention and combating of the trafficking of human beings while protecting its victims (2011/36/EU) provides the legal framework for preventing trafficking, protecting the victims, and prosecuting the traffickers (European Commission, 2011)[129]. This shows a strong commitment of EU to fight against each and every form of exploitation, thus ensuring that who's subject and victim to trafficking should and must receive the fair amount of support and protection that they deserve. Besides labour rights and safety at the workplace, many measures, classified under the EU's social regulations, promote social integration and security of weak populations.

---

[126] European Commission. (2000a). Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0078

[127] European Commission. (2000b). Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0078

[128] European Commission. (1989). Framework Directive on Safety and Health at Work (89/391/EEC). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391

[129] European Commission. (2011). Directive 2011/36/EU on preventing and combating trafficking in human beings and protecting its victims. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011L0036

The European Pillar of Social Rights, proclaimed in 2017, sets out 20 fundamental principles and rights supporting fair and well-functioning labour markets and welfare systems (European Commission, 2017)[130]. These 20 principles cover different areas, ranging from equal opportunities to fair working conditions, social protection, and inclusion, thus stating the EU's obligation to make sure that all people are treated fairly and given at least the essential services and opportunities they need and deserve.

Another integral part of the EU's social regulatory framework is gender equality. The Gender Equality Strategy 2020-2025 confirms that the EU needs to ensure full gender equality at all levels of employment, education, and access to social services (European Commission, 2020)[131]. Correspondingly, a strategy to address this must cover closing the gender pay gap, enhancing work-life balance, reducing gender-based violence, and increasing the number of women in decision-making positions. Work-Life Balance Directive (Directive (EU) 2019/1158): the work-life balance directive contains provisions regarding paid paternity leave, parental leave, as well as flexible working to support parents and carers in attaining practical professional and private lives (European Commission, 2019)[132]. Since social legislation is incomplete if all the people in the EU are not given equal treatment and respect, the social legislations of the EU are most likely to have antidiscrimination policies. Therefore, the EU has adopted a wide range of directives in this respect in order to combat discrimination in the areas of employment and occupation, education, and access to goods and services.

The EU goes further to require Social Impact Assessments (SIA) within its regulatory frame as a measure to determine potential social effects that projects or policy proposals can have. They ensure giving due consideration to social aspects in the decision-making processes and minimizing negative impacts on communities. They systematically assess how proposed actions may impact social well-being, involving employment, social inclusion,

---

130 European Commission. (2017). European Pillar of Social Rights. https://ec.europa.eu/social/main.jsp?catId=1226&langId=en

131 European Commission. (2020). Gender Equality Strategy 2020-2025. https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/gender-equality-strategy_en

132 European Commission. (2019). Directive (EU) 2019/1158 on work-life balance for parents and carers. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L1158

and community health (Vanclay, 2003)[133]. Through SIAs, policymakers and businesses are then in a position to know any social adverse effects and take necessary measures on them, such as rectification, so that the whole process of a development project brings out a positive contribution to the society along with improving social sustainability. Besides these, provisions in EU's social regulations include those that also regulate young workers' rights and prevent child labour. The Young People at Work Directive (94/33/EC) lays down minimum requirements aimed at protecting young workers to the effect that they are not exposed to harmful conditions and their work does not interfere with their schooling (European Commission, 1994)[134]. In doing so, the directive is mainly consistent with ILO's Minimum Age Convention in insisting that young workers be protected and work within safe and healthy conditions.

Social Inclusion Policies are another really important category of social regulations agreed upon by the EU that are made to work for the reduction of poverty, social exclusion, and inequality; they provide for the realization of access to health, education, housing, and social security for everyone, and are considered to protect the vulnerable while fostering social cohesion and solidarity within the European Union. These vary from the European Pillar of Social Right, one initiative on principles and rights to support fair and well-functioning labour markets and welfare systems, to multi-thematic and broad-based social regulations that deal with a wide span of issues related to labour rights, workplace safety, anti-discrimination, gender equality, and social inclusion and impact assessments within the EU. All of these regulations are fundamental as they underline the potential and right that each individual has to exist and work in a safe environment. By following these regulations, multinational enterprises can exploit the opportunity to improve their obligation to social responsibility and sustainability, thus improving their recognition and reputation which will in turn build a high level of trust among the many different stakeholders.

---

[133] Vanclay, F. (2003). International principles for social impact assessment. Impact Assessment and Project Appraisal, 21(1), 5-12.
https://www.tandfonline.com/doi/epdf/10.3152/147154603781766491?needAccess=true

[134] European Commission. (1994). Directive on the Protection of Young People at Work (94/33/EC).
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31994L0033

To conclude this introductory paragraph and move forward, we can state that the European Union is clearly working on social regulations in order to build a fair society, and elements that support this statement are the guarantees on the protection of workers' rights, support of fair labour practices, and again guarantees on social inclusion and equity for everyone. For the EU, as the social policy is carried forward, these regulations will act as the anchor to stabilize and steer the future of work and social policies in the Union toward a more just and inclusive society. Thus, multinational enterprises play a pivotal role in meeting the goals set by all the regulations, as they have to make sure that each citizen is able to share the benefits that are going to result from the aimed economic growth and societal development.

2.2.2.1. Labour and Human Rights Standards

Discrimination (Employment and Occupation) Convention (No.111) [135]

The Discrimination (Employment and Occupation) Convention (No. 111), adopted by the International Labour Organization (ILO) in 1958, is a fundamental international treaty designed to eliminate discrimination in the workplace and promote equality of opportunity and treatment in employment and occupation. This Convention was conceived against the backdrop of the Declaration of Philadelphia, which asserts that all human beings, regardless of race, creed, or sex, have the right to pursue both their material well-being and spiritual development under conditions of freedom, dignity, economic security, and equal opportunity (ILO, 1958). By adopting this Convention, it is explicit that discrimination in employment can be both considered as a violation of human rights and a barrier to pursue and achieve economic efficiency and social progress. It affirms that discrimination in employment and occupation constitutes a violation of rights enunciated by the Universal Declaration of Human Rights, and in this way, it makes it possible to link labour rights with broader human rights principles.

[135] International Labour Organization (ILO). (1958). Discrimination (Employment and Occupation) Convention, No. 111.
https://webapps.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C111

Article 1 of the Convention defines discrimination as any distinction, exclusion, or preference made based on race, color, sex, religion, political opinion, national extraction, or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. It also includes any other distinction, exclusion, or preference that may be determined by the member states in consultation with employers' and workers' organizations (ILO, 1958). This broad definition allows this Convention to address a wide range of discriminatory practices and adapt to changing social and economic conditions. The inclusion of specific elements such as race, color, sex, religion, political opinion, national extraction, and social origin makes it clear that the ILO has a strong commitment to combat discrimination in all its forms.

Article 2 obligates member states to declare and pursue a national policy designed to promote equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in respect thereof. This national policy must be pursued by methods appropriate to national conditions and practice, which provides flexibility for member states to implement the Convention in ways that best suit their unique socio-economic contexts (ILO, 1958). The fact that a national policy is required really is fundamental because it ensures that each member state takes active and effective measures in order to combat discrimination.

Article 3 outlines the specific measures that member states must undertake to implement the national policy. These include seeking the cooperation of employers' and workers' organizations, enacting legislation and promoting educational programs to secure the acceptance and observance of the policy, repealing any statutory provisions and modifying administrative instructions or practices that are inconsistent with the policy, and ensuring the observance of the policy in employment under the direct control of national authorities and in the activities of vocational guidance, vocational training, and placement services (ILO, 1958). In this way, not only the policy is legally strong, but it also allows for a practical implementation across many different sectors of employment.

Article 4 provides that measures affecting an individual who is justifiably suspected of, or engaged in, activities prejudicial to the security of the state shall not be deemed to be discrimination, provided that the individual has the right to appeal to a competent body established in accordance with national practice. This provision recognizes the need to balance national security concerns with the protection of individual rights, ensuring that measures taken for security reasons do not become a pretext for discrimination (ILO, 1958).

Article 5 states that special measures of protection or assistance provided for in other ILO Conventions or Recommendations shall not be deemed to be discrimination. Additionally, member states may determine, after consultation with employers' and workers' organizations, that other special measures designed to meet the particular requirements of persons who, for reasons such as sex, age, disability, family responsibilities, or social or cultural status, are generally recognized to require special protection or assistance, shall not be deemed to be discrimination (ILO, 1958).

Article 6 mandates that each member state which ratifies the Convention must apply it to non-metropolitan territories in accordance with the provisions of the ILO Constitution. **Articles 7 through 14** address procedural aspects of the Convention, including the formal ratification process, the coming into force of the Convention, the process for denunciation, and the responsibilities of the Director-General of the ILO in communicating ratifications and denunciations to the members and to the Secretary-General of the United Nations (ILO, 1958).

The Discrimination (Employment and Occupation) Convention (No. 111) is the most critical convention regarding social provisions within the EU regulation, enforcing the different principles that subsequently create two EU Directives and Policies that aim to promote equality and to fight discrimination. For instance, the Racial Equality Directive (2000/43/EC) and the Employment Equality Directive (2000/78/EC) point out that discrimination based on race, ethnic origin, religion, disability, age, and sexual orientation is outlawed in member states and challenge these countries to put in place mechanisms that guarantee all people equal opportunities in employment and other aspects of their lives (European Commission, 2000a[136]; European Commission, 2000b[137]).

At the same time, the principles of non-discrimination and equal treatment are at the heart of the European Pillar of Social Rights, as they elaborate on 20 main principles and rights

---

[136] European Commission. (2000a). Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0078

[137] European Commission. (2000b). Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0078

that are key to providing fair and well-functioning labour markets and welfare systems. Principle 3 is about equal opportunity and fair treatment: every person has the rights to be treated regarding employment, social protection, education, and access to goods and services without any form of discrimination based on gender, race, ethnic background, religion, disability, age, or sexual orientation (European Commission, 2017)[138]. By aligning with this ILO Convention, the European Union reiterates its commitment to a inclusive and non-discriminatory society, where discrimination stops due to systemic approaches.

In the broader context of corporate governance and ESG strategies, compliance with Convention No. 111 on Discrimination (Employment and Occupation) is critical for Multinationals operating within the EU. The MNEs, therefore, can build their reputation and trust among their stakeholders and reduce such legal and reputational risks attached to discrimination practices by adhering to the principles embedded in the Convention.

The Convention also plays a vital role in shaping education policies within the EU. By ensuring that vocational training and placement services are free from discrimination and accessible to all, the Convention supports the EU's goals of enhancing skills development and lifelong learning: this is particularly important in the context of the rapidly changing labour market, where continuous upskilling and reskilling are essential for maintaining employability and competitiveness (European Commission, 2020)[139].

Moreover, the Convention stresses cooperation with employers' and workers' organizations, which is again typical for the EU framework for social dialogue; it suggests consultations and negotiations among employers, trade unions, and government representatives. This social dialogue becomes one of the critical elements in the policy on regulating the labour market within the European Union, and it is indispensable for creating balanced and efficient policies corresponding to the *interests* and needs of all stakeholders (European Economic and Social Committee, 2020)[140].

---

[138] European Commission. (2017). European Pillar of Social Rights. https://ec.europa.eu/social/main.jsp?catId=1226&langId=en

[139] European Commission. (2020). Making Europe's businesses future-ready: A new Industrial Strategy for a globally competitive, green and digital Europe. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_416

[140] Background report for the ILO-AICESIS Joint International Conference 23–24 November 2023 Athens, Greece (2023). https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_dialogue/@dialogue/documents/publication/wcms_901614.pdf

In other words, the Discrimination (Employment and Occupation) Convention (No. 111) is a kind of essential international instrument that significantly affects the social regulatory framework in the EU, as its provisions concern any possible case of discrimination and help to provide equal opportunities and equal treatment in both employment and occupation. Principles of the convention infiltrate numerous EU directives and policies about a shared concern for the creation of a fair, inclusive, and equitable labour market.

Multinational businesses can remain within legal and ethical standards by following the Convention. This also enhances corporate reputation and helps to make our society more sustainable. Where the Convention has made a particular impact, this extends well beyond meeting the law. Then it influences vocational training, education in general and forms of social dialogue in many cases that thereby support Europe's wider ambitions for social cohesion and prosperity.

Occupational Safety and Health Convention (No. 155)[141]

The Occupational Safety and Health Convention (No. 155) has been adopted by the International Labour Organization (ILO) in 1981 and represents a fundamental treaty establishing a complete framework for both the promotion of occupational safety and health and the improvement of working environments all around the world. This Convention was conceived to address the myriad risks and hazards present in workplaces, aiming to prevent accidents and injuries, and to ensure the health and well-being of workers across all branches of economic activity (ILO, 1981). The Convention mandates that each ratifying member state formulates, implements, and periodically reviews a coherent national policy on OSH, in consultation with the most representative organizations of employers and workers. This national policy is expected to prevent work-related accidents and injuries by minimizing, as far as reasonably practicable, the causes of hazards inherent in the working environment

[141] International Labour Organization (ILO). (1981). Occupational Safety and Health Convention, 1981 (No. 155).
https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:55:0::NO::P55_TYPE,P55_LANG,P55_DOCUMENT,P55_NODE:CON,en,C155,/Document

(ILO, 1981). The scope of the Convention is extensive, covering all branches of economic activity and all workers, including public employees.

Article 1 allows for the exclusion of certain branches or categories of workers from the Convention's application if there are substantial reasons for such exclusions, provided these are reported and justified to the ILO, with measures taken to protect excluded workers still documented (ILO, 1981). The comprehensive nature of this coverage underscores the Convention's relevance to a diverse range of work environments and its adaptability to various national contexts and practices.

A key principle of the Convention, as outlined in **Article 4**, is the requirement for a national policy on OSH that is formulated in light of national conditions and practices, and developed through extensive consultation with employer and worker representatives (ILO, 1981). This participatory approach ensures that the policy is not only reflective of the unique risks and needs within different national contexts but also gains broader acceptance and cooperation from all stakeholders involved. The policy aims to prevent occupational accidents and health issues linked to or occurring in the course of work, by minimizing hazard causes to the greatest extent practicable (ILO, 1981). **Article 5** details the main spheres of action that the national policy should address, including the design, testing, and maintenance of workplace environments, machinery, and equipment; the relationship between the material elements of work and workers; and the importance of training, communication, and cooperation at all levels (ILO, 1981).

The Convention places significant emphasis on the responsibilities of public authorities, employers, and workers. **Article 6** specifies that the policy must clearly delineate these responsibilities, taking into account the complementary nature of their roles and national practices (ILO, 1981). Public authorities are tasked with ensuring the enforcement of OSH laws and regulations through an adequate and appropriate system of inspection, which includes provisions for penalties for violations (ILO, 1981). Employers are required to ensure, as far as is reasonably practicable, that workplaces, machinery, equipment, and processes under their control are safe and pose no health risks. They must also provide adequate protective clothing and equipment and establish emergency measures (ILO, 1981). Workers, on the other hand, are expected to cooperate with their employers in fulfilling OSH obligations and report any situations presenting serious and imminent danger to their safety or health (ILO, 1981).

Article 7 mandates regular reviews of the OSH situation to identify major problems, develop effective methods for addressing them, and evaluate the outcomes of implemented measures (ILO, 1981). At the national level, **Article 8** requires member states to take necessary steps, through laws, regulations, or other methods consistent with national conditions and practices, to implement the OSH policy. The enforcement of these laws and regulations is crucial, as stipulated in **Article 9**, which calls for an adequate system of inspection and penalties for non-compliance (ILO, 1981). Additionally, **Article 10** emphasizes the importance of providing guidance to employers and workers to help them comply with legal obligations, thereby fostering a culture of safety and health (ILO, 1981). The Convention also includes provisions for specific measures to enhance workplace safety and health. **Article 11** outlines the functions that competent authorities must progressively carry out, such as setting conditions for the design and layout of workplaces, determining prohibited or controlled substances and agents, and establishing procedures for reporting occupational accidents and diseases (ILO, 1981). The collection and publication of statistics on occupational accidents and diseases are also mandated, providing essential data for ongoing policy development and evaluation (ILO, 1981).

Moreover, **Article 12** stipulates that those involved in the design, manufacture, import, and provision of machinery, equipment, or substances for occupational use must ensure, as far as is reasonably practicable, that these do not pose risks to safety and health. They must provide information on correct usage and potential hazards and keep abreast of scientific and technical advancements (ILO, 1981).

In terms of worker rights, **Article 13** protects workers from undue consequences if they remove themselves from work situations that they reasonably believe present imminent and serious danger to their life or health. This provision safeguards workers' rights to a safe working environment and their ability to act proactively to protect their health (ILO, 1981). **Article 14** further mandates the inclusion of OSH topics in all levels of education and training, ensuring that workers are adequately prepared to maintain safety and health standards in their workplaces (ILO, 1981).

Cooperation between employers and workers is a fundamental element of the Convention, as highlighted in **Article 16**: employers are required to ensure the safety of workplaces and equipment, provide necessary protective gear, and establish emergency measures. Workers, in turn, are expected to cooperate with these efforts and report any hazardous situations (ILO, 1981). **Articles 17 through 21** detail the need for collabourative efforts within workplaces to fulfill OSH obligations, emphasizing the importance of joint responsibility and communication (ILO, 1981).

The Occupational Safety and Health Convention (No. 155) has strong influence on regional regulatory frameworks, such as those of the European Union (EU). The principles enshrined in the Convention are reflected in the EU's Framework Directive on Safety and Health at Work (89/391/EEC), which sets out general principles for the prevention of occupational risks, the protection of safety and health, and the provision of information, consultation, and training to workers (European Commission, 1989)[142].

For multinational enterprises (MNEs) operating within the EU, compliance with the Occupational Safety and Health Convention (No. 155) and related EU directives is crucial. Adherence to these standards not only fulfills legal requirements but also enhances corporate reputation, improves worker satisfaction and productivity, and reduces the risk of accidents and associated costs (EU-OSHA, 2019)[143]. Implementing robust OSH policies and practices can lead to significant benefits, including lower absenteeism, reduced turnover, and a more motivated and engaged workforce (CIPD, 2020)[144].

In the context of this thesis on ESG factors, the Occupational Safety and Health Convention (No. 155) plays a vital role in the "S" dimension of ESG. The fact that companies put their efforts in ensuring a safe workplace for their employees makes it clear that they have a strong commitment towards this "social" dimension. This commitment is increasingly recognized by investors, customers, and other stakeholders as a critical component of sustainable business practices (Sustainable Stock Exchanges Initiative, 2020)[145]. By

---

[142] European Commission. (1989). Framework Directive on Safety and Health at Work (89/391/EEC). eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391

[143] European Agency for Safety and Health at Work (EU-OSHA). (2019). The Economics of Occupational Safety and Health: The Value of OSH to Society.
Value of OSH_and_societal_cost_workrelated injuries_and_diseases.pdf (europa.eu)

[144] Chartered Institute of Personnel and Development (CIPD). (2020). Health and Well-being at Work Survey Report.
eehealth-and-well-being-2020-report_tcm18-73967.pdf (cipd.org)

[145] Sustainable Stock Exchanges Initiative. (2020). Model Guidance on Reporting ESG Information to Investors.
Model Guidance on Reporting ESG Information to Investors: A Voluntary Tool For Stock Exchanges to Guide Issuers (sseinitiative.org)

prioritizing OSH, companies gain more power in attracting and retaining talent, along with the mitigation of operational risks, with a final result of improving their sustainability performance.

Forced Labour Convention (No. 29)[146]

The Forced Labour Convention (No. 29), adopted by the International Labour Organization (ILO) in 1930, is an international treaty aimed at eliminating forced or compulsory labour in all its forms, and it was formulated un order to face the recognition of forced labour as a huge violation of human rights and dignity. **Article 1** of the Convention mandates that each ratifying member state undertakes to suppress the use of forced or compulsory labour within the shortest possible period (ILO, 1930).

The Convention defines forced or compulsory labour in **Article 2** as all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily (ILO, 1930). This broad definition encompasses various forms of coercion, ensuring comprehensive coverage. However, the Convention also delineates specific exceptions, such as compulsory military service for purely military purposes, civic obligations, work exacted as a consequence of a conviction in a court of law under public authority supervision, emergency work in cases of calamities, and minor communal services performed in the direct interest of the community (ILO, 1930). These exceptions recognize the necessity of certain compulsory services while ensuring they do not amount to exploitation.

As stated in **Article 25**. the Convention imposes tight obligations on ratifying states, including the enforcement of penalties for the illegal exaction of forced labour. This article requires that the illegal exaction of forced or compulsory labour be punishable as a penal offense and that the penalties imposed are adequate and strictly enforced (ILO, 1930).

The Convention's implementation is also guided by the principle of universality, as outlined in **Article 26**, which states that the Convention's provisions apply to all territories under a member state's sovereignty or jurisdiction, including colonies, protectorates, and other non-

[146] International Labour Organization (ILO). (1930). Forced Labour Convention, 1930 (No. 29). https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C029

self-governing territories, ensuring a broad and inclusive application of the Convention's mandates (ILO, 1930). This so-called universality is fundamental in order to address the topic of forced labour in many different contexts, including those where the governance structure is weaker or where the different practices of forced labour are more present.

Furthermore, the Convention is subject to periodic review and potential revision, as indicated in **Articles 31 and 32**. These articles stipulate that the Governing Body of the ILO shall present reports on the Convention's operation and may propose revisions to ensure its continued relevance and effectiveness (ILO, 1930). Thanks to this, all the evolving forms of forced labour can be contrasted and fought with new and up to date governance tools.

The significance of the Forced Labour Convention (No. 29) extends beyond its immediate legal mandates, as it is also useful from the point of view of both international and regional efforts that are made in order to fight forced labour.

As an example, the EU has incorporated the different principles of this convention into its regulatory framework, and the EU's Directive on Preventing and Combating Trafficking in Human Beings and Protecting its Victims (2011/36/EU) aligns closely with the Convention's objectives by addressing modern forms of forced labour, including human trafficking for labour exploitation (European Commission, 2011)[147], imposing measures related to the prevention of human trafficking and the protection of victims, and thus putting into action the many convention principles within the European Union's legal framework.

In the context of multinational enterprises (MNEs) operating within the EU, compliance with the Forced Labour Convention (No. 29) is critical for maintaining ethical standards and mitigating legal and reputational risks, as long as MNEs are more and more scrutinized for their labour practices, especially in the context of global supply chains where forced labour risks can be considered to be the highest. If MNEs observe the convention's mandates, they can show their commitment to the ethical labour practices that help combat forced labour in all its forms.

---

[147] European Commission. (2011). Directive 2011/36/EU on preventing and combating trafficking in human beings and protecting its victims.
https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32011L0036

This compliance is not only a legal obligation but also a strategic imperative, as consumers, investors, and other stakeholders increasingly prioritize corporate social responsibility and ethical sourcing practices (ILO, 2022)[148].

Within the ESG framework, the social dimension encompasses labour rights and human rights, including the eradication of forced labour. By complying with the Convention, companies can be able to enhance their ESG performance, thus contributing to their long-term sustainability and competitiveness, and investors and regulators are increasingly using ESG criteria to assess corporate performance, and adherence to international labour standards such as the Forced Labour Convention (No. 29) is a key indicator of a company's social responsibility and ethical conduct (Sustainable Stock Exchanges Initiative, 2020)[149].

---

[148] International Labour Organization (ILO). (2022). Global estimates of modern slavery: Forced Labour and forced marriage
https://www.ilo.org/publications/major-publications/global-estimates-modern-slavery-forced-labour-and-forced-marriage

[149] Sustainable Stock Exchanges Initiative. (2020). Model Guidance on Reporting ESG Information to Investors.
Model Guidance on Reporting ESG Information to Investors: A Voluntary Tool For Stock Exchanges to Guide Issuers (sseinitiative.org)

Minimum Age Convention (No. 138)[150]

The Minimum Age Convention (No. 138) was adopted by the International Labour Organization (ILO) in 1973, and it represents a significant milestone in international labour standards: its goal is the effective abolition of child labour and the protection of young workers. The Convention mandates member states to establish a national policy to progressively raise the minimum age for employment, ensuring it aligns with the full physical and mental development of young persons (International Labour Organization, 1973).

Article 1 of the Convention explicitly commits each ratifying member to pursue these goals, creating a framework for national legislation that integrates international labour standards into domestic laws. **Article 2** further stipulates that the minimum age for admission to employment should not be less than 15 years, or 14 in countries with insufficiently developed economies and educational facilities. This provision acknowledges the varied economic conditions across different member states while maintaining a baseline for child labour regulations. Notably, the Convention allows for the minimum age to be raised through subsequent declarations by member states, reflecting a commitment to improving labour standards over time (European Commission, 2020)[151].

Article 3 addresses hazardous work, setting the minimum age for such employment at 18 years, with possible exceptions for those aged 16, provided their health, safety, and morals are fully protected through adequate training and supervision. This clause underscores the ILO's concern for the well-being of young workers, particularly in environments where the risk to health and safety is elevated (International Labour Organization, 2019)[152].

The flexibility of the Convention is evident in **Article 4**, which permits the exclusion of certain categories of employment from its scope if special and substantial problems of

---

[150] International Labour Organization (ILO). (1973). Minimum Age Convention, 1973 (No. 138). https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138

[151] European Council. (1994). Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01994L0033-20190726

[152] International Labour Organization. (2021). Child Labour: Global estimates 2020, trends and the road forward. https://www.ilo.org/publications/major-publications/child-labour-global-estimates-2020-trends-and-road-forward

application arise. However, this is subject to review and reporting requirements to ensure transparency and progressive alignment with the Convention's objectives. **Article 5** further allows for initial limitations in the scope of the Convention's application for countries with insufficiently developed economies, again emphasizing a gradual approach to the implementation of labour standards (International Labour Organization, 2017)[153].

Importantly, **Article 7** permits the employment of young persons aged 13 to 15 in light work, provided it does not harm their health or development, nor interfere with their schooling. This provision recognizes the need to balance educational opportunities with economic realities in developing regions (European Union Agency for Fundamental Rights, 2021)[154]. The enforcement of the Convention is reinforced by **Article 9**, which mandates appropriate measures and penalties to ensure compliance. Member states are required to maintain registers with details of employed young persons, facilitating monitoring and enforcement efforts (International Labour Organization, 2021)[155].

The legal coherence of the Convention is highlighted in **Article 10**, which outlines the relationship between this Convention and previous ILO Conventions on minimum age, effectively superseding them while allowing for continued ratification under specific conditions.

Articles 11 to 18 address procedural aspects, including the ratification, denunciation, and amendment processes, ensuring the Convention's adaptability and relevance over time. The formalities for ratification and denunciation underscore the ILO's commitment to a rigorous and transparent international labour standards regime (International Labour Organization, 2020)[156].

---

[153] International Labour Organization. (2017). Report of the Committee of Experts on the Application of Conventions and Recommendations.
https://www.ilo.org/resource/conference-paper/ilc/106/report-committee-experts-application-conventions-and-recommendations

[154] European Union Agency for Fundamental Rights. (2021). Fundamental Rights Report.
https://fra.europa.eu/en/publication/2021/fundamental-rights-report-2021

[155] International Labour Organization. (2021). Decent work and the 2030 Agenda for sustainable development.
https://www.ilo.org/topics/decent-work-and-2030-agenda-sustainable-development#about

[156] International Labour Organization. (2019). Rules of the Game: An introduction to international labour standards.
https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_norm/@normes/documents/publication/wcms_672549.pdf

The Minimum Age Convention No. 138 is thus useful as it incorporates the ILO's approach in order to eliminate child labour and promoting decent work for young persons. The Convention's emphasis on progressive implementation and adaptability to national contexts makes it a dynamic tool in the global effort to improve labour standards.

2.2.2.2. Social Impact Assessment (SIA)

Social Impact Assessment (SIA) is a process that is used in order to understand the many different social implications of planned interventions, policies, programs, and projects. According to the International Association for Impact Assessment (IAIA), SIA is defined as the process of analyzing, monitoring, and managing the intended and unintended social consequences, both positive and negative, of planned interventions and any social change processes invoked by those interventions (International Association for Impact Assessment, n.d.)[157]. This evaluation has the goal to provide for a correct understanding and also a good management of these social impacts, so that stakeholders can make informed decisions when trying to promote the so-called sustainable development.

Social Impact Assessment has, as its main goal, the well being of individuals and communities that are affected by the numerous development projects that take place: in doing so, SIA makes it possible to incorporate social considerations into the decision making processes. Not only by involving factors such as identification, prediction, evaluation, and mitigation of social impacts, but also including other variables such as cultural heritage, health, gender relations, community cohesion, and public safety, SIA makes it doable to foresee either conflicts or opportunities, or even both, thus assuring that the development projects are positively contributing to society.

Social Impact Assessment definitely has a partecipatory approach, involving the engagement of stakeholders throughout an assessment process, thus ensuring that the many different perspectives of those who are affected by a particular intervention are considered. According to the International Institute for Sustainable Development (IISD), effective stakeholder participation not only enhances the quality and credibility of the assessment but also promotes social learning and empowerment (International Institute for Sustainable Development)[158].

[157] International Association for Impact Assessment https://www.iaia.org/wiki-details.php?ID=23#:~:text=Definition,processes%20invoked%20by%20those%20interventions

[158] International Institute for Sustainable Development. Social Impact Assessment. https://www.iisd.org/learning/eia/wp-content/uploads/2016/05/SIA.pdf

In juridical terms, SIA can be seen as an extension of the legal obligations related to environmental and social governance. SIA provides a mechanism that allows to comply with international and national legal frameworks that mandate the consideration of social impacts in development projects. For instance, many countries have enacted legislation requiring SIA as part of their environmental impact assessment (EIA) procedures.

Moreover, SIA contributes to the fulfillment of international legal instruments such as the United Nations Guiding Principles on Business and Human Rights, which call for businesses to respect human rights and address adverse impacts on individuals and communities (United Nations, 2011)[159].

The methodological framework of SIA typically involves several key steps. Initially, a scoping phase identifies the significant social issues and stakeholders involved. This is followed by a baseline study to understand the current social conditions and context. In the following phase, it is carried out a predictive analysis of the intervention that considers direct and indirect effects as well. After that, mitigation strategies are formulated in order to reduce the eventual negative impacts and reinforce those outcomes that are considered to be positive. In the final phase of the process, monitoring and evaluation make it possible to ensure that those impacts are managed in an effective way, thus allowing for a continuous improvement of the management part.

An example of the application of SIA is found in the assessment of large infrastructure projects such as dams, highways, and urban redevelopment.

As an example, the construction of a dam may surely be considered to have significant social impacts, as in this case communities and social dynamics would absolutely be altered. Through SIA, these impacts can be identified and addressed through resettlement plans, livelihood restoration programs, and community development initiatives.

This approach is very useful to mitigate the negative impacts and, at the same time, it creates opportunities for social benefits, in the case of this example the fact that people would have more access to resources, other than a better infrastructure in their community.

---

[159] United Nations. (2011). Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

An incorporation of Social Impact Assessment into the labour and human rights frameworks would definitely help the policymakers to develop more effective strategies for sustainable development.

Along with this, SIA is an important contribution to CSR (Corporate Social Responsibility), as it guides in a certain way business who need to both understand and manage their own social impacts. This dualism between SIA and CSR improves the operations, the trust and the sustainability that each and every business has.

2.2.3. Governance Regulations

Moving on to the "G" of ESG, the Governance criteria, it is the third and definitely critical component when assessing the impact on ethical and sustainable activities of a company: all the governance regulations include the different frameworks, principles and norms that are at the basis of how corporations are managed. This means that, thanks to these regulations, companies can ensure accountability and transparency in their relationship with stakeholders. The governance regulations are based on a huge number of different international conventions, treaties and standards that have been set by organizations such as the United Nations (UN), the Organization for Economic Co-operation and Development (OECD), and the International Labour Organization (ILO), all of which have already been nominated before. Among these, the OECD Principles on Corporate Governance emerge as a fundamental point that guides the different governments and regulatory bodies in improving the legal, institutional, and regulatory framework for corporate governance (OECD, 2015)[160].When considering governance elements, one must know that international conventions such as the UN Global Compact and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy are key to this topic in particular. The UN Global Compact, which has been launched in 2000, is an instrument that makes companies align their operations and strategies with 10 principles that have been accepted universally and are in the areas of human rights, labour, environment, and anti-corruption (UN Global Compact, 2021)[161]: this fosters the development of better business practices that help companies contribute to SDGs (sustainable development goals). The other instrument, the ILO Tripartite Declaration, involves different guidelines for companies to be applied on their labour practices, and place a special emphasis on the absolute need for social responsibility and the protection of workers' rights (ILO, 2017)[162]. As previously mentioned, the governance framework includes other regulations that have

---

[160] OECD. (2015). G20/OECD Principles of Corporate Governance.
G20/OECD Principles of Corporate Governance | OECD iLibrary (oecd-ilibrary.org)

[161] United Nations Global Compact. (2021). Ten Principles of the UN Global Compact.
The Ten Principles | UN Global Compact

[162] International Labour Organization (ILO). (2022). Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (Sixth Edition).
Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ilo.org)

the goal of preventing corruption and thus promoting a more ethical behaviour within the context of companies and corporations. The United Nations Convention against Corruption (UNCAC) is a comprehensive international treaty that addresses various forms of corruption, including bribery, embezzlement, and money laundering (United Nations, 2004)[163]. The UNCAC then has a role in outlining all those measures with preventive effect on criminalization that at the same time help increase the international cooperation which in turn makes it possible to set a global standard for fighting corruption in both the public and the private sector.

Other than international frameworks, importance should be given to all those regional and national regulations that certainly play a fundamental role in defining and modifying what corporate governance is. The EU has developed and implemented many different directives which have the goal of improving both corporate transparency and accountability. As an example, the EU Non-Financial reporting Directive requires large companies to disclose information on ESG matters, and in this way, it encourages a greater corporate responsibility (European Commission, 2014)[164].

Governance also requires strong internal controls and the application of risk management principles and practices. For what concerns this topic, the Committee of Sponsoring Organizations (COSO) framework sets guiding principles and norms in order to deal with enterprise risk management and internal control: this framework provides a complete outline to organizations making it possible to assess risks and subsequently manage them, ensuring that companies can then achieve their objectives and safeguard their assets (COSO, 2017)[165]. When corporations implement these best practices, they can improve their position and adapt themselves to the business environment, that, as it has been described at the beginning of this work, is constantly changing at a faster pace than ever. Merging

[163] United Nations. (2003). United Nations Convention against Corruption.
UNTC

[164] European Commission. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014.
DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL - of 22 October 2014 - amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups - (europa.eu)

[165] Committee of Sponsoring Organizations of the Treadway Commission (COSO). (2017). Enterprise Risk Management—Integrating with Strategy and Performance.
3059fc_61ea5985b03c4293960642fdce408eaa.pdf (coso.org)

governance regulations into corporate strategy is now becoming more and more crucial for companies to achieve a competitive advantage: those organizations who adhere to higher standards of governance face the benefit of attracting more investors other than retaining the existent ones, and, along with building trust with their stakeholders, they can achieve success in the long run. Many researchers have conducted different investigations that led to the conclusion that good governance practices can lead to many advantages, such as an improved performance from the financial point of view, a reduced overall cost of capital, and a better corporate reputation (Gompers, Ishii, & Metrick, 2003)[166]. Governance regulations definitely play a fundamental role in ensuring that companies take into consideration those ethical standards that allow them to protect worker's rights. A global standard for preventing and addressing the risk of negative impacts on human rights is provided by the UN Guiding Principles on Business and Human Rights (United Nations, 2011)[167]: these principles define the many different responsibilities of the states and the business towards the respect of human rights, and at the same time they serve as a general framework that can be applied as a remedy when any violations occur. Moreover, governance regulations can be considered an integral factor when dealing with topics such as diversity and inclusion within the environment of an organization. An example of this is given by the so-called Global Reporting Initiative (GRI) Standards, that boost the motivations of companies to report on the specific diversity policies they adopt, and they also highlight how important elements such as gender equality, non-discrimination, and equal opportunities are (Global Reporting Initiative, 2016)[168].

Overall, it is possible to say that governance regulations play a fundamental role in the ESG matter, as these regulations come from and are shaped by international treaties, conventions, directives, also including the regional and national laws that have as their main goal the promotion of sustainable business practices. In the context of labour law and human rights, the governance regulations are thus crucial in order to make sure that companies put all their

[166] Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate Governance and Equity Prices. Quarterly Journal of Economics, 118(1), 107-156.
fin.PDF (elsevier-ssrn-document-store-prod.s3.amazonaws.com)

[167] United Nations. (2011). Guiding Principles on Business and Human Rights.
guidingprinciplesbusinesshr_en.pdf (ohchr.org)

[168] Global Reporting Initiative (GRI). (2016). GRI 405: Diversity and Equal Opportunity 2016.

efforts to protect their workers' rights, while following ethical standards and integrating all of these principles into their strategies.

2.2.3.1. Transparency and Disclosure Requirements

EU Taxonomy Regulation (EU) 2020/852[169]

The EU Taxonomy Regulation (EU) 2020/852 is a framework that has, as its number one goal, the aim to direct those investments made by businesses towards a range of activities that are considered to be sustainable, thus making it possible to align the financial flows with the many environmental objectives that are carried out by the same companies. This regulation, enacted by the European Parliament and the Council on 18 June 2020, establishes criteria to determine whether economic activities qualify as environmentally sustainable. This is critical for enhancing transparency in the financial sector and for reorienting capital flows to meet the EU's climate and energy targets for 2030 and beyond (European Commission, 2021)[170]. This regulation is based on different foundational principles: Article 1 is a general outline of the scope of the regulation, and its aim is to provide the investors with clear information about sustainability. It mandates financial market participants and large companies to disclose how their investments and activities align with the taxonomy criteria. This is essential for preventing greenwashing and for promoting genuine sustainable investment opportunities (EU, 2020). The regulation identifies six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems (EU, 2020). From Articles 10 to 15, it is possible to find and delve deep into one of the most important aspects of the EU Taxonomy Regulation: the technical screening criteria, which sets out all the conditions in which the various economic

---

[169] European Union. (2020). *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088*. Official Journal of the European Union. eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

[170] European Commission. (2021). Delivering the European Green Deal. Delivering the European Green Deal - European Commission (europa.eu)

activities influence and contribute in a positive way to the many environmental objectives. Following this regulation, an example could be if there is an activity which has to contribute to climate change, and it must align with the long-term temperature goals of the Paris Agreement, which conditions stand and aim to limit the global warming below 2°C, with efforts to limit it to 1.5°C (EU, 2020). This regulation also emphasizes the so-called principle of "do not significant harm" (DNSH), which sets that when an activity contributes to one objective, it must not harm or undermine the others. The DNSH Principle acquires a role of primary importance also when referring to an economic activity, which particularly contributes to a social objective: this said economic activity should not undermine other social objectives while pursuing its main goal (M. Siri, 2023).[171]

For example, something that must be avoided to be negatively impacted by projects such as the renewable energy ones are elements as the biodiversity, water, and also air quality. In this way, this approach allows to make sure that the sustainability efforts are integrated across the different environmental dimensions (EU, 2020). As outlined in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the EU Taxonomy Regulation also introduces the requirement for compliance with all the international standards on human and labour rights. This integration underscores the EU's commitment to sustainable development, which encompasses environmental, social, and governance (ESG) aspects (European Union, 2020). Certainly, the most significant implication of the EU Taxonomy Regulation is its huge impact on the financial sector in general: thanks to the obligation to follow the disclosure requirements, it enhances both the transparency and the accountability of financial products that are marketed as environmentally sustainable. Thus, the benefit that organizations are able to enjoy thanks to this regulation varies from a boosted investors' confidence to more capital driven in the direction of more sustainable projects. Moreover, every financial market participant is expected to provide detailed information on how their financial products support all those activities that are considered to be environmentally sustainable, thus enabling the investors to make more informed decisions (EU, 2020).

Other than all this, the regulation fosters the development of those EU standards for sustainable financial products that can subsequently lead to the creation of labels that follow

---

[171] Siri, M. (2023). I Rating ESG ed il Fattore 'S'.

and are compliant with the standards: this process of standardization is then fundamental in order to reduce the market fragmentation and, at the same time, facilitate all those cross-border investments in sustainable activities. The harmonized criteria set out by the regulation are expected to lower costs and barriers for economic operators seeking to raise funds for sustainable projects, thus fostering a more integrated and efficient market for sustainable finance across the EU (European Union, 2020). Another important feature of the regulation is the establishment of the Platform on Sustainable Finance, which is a stakeholder platform that involves people from different layers of the society, ranging from experts from public and private sectors to civilians who have to carry out the task to advise the European Commission on both the development and review of the aforementioned technical screening criteria. Overall, this approach makes it possible to ensure that the taxonomy stays strong, practical and keeps up with the pace of the new technological advancements along with the market developments (EU, 2020). Thus, constant updates on the technical screening criteria are carried out, and this factor is crucial in making sure that the taxonomy remains relevant during these times where both scientific knowledge and environmental challenges are constantly evolving. Based on this all, the Commission has to periodically undergo a review of the different criteria, in order to be able to make the necessary adjustments thanks to new evidence and stakeholders' opinion and feedback (European Union, 2020).

Non-Financial Reporting Directive 2014/95/EU [172]

The EU Non-Financial Reporting Directive 2014/95/EU, that is amending Directive 2013/34/EU, represents a huge legislative improvement in the transparency of corporations, especially for what concerns the non-financial and diversity information. This Directive has been enacted on the 22nd of October 2014, and it imposes corporations and big groups to disclose non-financial information within the context of their management reports, thus enhancing, as just said, the transparency and the comparability of all the non-financial material that is disclosed across European Union.

This Directive's target are those public entities that employ more than 500 employees, a number that makes it mandatory for a company to submit a non-financial statement that includes information regarding environmental, social, and workers' matters, as well as parts covering the respect that is due to human rights and the anti-corruption and bribery issues (European Parliament and Council, 2014). The goal of the NFRD is to develop sustainable growth by ensuring that companies report on how their corporate activities have an impact on those elements such as society and the environment: in this way, investors and the various stakeholders can conduct and take more informed discussions and decisions (European Commission, 2011)[173]. Moreover, in this Directive it has been stipulated that, among the other things, the non-financial statement needs to include a detailed description of the business model, together with the different policies that have been undertaken by the company, and their effect. Also, the risks that are linked to each of the company's operations must be included in the description, together with an explanation of how these specific risks are faced and managed. However, a company could also decide to not pursue policies that involve the matters described until now: how should a business move when this happens to be the case? The answer is simple, they should just provide a clear explanation and be able to motivate it (European Parliament and Council, 2014).

---

[172] European Parliament and Council. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Official Journal of the European Union. L_2014330EN.01000101.xml (europa.eu)

[173] European Commission. (2011). A renewed EU strategy 2011-14 for Corporate Social Responsibility. EUR-Lex - 52011DC0681 - EN (europa.eu)

The Non-Financial Reporting Directive allows companies to rely on frameworks (both national and international) that make it possible to improve the relevance, consistency and the comparability of non-financial information: frameworks such as the Eco-Management and Audit Scheme (EMAS), the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the Global Reporting Initiative (GRI) are the basis on which companies align their non-financial reporting with the aforementioned international standards (European Commission, 2014)[174]. Apart from the reliance on the many different frameworks, the Directive also focuses on the part related to the auditing of non-financial statements. In this case, the statutory auditors or the external audit firms are obliged to check for the submission of the non-financial statement of a given company. However, the NFRD does not require in a mandatory way the verification of what actually is contained in that specific non-financial statement: anyway, the Member States can choose to verify that content by hiring an independent external provider of assurance services (European Parliament and Council, 2014).

From the 6th of December 2016 each Member State is responsible to transpose the Directive into national law, and the provisions are applicable from the financial year starting on the 1st of January 2017: the European Commission published all the guidelines (that did not have a binding effect) on the methodology related to the non-financial information reporting (European Parliament and Council, 2014). The NFRD helps businesses in measuring, monitoring, and managing their impact in performance and societal terms, thus giving a contribution to the long-term profitability. The fact that information about diversity is included in the corporate governance statement, thus giving details about all those policies that concern matters such as age, gender, and the general backgrounds of the board members, increases the Directive's commitment to promote governance policies and practices that are both inclusive and diverse (European Parliament and Council, 2014).

To conclude the outline of the NFRD, it is possible to say that this directive represents a fundamental step in the European Union's actions and efforts to integrate corporate reporting with ESG considerations. The Directive comes with benefits for both stakeholders

---

[174] European Commission. (2014). Communication from the Commission — Guidelines on non-financial reporting (methodology for reporting non-financial information).
C_2014186EN.01001401.xml (europa.eu)

and investors, and at the same time in encourages companies to adopt business practices that are becoming more and more sustainable and responsible.

Sustainable Finance Disclosure Regulation (EU) 2019/2088 [175]

The next regulation that is going to be taken into consideration is, as the title of this subparagraph suggests, the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR): this is another legislative framework with the goal of improving the level of transparency that is employed, especially in the context of financial services, in the disclosures concerning the element of sustainability. The SFDR has been enacted on the 27th of November 2019 by the European Parliament and Council, and its objective is to impose to financial market participants to disclose how they carry their investment decision-making process, while keeping into consideration all sustainability risks and impacts that are involved in it.

This Regulation is totally in line with the broader goals that have been set by the Paris Agreement and the United Nations' 2030 Agenda for Sustainable Development, thus pushing for a transition in the direction of a low-carbon and sustainable economy. The SFDR requires every financial entity to submit information about the integration of ESG factors with their operations and products, with the final goal of reducing the so-called "information asymmetry" that investors are subject to: in this way, this Regulation allows the same investors to make more informed decisions while in the process (European Commission, 2019)[176].

A particular aspect involved in the SFDR is the mandatory rule, that is imposed to financial market participants, of disclosing all their sustainability-related policies on their own websites, thus including both the identification and the prioritization of the negative impacts, actions taken to mitigate these bad impacts, and the description of any engagement policies adopted (European Parliament and Council, 2019). This rule is also destined to

---

[175] European Parliament and Council. (2019). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. Official Journal of the European Union.
L_2019317EN.01000101.xml (europa.eu)

[176] European Commission. (2019). The European Green Deal.
Green Deal europeo - Consilium (europa.eu)

financial advisers: they are required to disclose how they carry their advices while integrating a consideration of sustainability risks involved, in order to make sure that their clients are effectively informed about the potential impacts that their investments could have on the overall sustainability of their own company.

The SFDR introduces a harmonized definition of "sustainable investment," which encompasses investments that contribute to environmental or social objectives, provided that such investments do not significantly harm other sustainability objectives and the investee companies follow good governance practices (European Parliament and Council, 2019). In this way, it is made sure that financial products that are marketed as sustainable actually meet all the standards, and thanks to this there is a solid increase of investors' confidence and the possibility to compare the many different financial products. Moreover, the SFDR mandates pre-contractual and periodic disclosures for financial products that promote environmental or social characteristics or have sustainable investment objectives. For instance, financial products with designated reference benchmarks must disclose how these benchmarks align with the stated sustainability objectives. If no benchmark is used, the methodology for achieving these objectives must be clearly explained. This requirement ensures that investors receive detailed information on the sustainability performance of their investments, facilitating better decision-making and accountability (European Parliament and Council, 2019).

To continue the discourse around this Regulation, it is fair to say that financial market participants and advisers must disclose how their remuneration policies are consistent with the integration of sustainability risks, thereby aligning incentives with long-term sustainability goals. This provision aims to prevent excessive risk-taking that could undermine sustainability objectives and ensures that compensation structures support sound and effective risk management (European Parliament and Council, 2019).

Moving to the enforcement and application of the SFDR, the presence of authorities such as the European Securities and Markets Authorities (ESMA), the European Banking Authority (EBA) and others, makes it possible to ensure the correct application of this Regulation. These authorities are tasked with developing draft regulatory technical standards to specify the content, methodologies, and presentation of sustainability-related information, ensuring a standardized approach across the EU (European Parliament and Council, 2019).

The SFDR can be considered as a complementary framework which has to be used along with other Regulations and initiatives: examples can be the previously mentioned EU Taxonomy Regulation (setting criteria to define an economic activity as sustainable or not), and the EU Green Bond Standard[177] (defining the guidelines in order to issue the so-called "green bonds"). These Regulations, if correctly applied and enforced, strongly support the commitment that the European Union has made not only to the Paris Agreement, but also to the SDGs, which are at the centre of this discussion (European Commission, 2019)[178].

Corporate Sustainability Reporting Directive (EU) 2022/2464[179]

The Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) concerns corporate transparency and accountability in sustainability practices, and it has been adopted by the European Parliament and the Council. The goal of this Directive is not only to amend the previous Non-Financial Reporting Directive (NFRD) but to also extend the scope and detail of sustainability reporting that is required from companies.

The CSRD obliges large companies to provide complete sustainability information that reflect the European Union's commitment to promote sustainable business practices, all along with improving the quality of corporate reporting. The directive's primary objective is to ensure that companies report reliable and comparable sustainability information, which is essential for investors, consumers, and other stakeholders to assess corporate environmental, social, and governance (ESG) practices (European Parliament and Council, 2022).

Under the CSRD, companies are required to report on a wide range of sustainability matters, including environmental protection, social responsibility, treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards (European

---

[177] The European green bond standard – Supporting the transition - European Commission (europa.eu)

[178] European Commission. (2020). Sustainable finance: Commission welcomes the adoption by the European Parliament of the Taxonomy Regulation.
Sustainable Finance: Commission welcomes the adoption (europa.eu)

[179] European Parliament and Council. (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Official Journal of the European Union.
L_2022322EN.01001501.xml (europa.eu)

Parliament and Council, 2022). This broader scope aims to provide a more holistic view of a company's impact on society and the environment.

As reported in the Sustainability Regulation Outlook by Deloitte in 2024, the CSRD obliges companies to report not only on their own operations but also their upstream and downstream supply chains. This means companies must invest more resources in relationships with their suppliers and integrate sustainability-related risk assessment into their purchasing decisions. (Deloitte, 2024).[180]

This Directive states that the information reported by companies must include their operations and value chain, thus including the different suppliers and partners involved in the business: thanks to this, stakeholders are given a complete picture of what is going on from the sustainability point of view, from the performance to the many risks and opportunities that are present for the business.

One of the critical elements of the CSRD is the requirement for companies to use the European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). These standards aim to harmonize sustainability reporting across the EU, ensuring consistency, comparability, and reliability of the reported data (EFRAG, 2022)[181].

Considering the just mentioned ESRS, they cover the various ESG topics, and thanks to them companies have the necessary elements which are needed to guide them in disclosing the information needed: in this way, companies can provide the correct sustainability-related information that does meet the needs of every category of stakeholder that is part of the company.

The CSRD also introduces stricter audit and assurance requirements, as now companies are required to have their sustainability information audited by an independent third party to ensure its accuracy and reliability. This requirement definitely improves the credibility of

---

[180] Simon Brennan, Ramon Bravo Gonzalez, Magda Puzniak-Holford, Ruth Kilsby, Adithya Subramoni (2024). Sustainability regulation Outlook 2024
https://www2.deloitte.com/us/en/insights/environmental-social-governance/sustainability-regulation-outlook.html

[181] European Financial Reporting Advisory Group (EFRAG). (2022). European Sustainability Reporting Standards (ESRS).
Europe's voice in corporate reporting | EFRAG

the reported information and helps build trust among stakeholders. The directive stipulates that the audit should be conducted in accordance with European or national standards on auditing, ensuring a high level of assurance (European Parliament and Council, 2022).

Furthermore, the CSRD mandates digital reporting using the European Single Electronic Format (ESEF). This digital format facilitates the accessibility, analysis, and comparison of sustainability information across companies and sectors. The use of ESEF is expected to improve data transparency and enable stakeholders to make more informed decisions based on accurate and comparable data (European Parliament and Council, 2022).

It is worth mentioning that CSRD does not limit its application only to companies that are listed in the EU, but it also applies to those non-EU companies that carry on significant operations in the European Union: this ensures that the vast majority of the sector that is eventually involved is covered, and it surely helps in promoting the adoption of more sustainable business practices.

Companies that fall within the scope of the directive are required to include their sustainability report as part of their annual management report, ensuring that sustainability information is integrated with financial reporting (European Parliament and Council, 2022).

As in the previous cases, the CSRD is part of the EU Strategy to transition to a more sustainable economy, so it can be linked to other regulations such as the EU Taxonomy Regulation and the previously mentioned (as well) SFDR.

By developing and integrating the CSRD in their strategies, companies can first of all improve their reputation and image among stakeholders, but in turn also the investors can benefit from this, as they are going to be able to make more informed decisions related to their investments. Finally, for society as a whole this Directive represents a fundamental point in the process of promoting corporate transparency, thus giving a strong contribution to the EU's sustainability goals (European Parliament and Council, 2022).

2.2.4. Interlinking Social, Environmental, and Governance Standards

2.2.4.1. The Interconnectedness of ESG Components

Theoretical Frameworks on ESG Integration

As it has been said many times up to now, there has been a lot of academic research and practical implementation of integrating ESG components within corporate strategies: this integration is not just about aligning corporate actions with societal expectations, but it also is about understanding how these components are interacting and reinforcing each other. The growing emphasis on ESG is driven by the recognition that the traditional separation of these components is no longer viable.

One of the primary theoretical frameworks that underpin ESG integration is the Stakeholder Theory. This theory posits that corporations have a responsibility not only to their shareholders but also to a broad array of stakeholders, including employees, customers, suppliers, and the broader community (Freeman, 1984)[182].

The Stakeholder Theory states that businesses should balance all the different needs and interests of the groups that have just been cited above, thus implying the necessity to integrate the approach to the environmental, social, and governance issues that arise. An example could be done with a company that has as its priority the environmental sustainability: this company would then focus in the implementation of practices aimed at the reduction of its carbon footprint, and this is interlinked with the social objectives as it certainly also contributes to public health. Similarly, strong governance practices that ensure transparency and accountability can enhance trust among stakeholders, thereby supporting both social and environmental goals (Clark et al., 2015)[183].

The Resource-Based View (RBV) of the firm also provides a critical lens through which to understand ESG integration. The RBV suggests that companies can achieve sustained

---

[182] Freeman, R. E. (1984). Strategic Management: A Stakeholder Approach. https://www.researchgate.net/publication/228320877_A_Stakeholder_Approach_to_Strategic_Management

[183] Clark, G. L., Feiner, A., & Viehs, M. (2015). From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2508281

competitive advantage by developing unique resources and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991)[184]. To find a link with the ESG, it is possible to state that this theory suggests that the integration of the environmental, social, and governance practices allow for the creation of other intangible assets that can contribute to a long-term success of a corporation: examples of these intangible assets can be an improved brand reputation, customer loyalty, and employee satisfaction. For example, companies that are leaders in environmental sustainability often find that their commitment to green practices enhances their brand value and differentiates them from competitors, thereby creating a competitive advantage (Hart, 1995)[185]. Similarly, companies that excel in social governance by promoting diversity and inclusion may attract top talent and foster a more innovative and productive work environment, further reinforcing their competitive position (Porter & Kramer, 2006)[186].

To continue the exploration of theoretical frameworks, one that can be cited is the so called Institutional Theory: this examines how all the organizational practices are defined by the various norms and values of the societal context in which each corporation operates. Institutional Theory suggests that companies are influenced by external pressures from regulators, investors, consumers, and civil society to adopt ESG practices (DiMaggio & Powell, 1983)[187]. These pressures can lead to the diffusion of ESG norms and standards across industries, creating a form of institutional isomorphism where companies increasingly resemble each other in their approach to ESG issues. This theory helps explain why ESG integration has become a mainstream business practice, as companies seek to align with the expectations of powerful institutional actors and avoid the reputational risks

[184] Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 17(1), 99-120.
https://journals.sagepub.com/doi/epdf/10.1177/014920639101700108

[185] Hart, S. L. (1995). A Natural-Resource-Based View of the Firm. The Academy of Management Review, 20(4), 986-1014.
https://www.jstor.org/stable/258963

[186] Porter, M. E., & Kramer, M. R. (2006). The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, 84(12), 78-92.
https://hazrevista.org/wp-content/uploads/strategy-society.pdf

[187] DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. American Sociological Review, 48(2), 147-160.
https://www.researchgate.net/publication/224892279_'The_Iron_Cage_Revisited_Isomorphism_in_Organizational_Fields'

associated with non-compliance (Scott, 2001)[188]. For instance, the growing importance of ESG criteria in investment decisions, driven by institutional investors and rating agencies, has prompted many companies to adopt comprehensive ESG strategies that address the interconnectedness of these components (Eccles & Serafeim, 2013)[189].

In addition to these theories, the Triple Bottom Line (TBL) framework, introduced by Elkington (1997)[190], provides a practical model for understanding ESG integration: it shifts the focus that was traditionally put on financial performance to a broader look towards not only the profitability outcomes, but also the social and environmental results that should be given more and more importance. By measuring performance across these three dimensions, companies can more effectively manage the trade-offs and synergies between environmental, social, and governance factors, leading to more sustainable and resilient business models (Slaper & Hall, 2011)[191].

Moreover, the concept of Shared Value shows how businesses can create economic value and social value at the same time. This approach says that solving social and environmental problems can create new business opportunities, such as making sustainable products or improving supply chain practices. By including ESG in their main plans, companies can become more competitive and help society (Porter & Kramer, 2011)[192].

The integration of ESG components is also supported by emerging research in the field of behavioural finance, which explores how investor behaviour is influenced by ESG factors. Studies have shown that investors are increasingly considering ESG criteria in their decision-making processes, driven by both ethical considerations and the belief that ESG

---

[188] Scott, W. R. (2001). Institutions and Organizations. Sage Publications. https://www.researchgate.net/publication/235363106_Institutions_and_Organizations

[189] Eccles, R. G., & Serafeim, G. (2013). The Performance Frontier: Innovating for a Sustainable Strategy. Harvard Business Review. https://www.v-finance.it/wp-content/uploads/2013/07/Harward-Articolo_CSR.pdf

[190] Elkington, J. (1997). Cannibals with Forks: The Triple Bottom Line of 21st Century Business. https://www.sdg.services/uploads/9/9/2/1/9921626/cannibalswithforks.pdf

[191] Slaper, T. F., & Hall, T. J. (2011). The Triple Bottom Line: What Is It and How Does It Work? Indiana Business Review. https://www.ibrc.indiana.edu/ibr/2011/spring/pdfs/spring2011.pdf

[192] Porter, M. E., & Kramer, M. R. (2011). Creating Shared Value. Harvard Business Review, 89(1/2), 62-77. https://www.communitylivingbc.ca/wp-content/uploads/2018/05/Creating-Shared-Value.pdf

performance is linked to long-term financial returns (Friede, Busch, & Bassen, 2015)[193]. This trend towards investor behaviour reinforces the importance of ESG integration, as companies that fail to address these issues may face higher capital costs and reduced access to funding: thus, behavioural finance provides a complementary perspective to traditional financial theories by highlighting the role of non-financial factors in investment decisions and corporate performance (Renneboog, Ter Horst, & Zhang, 2008)[194].

To sum up, it is possible to say that all these theories and frameworks find space to highlight how the different ESG issues are interlinked and so they allow for an understanding of a new path to create value for corporation by addressing the needs of all the different stakeholders.

Recent Academic and Policy Debates on ESG Interlinkages

Recent academic and policy debates have increasingly focused on the critical need to integrate Environmental, Social, and Governance (ESG) components within corporate strategies. As it has been said before, the traditional view that separates each ESG component is no longer admissible as all the global challenges that the world has to face nowadays ask for an interconnected view within these factors: climate change for the "E" component, social inequality for the "S" one, and governance troubles and failures for the "G" one are examples of what needs to be faced together. One significant debate revolves around the effectiveness of ESG ratings in accurately reflecting a company's true impact on these three dimensions. Critics argue that current ESG rating methodologies are often inconsistent and could be lacking transparency, leading to potential misrepresentations of a company’s performance, especially because there exists an absence of standards that are widely accepted and that can actually and precisely evaluate the same sustainability performance of a company (Siri, 2023)[195]. This has prompted calls for more standardized

[193] Friede, G., Busch, T., & Bassen, A. (2015). ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies. Journal of Sustainable Finance & Investment. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2699610

[194] Renneboog, L., Ter Horst, J., & Zhang, C. (2008). Socially Responsible Investments: Institutional Aspects, Performance, and Investor Behaviour. Journal of Banking & Finance. https://www.sciencedirect.com/science/article/pii/S0378426607004220

[195] Siri, M. (2023). I Rating ESG ed il Fattore 'S'.

and robust frameworks for evaluating ESG performance, which are capable of capturing the complex interdependencies between environmental, social, and governance factors.

The European Union has been a driving force in developing regulatory frameworks that promote the integration of ESG factors. The EU's Taxonomy Regulation has gone beyond environmental criteria to include social and governance aspects: in the context of this expansion, the European Commission's Platform on Sustainable Finance has played a fundamental role, as it has worked to develop a Social Taxonomy that mirrors the structure of the Environmental Taxonomy. This effort will create a more comprehensive framework that guides investment towards activities that contribute positively to social objectives while avoiding significant harm to environmental and governance goals (Platform on Sustainable Finance, 2022)[196]. This move has been met with both support and criticism, as some stakeholders are wrong to argue that the Social Taxonomy remains underdeveloped compared to its environmental counterpart. The complexity of social issues, such as human rights and labour conditions, presents unique challenges in creating clear and measurable criteria for evaluation. This is something that must be acknowledged. (Siri, 2023)

The role of institutional investors in driving ESG integration has also been a focal point in recent debates: investors are increasingly recognizing the financial materiality of ESG factors, particularly as they relate to long-term risk management, thus leading to a trend among institutional investors who demand greater transparency and accountability from companies regarding their ESG practices. For example, the Principles for Responsible Investment (PRI) initiative has seen a significant increase in signatories, reflecting a broader shift in investor attitudes towards sustainability (PRI, 2023)[197]. However, the incorporation of social and governance factors into investment decisions remains uneven, with environmental issues often receiving more attention. This imbalance is partly due to the more established metrics and data available for environmental performance, as opposed to the more qualitative and context-dependent nature of social and governance issues.

---

[196] Platform on Sustainable Finance. (2022). Final Report on Social Taxonomy. European Commission. https://finance.ec.europa.eu/system/files/2022-08/220228-sustainable-finance-platform-finance-report-social-taxonomy_en.pdf

[197] PRI. (2023). Principles for Responsible Investment Annual Report. https://www.unpri.org/download?ac=18935

The environmental dimension, together with the social one, should matter in the corporate strategies, in the different processes and in the organization as a whole in the same way that, up to now, the economic dimension has done (V. Brino, 2024)[198].

The impact of regulatory initiatives on corporate behaviour is undoubtedly a significant aspect of the debate. The EU's Corporate Sustainability Reporting Directive (CSRD) has set new standards for corporate transparency. Companies must now disclose detailed information on their ESG practices. This directive is really important in the creation of a level playing field where companies are held accountable for their impact on society and the environment, but at the same time there is a clear concern about the administrative burden this places on companies, particularly small and medium-sized enterprises (SMEs), which may lack the resources to comply with these stringent reporting requirements (Bercusson, 2002)[199]. Other than this, there is an ongoing debate about the effectiveness of such regulations in driving meaningful change: many argue that they simply increase the amount of disclosed information without improving actual ESG performance (Hiessl, 2023)[200].

In the context of global value chains, there is no doubt that the enforcement of labour rights is a key issue in the ESG debate. The complexity of global supply chains, combined with varying regulatory standards across countries, makes it challenging for companies to ensure compliance with social and governance standards – but it is not impossible. This has led to demands for more robust international frameworks that can support companies in managing these risks and ensuring that their global operations do not contribute to human rights violations or environmental degradation (Hiessl, 2023). The EU's proposed Corporate Sustainability Due Diligence Directive (CSDDD) is moves potentially to the right direction, as it holds companies accountable for their entire value chain's impact. However, this proposal has been met with controversy, with critics arguing that it could lead to legal uncertainty and increased costs for businesses, particularly those operating in high-risk sectors (Masconale, 2023)[201].

---

[198] V. Brino. (2024). Brevi note sulla responsabilizzazione nel governo dell’impresa.

[199] Bercusson, B. (2002). European Labour Law and the EU Charter of Fundamental Rights. ETUI.

[200] Hiessl, C. (2023). Labour Rights and their Enforcement in Global Value Chains: the EU’s legislative initiatives on corporate ESG due diligence in context. ERA Forum.

[201] Masconale, S. (2023). ESG and Boundary Risks: A Social Welfare Approach. https://www.ecgi.global/sites/default/files/Presentation%3A%20%20Saura%20Masconale.pdf

In the academic discourse, there is a clear and growing focus on the concept of ESG interlinkages. Researchers are now exploring how these interlinkages can be better understood and managed to enhance overall corporate sustainability, and up to now it is possible to state that strong governance practices undoubtedly enhance environmental performance. They ensure that sustainability goals are integrated into corporate decision-making processes (Clark et al., 2015)[202]. Similarly, robust social policies, such as fair labour practices and community engagement, undoubtedly support environmental objectives by fostering a more resilient and committed workforce (Hart, 1995)[203].

Based on these findings, it looks clear that the new proposed approach that sees the three components interconnected is the only way in which corporations should move forward: each component must reinforce the others to achieve more sustainable and resilient business practices.

However, there are still some hurdles to overcome when it comes to fully integrating these interlinkages into corporate strategies and regulatory frameworks. One of the main challenges is that there aren't any standardised metrics for measuring the impact of social and governance factors. This makes it difficult to compare performance across companies and sectors (Siri, 2023)[204]. Moreover, more research on how ESG factors affect each other, especially in different industries is needed, as this could help policymakers and businesses create more effective ESG strategies that are tailored to their specific needs and circumstances.

---

[202] Clark, G. L., Feiner, A., & Viehs, M. (2015). From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2508281

[203] Hart, S. L. (1995). A Natural-Resource-Based View of the Firm. The Academy of Management Review. https://www.jstor.org/stable/258963

[204] Siri, M. (2023). I Rating ESG ed il Fattore 'S'.

2.2.4.2. Synergies Between Social, Environmental, and Governance Standards

How Social Policies Support Environmental and Governance Objectives

It's becoming increasingly evident that integrating social policies into corporate frameworks is crucial for supporting and enhancing environmental and governance objectives. This interconnectedness demonstrates that the three pillars of ESG are not isolated but are all connected and affect each other. Thus, when and if social policies are implemented effectively, they can significantly impact both environmental and governance outcomes, which in turn helps make corporate practices more sustainable overall.

One of the primary ways social policies support environmental objectives is through the promotion of fair labour practices and equitable working conditions. For example, companies that prioritize the welfare of their employees often see improvements in environmental management. This connection is evident in how responsible labour practices can lead to more diligent adherence to environmental regulations and standards, as employees who work under fair conditions are more motivated to comply with environmental protocols (Hiessl, 2023). Furthermore, by fostering a responsible corporate culture, companies are better positioned to implement and sustain environmentally friendly practices. The EU's regulatory frameworks show how social policies can help achieve environmental and governance goals. For example, the Corporate Sustainability Due Diligence Directive (CSDDD) makes it clear that companies need to identify and tackle any negative human rights and environmental impacts they have across their operations. It means that companies are held to account not just for their impact on the environment but also for how they affect society (European Commission, 2022). The concept of “Do No Significant Harm” (DNSH) within the EU Taxonomy Regulation exemplifies the synergies between social, environmental, and governance objectives. The DNSH principle requires that economic activities contributing to sustainability objectives do not cause significant harm to other environmental or social goals. This principle is particularly relevant when companies are developing strategies that integrate environmental and social policies, as it ensures that efforts to achieve one sustainability objective do not undermine others (Siri, 2023). Another link concerning the taxonomy and the social dimension can be found in a statement reported by Brino (2024), who states that taxonomy, while posing as a lever to implement sustainability alone from an environmental perspective, contains a number of provisions that can also serve as a safeguard for workers' rights, such as, for example, the minimum safeguards, which are identified in the "due diligence and remedial procedures implemented by a company engaged in economic activity to ensure alignment with the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights."[205]

The interconnection between social and governance policies is particularly evident in discussions around corporate responsibility and accountability frameworks. Again, Brino (2024) notes that the integration of sustainability into governance structures requires a rethinking of traditional legal categories and a shift towards frameworks that encompass not just financial objectives but also social and environmental goals. This shift is very important for what concerns the creation of those governance practices that need to be transparent and aligned with the many different societal values, ultimately supporting both environmental and social objectives. Social, environmental and governance standards work together: social policies can help achieve environmental and governance goals.

This shows that ESG should be seen as one thing, not three separate things. If companies have good social policies, they can make their business more sustainable, and this is why the EU is changing its rules in order to make this happen. Companies need to make sure their social policies match their wider goals to succeed long-term.

[205] V. Brino. (2024). Brevi note sulla responsabilizzazione nel governo dell'impresa.

Chapter 3

Navigating ESG Challenges in a Multinational Corporation: the case of Pirelli S.p.A.

3.1. Introduction to Pirelli S.p.A.

3.1.1. Company background and operations

Pirelli S.p.A. is one of the world's leading tyre manufacturers. It was founded in Milan in 1872 by Giovanni Battista Pirelli, who thought of a company which had as core business the rubber processing, leading to a development and production of insulated cables: thus, the company was born thanks to the huge innovations that were being carried on in the electrical industry. The company then started producing automobiles tyres, starting this line of business in 1901, almost 30 years after its founding: this represented the switch that made Pirelli become a globally recognized producer in the automotive sector (Pirelli)[206].

The company has always had an innovative spirit which helped it to get success in the marketplace since the beginning of its life. Innovation is what mostly could describe Pirelli's focus throughout all of its life: this is demonstrated by the many technical advancements that the company has done and continues to make in tyre technology, ranging from automobiles and motorcycles to the most recent business unit, the cycling one. A clear example is the creation of the radial tyre, which has been done in 1946, and set a higher industry standard due to the new and improved durability and performance of the tyre (Pirelli)[207]. In the recent decades, the company began its global expansion done through many different strategic acquisitions and partnerships with other leading companies in the sector.

During the 20th century, Pirelli applied a huge diversification strategy to its product range, dividing its products into different product lines. Other than this, the company ventured into new markets such as the optical fibers and cables one, establishing Pirelli Cavi e Sistemi, which then became one of the major global players in that industry (Amidei et al., 2007)[208]. This "side business", if it's fair to call it like this, has then been kind of put aside from the 1990s onwards, as the company wanted to focus more deeply on it's core business: tyres. This has been done due to the fact that the global tyre industry was growing with a higher

---

[206] https://corporate.pirelli.com/corporate/en-ww/aboutus/history

[207] https://www.pirelli.com/global/en-ww/life/innovation/pirelli-a-history-of-innovation-50678/

[208] Amidei, F.B., Nazionale, V., & Goldstein, A. (2007). Italian Investment in the United States–Contributions to a History
https://ebha.org/ebha2007/pdf/BarbielliniGoldstein.pdf

speed than ever, and Pirelli wanted to consolidate even more its leading market position (Basaglia et al., 1991)[209].

Nowadays, Pirelli's products are in over 160 countries, with almost 20 manufacturing sites in 12 different countries for all of its three lines of business (automobile, motorcycle, cycling). Thus, the company has now reached a global footprint that makes it possible for it to be recognized almost everywhere in the world. For what concerns the brand perception, Pirelli has now positioned itself as a brand that is associated with high performance and premium, if not luxury vehicles, also thanks to its involvement in the motorsports sector, with presence in championships such as the Formula 1, and most recently in the Moto2 and Moto3 world championships (Withworth, 2023)[210].

The sector where the company continuously invests a huge portion of its resources clearly is R&D: with manufacturing and R&D centers located in Italy, Germany, UK, Brazil, and most recently in China and Indonesia, Pirelli has been able to ensure the production and innovation of its new tyre technologies and materials covering as much as possible of the world (Global Atlanta, 2021)[211]. Products such as the P Zero, Cinturato, and Scorpion tyre ranges are just some of the results achieved by the company in terms of high performance products, and at the same time they have been able to guarantee both safety and environmental sustainability along with performance qualities.

Moving to the sustainability discourse, it is fair to say that, in the recent years, Pirelli has moved more and more towards the integration of ESG Principles into its own business strategy, mainly through the re-thinking of its production lines, with the introduction of eco-friendly materials in order to reduce its environmental impact. Another factor which is representative of this aim to shift to a greener future is that Pirelli is committed to achieving carbon neutrality within 2030, an initiative that is nowadays affecting the company and the

---

[209] Basaglia, G., Guida, M., & dei Valtorta, V. (1991). THE ESPRIT EFFECT ON CIM DEVELOPMENT FROM STRATEGIC TO OPERATIVE LEVEL: THE PIRELLI TYRE HOLDING EXPERIENCE https://aei.pitt.edu/39309/1/Esprit.1991.Conf..pdf

[210] https://www.visordown.com/news/racing/motogp/pirelli-enters-motogp-paddock-2024-moto2-moto3-tyre-supplier

[211] https://www.globalatlanta.com/italy-spotlight-pirelli-on-investing-in-innovation-and-the-global-reach-of-performance-tires/

whole value chain which, to reach such an objective as the reduction of greenhouse gas emissions, is continuously subject to profound changes (Pirelli)[212].

When taking into consideration Pirelli's corporate governance, it is possible to state that the company has placed a strong emphasis on all what concerns the ethics involved in its business practices, along with ensuring a high level of transparency in its operations: this is thanks to the development of a ESG reporting framework that allows the company to provide regular updates on its progresses on the sustainability goals. Pirelli has also been included in the Dow jones Sustainability World Index, which demonstrates that the company is leading the process towards sustainable business practices (Basaglia et al., 1991).

Despite its global reach, Pirelli has maintained a strong connection to its Italian roots. The company's headquarters remain in Milan, and it continues to support cultural and sporting initiatives in Italy and around the world (Amidei et al., 2007). Pirelli's cultural contributions include the publication of the Pirelli Calendar, an iconic annual photo calendar that has featured work by some of the world's most renowned photographers since its inception in 1964 (Fondazione Pirelli, 2024)[213].

Pirelli's history has not been without challenges. The company has faced numerous economic downturns, including the global financial crisis of 2008, which led to a significant restructuring of its operations. In 2015, Pirelli was acquired by the Chinese state-owned enterprise ChemChina, a move that sparked concerns about the future of the company's Italian identity. However, Pirelli has continued to operate as an independent entity, with a focus on maintaining its leadership in the globaltyre market (Financier Worldwide, 2015)[214].

To close this introductory paragraph, it's fair to state that, with a rich history that spans over 150 years, Pirelli has established itself as a global leader in the tyre industry, known for its commitment to quality, performance, and sustainability. As the company continues to evolve, it remains focused on its core values, ensuring that it remains at the forefront of the globaltyre market for years to come.

---

[212] https://www.pirelli.com/global/en-ww/life/sustainability/pirelli-s-sustainability-10-years-of-achievements-52779/

[213] https://www.fondazionepirelli.org/en/activities/stories-from-world-of-pirelli/the-artists-eye-the-great-names-in-photography-for-the-pirelli-calendar/

[214] https://www.financierworldwide.com/fw-news/2015/3/31/chemchina-to-acquire-pirelli-in-77bn-deal

3.1.2. Relevance of ESG factors to Pirelli

Pirelli S.p.A., as one of the leading global tyre manufacturers, has long recognized the critical importance of integrating all three of the ESG components into its business strategy. The relevance of ESG principles to Pirelli is underscored by the company's commitment to sustainability, corporate governance, and social responsibility, which are deeply embedded in its operations and corporate ethos. As a company with a significant global footprint, Pirelli understands that addressing ESG issues is not only a matter of corporate responsibility but also essential for long-term business success and risk management (Pirelli)[215].

Pirelli's approach to ESG is multifaceted, as it encompasses environmental sustainability, social equity, and strong governance practices. Starting from the environmental dimension, Pirelli has made huge investments in reducing the environmental impact of its products and manufacturing processes. The company's commitment to sustainability is reflected in its goal to achieve carbon neutrality by 2030, which has to be said that is not an easy and very reachable objective by most companies, but Pirelli has begun initiatives such as reducing greenhouse gas emissions, increasing energy efficiency, and utilizing renewable energy sources in its production facilities that are located all around the world, as previously stated. Moreover, Pirelli has developed a range of eco-friendly tyres that are designed in a way so that they can reduce rolling resistance and, consequently, fuel consumption and CO2 emissions. These products, like the P Zero and Cinturato lines, are part of Pirelli's broader strategy to lead the market in sustainable mobility solutions (BNP Paribas, 2023)[216].

Moving toward the topic of social responsibility, Pirelli absolutely places a strong emphasis on fostering a diverse and inclusive workplace, as well as ensuring the health and safety of its employees: this is being carried out through a health and safety program across the whole of its global operations, aiming to minimize workplace accidents and promote a culture of safety. More than this, Pirelli is always committed to upholding human rights throughout its whole supply chain, ensuring that all suppliers adhere to strict ethical standards. This commitment is even more reinforced by Pirelli's adherence to the United Nations Global

[215] https://www.pirelli.com/global/en-ww/life/sustainability/esg/

[216] https://cib.bnpparibas/pirelli-launches-first-ever-benchmark-sustainability-linked-bond-for-the-tyre-sector/

Compact, which guides the company's efforts in areas such as labour rights, environmental stewardship, and anti-corruption (RobecoSAM, 2014)[217].

Governance is another pillar of Pirelli's ESG strategy, with the company, as stated just before, maintaining a strong focus on ethical business practices and transparency. Pirelli's governance framework is designed to ensure accountability and align the interests of management with those of shareholders and other stakeholders. The company's Board of Directors plays a crucial role in overseeing ESG initiatives and integrating these factors into the overall business strategy[218]. This said, it's clear that Pirelli also emphasizes the importance of ESG reporting, providing detailed disclosures on its sustainability performance, which are aligned with international standards such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD)[219].

Pirelli's ESG efforts have not gone unnoticed: in fact, the company has been consistently recognized in various sustainability indices and ratings. For example, Pirelli has been included in the Dow Jones Sustainability Index for over a decade, a testament to its leadership in corporate sustainability[220], and more than that, Pirelli's sustainability reports, which provide a transparent account of the company's progress towards its ESG goals, have been lauded for their comprehensiveness and adherence to best practices in non-financial reporting[221].

There are ESG issues for Pirelli that go beyond compliance and risk management; they are one of the drivers of innovation and competitiveness. ESG integration in the development processes enables Pirelli to anticipate trends and changes in the automotive market, such as a switch to electric cars and new sustainable transportation means. Thus, the company applies this kind of proactive approach which definitely enables to maintain its competitive advantage in a market that is, with no doubt, rapidly evolving. Along with the competitive

---

[217] RobecoSAM, A.G. (2014). The sustainability yearbook 2014. https://www.legrandgroup.com/sites/default/files/Documents_PDF_Legrand/RSE/Centre_de_ressource/1_RespSocietale/3_-RobecoSAM_Sustainability_Yearbook_2014.pdf

[218] https://corporate.pirelli.com/corporate/en-ww/sustainability/reports

[219] https://senecaesg.com/insights/comparing-esg-reporting-frameworks-gri-vs-tcfd/

[220] https://press.pirelli.com/pirelli-confirmed-in-the-dow-jones-world-and-europe-sustainability-indices/

[221] https://www.european-rubber-journal.com/article/2092577/three-tire-makers-listed-on-dow-jones-sustainability-charts

advantage, in this way Pirelli is also able to achieve other societal goals, such as reduction in carbon emissions and sustainable development.[222]

In the summary, ESG related practices lie at the core of Pirelli's business strategy and touch a wide variety of aspects involved in the whole value chain, from product development to corporate governance. This commitment not only increases the reputation of the company, but it also places it in an excellent position to be successful in the long run within an increasing responsible global market. As Pirelli keeps on innovating and responding to new challenges, the focus on ESG will stay as one of the fundamental elements in its corporate strategy, and it will certainly guarantee that Pirelli stays in the lead of the tyre industry.

3.2. ESG integration strategies

3.2.1. Adoption of ESG Components in business pratices

But how does Pirelli S.p.A. adopt ESG components into its business practices? As previously written, Pirelli has integrated Environmental, Social, and Governance (ESG) components into its business practices as a fundamental part of its strategic approach, as it does recognize that sustainability is not just an ethical obligation, but it has also become a business imperative. The company's adoption of ESG components is evident in its comprehensive sustainability strategies, which align with global standards and reflect a deep commitment to responsible business practices. These strategies are highlighted in Pirelli's 2023 Annual Report (from now on cited as (Pirelli, 2023)), which underscores the company's continuous efforts to integrate sustainability across all aspects of its operations (Pirelli, 2023)[223].

Pirelli's approach to ESG is rooted in the understanding that sustainable business practices are essential for the company's long-term success. This understanding has driven the company to adopt a holistic approach to sustainability, addressing environmental, social, and governance issues through a variety of initiatives. Environmentally, Pirelli has done a

---

[222] https://corporate.pirelli.com/corporate/en-ww/sustainability/innovating-for-sustainability

[223] https://corp-assets.pirelli.com/corporate/PIRELLI_ANNUAL_REPORT_2023_ENG.pdf

great job in reducing its carbon footprint, with the clear, even if realistically hard, target of achieving carbon neutrality by 2030. This commitment is part of a broader decarbonization strategy that includes reducing CO2 emissions across its value chain, increasing energy efficiency, and transitioning to renewable energy sources (Pirelli, 2023).
The company's sustainability efforts are not limited to environmental concerns, as Pirelli has also focused on social responsibility, particularly in terms of employee welfare and community engagement. The implementation of different programs regarding health and safety at the workplace came with great results, and, among the others, a reduction in the number of accidents happening within the company. Furthermore, Pirelli is committed to fostering diversity and inclusion within its workforce, as evidenced by the increasing number of women in managerial and executive positions (Pirelli, 2023).
It has already been said that the company’s commitment to sustainability extends to its supply chain as well. Regarding this, Pirelli works closely with its suppliers to ensure that they adhere to the same high standards of environmental and social responsibility, including initiatives such as the ongoing partnership with the BMW Group and the NGO BirdLife International to conserve rainforests in Indonesia and improve the livelihoods of local communities involved in natural rubber production (Pirelli, 2023; RobecoSAM, 2014).

3.2.2. ESG and Profitability: how Pirelli balances these two goals

Pirelli S.p.A. has become a prominent example of how a company can effectively integrate Environmental, Social, and Governance (ESG) goals into its business strategy while still achieving substantial profitability. The company’s approach involves innovation, strategic financial management, and a deep commitment to sustainability, all of which contribute to its long-term success and resilience in the global market.
It is well clear that environmental sustainability is at the center of Pirelli’s ESG strategy, as the company is a manufacturer, so it has an elevated impact on resources and pollution with all the manufacturing plants that it possesses around the world. In the 2023 Annual Report it is highlighted how the company always improving its investments in renewable energy and innovative product design in order to achieve the carbon neutrality within 2030 (Pirelli,

2023)[224]. Nowadays, the company has become more efficient in terms of operating costs incurred and energy consumption while carrying out all of those initiatives aimed at reducing its carbon footprint. All this led and is currently leading to a better overall production efficiency, thus meaning that now the company can enjoy two different benefits: cost savings from one side, and the achievement of being able to really be environmental responsible as an entity of its calibre. Profitability still stays at the core of Pirelli's focus, and this is why now the company has been also able to target a growing market segment with the introduction of its new Eco & Performance tyres, demonstrating its will to link the "old" only goal of profitability with the new ESG dimensions that now are more imperative than probably ever (Pirelli, 2023).

Pirelli's sustainability initiatives are also reflected in its financial strategy. The issuance of a 600-million-euro sustainability-linked bond in 2023 exemplifies how the company ties its financial mechanisms directly to its ESG goals (Pirelli, 2023). This innovative financial tool is designed to align Pirelli's cost of capital with its sustainability performance, incentivizing the company to meet or exceed its environmental targets. The bond's structure, which ties interest rates to specific sustainability metrics, not only appeals to a growing base of ESG-conscious investors but also positions Pirelli as a leader in sustainable finance within the automotive sector (Pirelli, 2023; RobecoSAM, 2014)[225]. According to a study by Aarak and Werner (2021)[226], companies that integrate ESG into their financial strategies tend to experience lower capital costs and enhanced access to capital markets, further underscoring the profitability of sustainable business practices.

Social responsibility is another critical pillar of Pirelli's ESG strategy. The company has implemented robust programs aimed at improving workplace safety and promoting diversity and inclusion (Pirelli, 2023). These initiatives have not only strengthened Pirelli's corporate reputation but also contributed to higher employee satisfaction and retention rates, which

---

[224] https://corp-assets.pirelli.com/corporate/PIRELLI_ANNUAL_REPORT_2023_ENG.pdf

[225] RobecoSAM, A.G. (2014). The sustainability yearbook 2014.
https://www.legrandgroup.com/sites/default/files/Documents_PDF_Legrand/RSE/Centre_de_ressource/1_RespSocietale/3_-RobecoSAM_Sustainability_Yearbook_2014.pdf

[226] Aarak, S., & Werner, H.W. (2021). ESG and corporate financial performance: A study on differences across countries and industries in Europe.
https://biopen.bi.no/bi-xmlui/bitstream/handle/11250/2825243/2940864.pdf?sequence=1&isAllowed=y

are key drivers of operational efficiency and profitability. Studies have shown that companies with strong social responsibility practices tend to have lower turnover rates, which can lead to significant cost savings (Mattera et al., 2022)[227]. Additionally, Pirelli's commitment to ethical labour practices throughout its global supply chain reduces the risk of disruptions, which could have severe financial implications (Pirelli, 2023).

Last but not least, moving to governance it's possible to say that this is another area where Pirelli excels in balancing ESG and profitability. The company's governance framework is designed to ensure that sustainability is integrated into all levels of decision-making. The Sustainability Committee, which oversees the implementation of ESG initiatives, plays a crucial role in aligning Pirelli's business strategies with its sustainability goals (Pirelli, 2023). By adopting this governance structure, Pirelli is able to benefit from an increased transparency and accountability in its operations, and at the same time it can see a real improvement in the level of confidence of all its stakeholders, most of all the investors, who are fundamental for the company to maintain its strong position from the financial point of view. Research by Pieragnolo (2019)[228] suggests that companies with robust governance structures that prioritize ESG are better positioned to manage risks and capitalize on opportunities, leading to improved financial outcomes.

Pirelli's investment in research and development (R&D) is another critical factor that supports its ESG and profitability balance. The company allocates a significant portion of its revenue to R&D, particularly in the development of sustainable technologies and products (Pirelli, 2023). According to a study by Capocchi (2023)[229], companies that invest in sustainable innovation are more likely to achieve competitive advantages that translate into higher profitability, and this is what Pirelli has done and continues doing day by day,

[227] Mattera, M., Ruiz-Morales, C.A., & Gava, L. (2022). Sustainable business models to create sustainable competitive advantages: Strategic approach to overcoming COVID-19 crisis and improve financial performance.
https://www.emerald.com/insight/content/doi/10.1108/CR-03-2021-0035/full/pdf?title=sustainable-business-models-to-create-sustainable-competitive-advantages-strategic-approach-to-overcoming-covid-19-crisis-and-improve-financial-performance

[228] Pieragnolo, S. (2019). External audit of non-financial information: An analysis of the first year implementation of the directive 2014/95/eu in the Italian context.
https://thesis.unipd.it/retrieve/ac5e9358-c6ed-4ac8-92d1-95c5f68a39f2/Pieragnolo_Sofia.pdf

[229] Capocchi, A. (2023). Case Studies: Pirelli–NatWest–Eni–Ocado–Ryanair. In Vulnerability and the Corporate Immune System: An International Perspective. Springer.

with its strong ability to innovate and adapt to changing market demands: not only did this reinforce its market position, but it has also contributed to its financial success.
As already mentioned, Pirelli places a strong focus on making sure that, along its whole supply chain, the parties involved follow the standards set by the company from the environmental and social points of view: this then allows to reduce all those risks related to the operations carried out along the supply chain (Pirelli, 2023). Concerning this, Truant et al. (2017)[230] study presents some findings which support the approach that a company such as Pirelli is maintaining, indicating that having a sustainable supply chain implies a strong resilience to eventual market shocks, thus allowing the firm to conduct its operations with a certain degree of stability, finally impacting in a positive way what has been the core focus of this paragraph: profitability.

3.3. How Globalization has impacted ESG implementation

3.3.1. Cross-border operations and ESG compliance

Pirelli S.p.A., as a globaltyre manufacturer, has adeptly navigated the complexities of cross-border operations while maintaining strict adherence to ESG principles. The impact that globalization has had on the company's implementation of each of the three ESG dimensions is definitely significant, as it influences most, if not all, the aspects involved in the operations carried out by the company, going all the way from supply chain management to the regulatory compliance with every location where the firm conducts its business.
Operating in over 160 countries with 19 manufacturing plants, Pirelli has established a robust global presence (Pirelli, 2023). This extensive network clearly allows the company to benefit from economies of scale, and it also gives access to diverse markets and resources. However, it also comes with many significant challenges, and this fact is especially relevant in the context of ensuring that ESG standards are consistently upheld across all operations, regardless of the different local regulations. Each country presents a unique regulatory

[230] Truant, E., Corazza, L., & Scagnelli, S.D. (2017). Sustainability and risk disclosure: An exploratory study on sustainability reports.
file:///Users/leodianaz/Downloads/sustainability-09-00636.pdf

environment, and Pirelli must adapt to these variations in order to maintain a uniform commitment to ESG standards. For example, the European Union's stringent environmental regulations require Pirelli to adopt advanced technologies and processes to minimize environmental impact, which is a cost-intensive but necessary strategy for compliance (Pirelli, 2023).

Moreover, in regions with less rigorous environmental and labour regulations, Pirelli voluntarily implements higher standards to ensure that its global operations do not fall below the expectations set by more developed markets. This approach not only mitigates risks associated with regulatory discrepancies but also strengthens Pirelli's brand as a leader in sustainable practices globally (Truant et al., 2017)[231]. The company's commitment to reducing its environmental footprint is evident in its goal of achieving carbon neutrality by 2030, which requires coordinated efforts across all its international plants (Pirelli, 2023).

Social aspects of ESG, particularly labour practices and human rights, are equally impacted by globalization.

As Pirelli operates on a global scale, it is almost normal that it has to face problems related to countries where labour practices do not meet international labour standards. To address this, Pirelli has instituted comprehensive supplier guidelines and conducts regular audits to ensure compliance with its Code of Ethics, which mandates fair labour practices and prohibits child and forced labour (Pirelli, 2023). In this way, the company puts its efforts to mitigate the majority of risks related unethical practices in the application of labour rights, and by doing so it avoids the potential damage to its image and reputation, which could then result in financial losses.

Governance, as part of Pirelli's ESG strategy, is also profoundly influenced by globalization. The company's governance framework is designed in order to be adaptable to the different legal and cultural landscapes in which it operates. This capacity to adapt to the different environments is critical for ensuring that Pirelli's corporate governance practices are not only compliant with local laws but also aligned with global best practices. The company's governance is overseen by the Board of Directors and the Sustainability Committee, ensuring that ESG considerations are embedded in decision-making processes

---

[231] Truant, E., Corazza, L., & Scagnelli, S.D. (2017). Sustainability and risk disclosure: An exploratory study on sustainability reports.
file:///Users/leodianaz/Downloads/sustainability-09-00636.pdf

worldwide (Pirelli, 2023). Adhering to international frameworks such as the Global Reporting Initiative (GRI) and the United Nations Global Compact further reinforces Pirelli's commitment to governance excellence (Pellegrini et al., 2022)[232].

Globalization exposes Pirelli to external risks such as geopolitical instability, economic fluctuations, and changes in trade policies, all of which can impact the compliance that the company wants to maintain with the ESG dimensions. For example, trade tariffs or restrictions can have a disruptive effect on supply chains, making it challenging to maintain consistent ESG practices across all of the company's operations. Pirelli's risk management strategies, including supply chain diversification and proactive compliance with international trade regulations, are crucial in mitigating these risks and ensuring business continuity (Capocchi, 2023)[233]. These strategies not only protect Pirelli's operations from global uncertainties but also support its long-term ESG goals. Technological innovation, accelerated by globalization, offers Pirelli new opportunities to enhance its ESG performance, and by adopting digital technologies and data analytics in its manufacturing processes, Pirelli is able to optimize its resource use, reduce emissions, and improve overall operational efficiency. For example, Pirelli's use of smart manufacturing technologies enables real-time monitoring and control of energy consumption and waste management across its global facilities, which is crucial for meeting its environmental targets (Pirelli, 2023).

Overall, it is fair to say that Pirelli is deeply impacted by globalization in terms of the development of its ESG practices, and this cross-border involvement of the company's operations requires a strong commitment to ESG principles in general.

---

[232] Pellegrini, C.B., Pellegrini, L., & Catizone, M. (2022). Climate Change Adaptation, Governance and New Issues of Value: Measuring the Impact of ESG Scores on CoE and Firm Performance

[233] Capocchi, A. (2023). Case Studies: Pirelli–NatWest–Eni–Ocado–Ryanair. In Vulnerability and the Corporate Immune System: An International Perspective. Springer.

3.3.2. The impact of diverse cultural and social contexts

Pirelli operates in a varied range of cultural and social contexts, and each of these environments has a strong influence on the company's approach to ESG practices. The impact of these different contexts is evident in how the company adapts its ESG strategies in order to align with the local norms, regulatory requirements, and the societal expectations and standards while maintaining a global framework that supports the company's commitment to sustainability and ethical business practices. The intersection of global operations and local cultural diversity of course does present both challenges and opportunities for Pirelli, necessitating an approach to ESG implementation that both respects local customs and values while at the same time supports the company's main goals.

Operating in over 160 countries, Pirelli is exposed to a vast quantity of cultural and social environments that shape its ESG strategies. These environments range from highly regulated markets in Europe, where environmental and social standards are stringent, to emerging markets in Asia and Latin America, where regulatory frameworks may be less developed but where cultural expectations around corporate responsibility are rapidly evolving (Pirelli, 2023). In regions like Europe, Pirelli must comply with rigorous environmental laws and social regulations, such as those mandated by the European Union's Green Deal, which requires significant investments in sustainable technologies and practices (Pirelli, 2023). This includes the development and implementation of cutting-edge technologies aimed at reducing carbon emissions and promoting circular economy practices, which are increasingly becoming a societal expectation in these markets (Corral-Marfil et al., 2021)[234].

In contrast, in markets with less established regulatory frameworks, Pirelli faces the challenge of maintaining its high ESG standards in the absence of local regulations. For example, in parts of Asia and Africa, where environmental regulations may not be as comprehensive, Pirelli has taken a proactive approach by voluntarily adopting global best practices in sustainability (Pirelli, 2023). This not only helps the company maintain a

[234] Corral-Marfil, J.A., Arimany-Serrat, N., & Hitchen, E.L. (2021). Recycling technology innovation as a source of competitive advantage: The sustainable and circular business model of a bicentennial company. https://www.researchgate.net/publication/353169422_Recycling_Technology_Innovation_as_a_Source_of_Competitive_Advantage_The_Sustainable_and_Circular_Business_Model_of_a_Bicentennial_Company

consistent global brand image but also positions it as a leader in corporate responsibility, thereby gaining trust and loyalty among local stakeholders (Capocchi, 2023)[235]. The company's strategy thus involves an extensive engagement with the local communities, and this is done in order to understand their unique cultural and social dynamics: thanks to this, the company is able to adapt its approach with social responsibility initiatives, such as community development programs and education projects that are aimed at promoting environmental awareness (Pirelli, 2023).

Social norms and societal expectation are something that represent a huge challenge for a company like Pirelli, because it needs to create a sort of balance between these factors and its ESG objectives. For instance, in regions where gender roles are traditionally defined, Pirelli's initiatives to promote gender diversity and inclusion in the workplace may require careful adaptation to local customs. In such contexts, Pirelli employs a culturally sensitive approach, working closely with local leadership to implement diversity programs that respect cultural traditions while gradually introducing more inclusive practices (Martins, 2023)[236].

Moreover, the impact of social context on Pirelli's ESG strategy is also clear in the company's supply chain management. As already mentioned, the global supply chain of Pirelli involves multiple countries, each with its own labour practices and standards. Ensuring that all suppliers adhere to Pirelli's stringent social responsibility standards, which include fair labour practices and human rights protections, requires a deep understanding of the local social context (Pirelli, 2023). Pirelli addresses this by conducting regular audits and providing training programs for suppliers, emphasizing the importance of ethical practices and the long-term benefits of compliance with global standards (Acuti et al., 2020)[237]. In this way, the risks that are associated with labour rights are reduced, at least

[235] Capocchi, A. (2023). Case Studies: Pirelli–NatWest–Eni–Ocado–Ryanair. In Vulnerability and the Corporate Immune System: An International Perspective. Springer.

[236] Martins, A.R.G. (2023). We Race As One: Formula One as an Intercultural Business and Social Movement.
https://recipp.ipp.pt/bitstream/10400.22/24463/1/Ana_Martins_MISB_2023.pdf

[237] Acuti, D., Bellucci, M., & Manetti, G. (2020). Company disclosures concerning the resilience of cities from the Sustainable Development Goals (SDGs) perspective.
https://www.sciencedirect.com/science/article/pii/S0264275119313654?via%3Dihub

from the theoretical point of view, and in this way, Pirelli is also able to enhance the sustainability level of its whole supply chain.

Cultural diversity is also another important factor which plays a significant role in Pirelli's governance practices. The company's governance framework is designed to be flexible enough to accommodate the diverse cultural expectations of stakeholders across different regions while maintaining a consistent standard of transparency and accountability (Pirelli, 2023). For example, in countries where corporate governance practices may be influenced by local traditions and social hierarchies, Pirelli adapts its governance strategies to ensure that they are culturally appropriate and effective in achieving the desired outcomes (Izzo et al., 2020)[238]. Ways to achieve this are, for example, methods including the fostering of local leadership that aligns with the Pirelli's governance principles, so that the company's is then sure that its operations are both culturally sensitive and also ethically correct.

The influence of cultural and social contexts is also reflected in Pirelli's environmental initiatives. In regions where environmental awareness is high, such as in parts of Europe and North America, Pirelli's sustainability efforts are often met with strong public support, which can enhance the company's brand value and customer loyalty (Pirelli, 2023).

Instead, in regions where environmental concerns may not be as high, Pirelli takes on the role of a kind of educator, so it works to raise awareness about the importance of sustainability and the long-term benefits of environmentally responsible practices. This dual approach allows Pirelli to effectively implement its environmental goals across diverse markets, contributing to the global effort to combat climate change while also building a strong, sustainable brand (Petruzzelli & Badia, 2024)[239].

The challenges and opportunities presented by diverse cultural and social contexts are not unique to Pirelli but are a common feature of global business operations. By understanding and respecting local cultures, Pirelli is able to implement its ESG strategies in a way that is

---

[238] Izzo, M.F., Dello Strologo, A., & Granà, F. (2020). Learning from the best: New challenges and trends in IR reporters' disclosure and the role of SDGs.
file:///Users/leodianaz/Downloads/sustainability-12-05545.pdf

[239] Petruzzelli, S., & Badia, F. (2024). The quality assessment of stakeholder engagement disclosure in the EU mandatory non-financial reporting framework.
https://www.emerald.com/insight/content/doi/10.1108/JAAR-11-2022-0290/full/pdf?title=the-quality-assessment-of-stakeholder-engagement-disclosure-in-the-eu-mandatory-non-financial-reporting-framework

both effective and culturally appropriate, with the final result of ensuring that the company's global operations are sustainable, ethical, and aligned with local expectations.

3.3.3. Climate action initiatives and circular economy practices

Being committed to sustainability related practices implies the creation of climate action initiatives, which are going to be the main focus of this paragraph. Pirelli considers these initiatives as fundamental in order to be in line with its long term strategy, considering the quantity and impact that all of its operations have around the world. As previously said and reported in the Annual Report (Pirelli, 2023)[240], the main goal of the company is to reach carbon neutrality within 2030, and in order to achieve it, Pirelli is carrying out operations aimed at the reduction of CO2 emissions, going through all its value chain, from the sourcing of raw materials to the distribution of its products.

This is being realized thanks to huge investments in new technologies that are considered to be energetically speaking efficient, energy sources that of course are renewable, and manufacturing processes that are being implemented in order to reduce to the minimum level the waste and energy consumption. For example, Pirelli has implemented smart manufacturing technologies that enable real-time monitoring and optimization of energy use, significantly lowering the carbon emissions associated with its production activities (Pirelli, 2023).

The focus on circular economy stays at the center of Pirelli's strategy, as the company is putting its efforts into research and development dedicated to the extension of its products' lifecycle, which also comes with a significant reduction in waste. Recycling and repurposing materials involved in the production processes is crucial for Pirelli, and the implementation of new methods of production is an element that distinguishes the company in a positive way. A clear example that demonstrates this factor is that Pirelli has been one of the first companies that work in the tyre manufacturing sector to introduce the use of recycled rubber in its tyre production processes: in this way, the company has been able to reduce the need to use virgin materials, and This practice not only contributes to

[240] https://corp-assets.pirelli.com/corporate/PIRELLI_ANNUAL_REPORT_2023_ENG.pdf

environmental sustainability but also enhances resource efficiency, making it a key component of Pirelli’s sustainability strategy (Acuti et al., 2020)[241].

The approach that Pirelli is having towards the use and recycling of the materials used aligns with the principles of the circular economy, which seeks to create a closed-loop system where materials are continuously recycled and reused, thereby reducing the environmental impact of production and consumption (Esposito & Witkowska, 2024)[242]. In doing so, Pirelli is being supported by different kinds of partnerships, ranging from ones with local governments to others with recycling companies, and together they help and make sure that even the recycling processes are carried out in an environmentally friendly way.

By being able to integrate the business model with the different climate action initiatives, Pirelli can cope with any challenge that is imposed by the many regulatory requirements, and at the same time, as it should be clear by now, the company is able to improve, or at least maintain, its position in the market with respect to the competition. Investors and stakeholders are now prioritizing always more the sustainability factors related to any kind of company, and this is the reason for Pirelli to continue applying this strategy in order to capture market share and with that, attract more investors.

To conclude this paragraph, another element in support of the good practices applied by Pirelli is its well-developed governance framework, which makes it possible for the Board of Director and the Sustainability Committee to oversee that all the ESG Principles are correctly integrated and prioritized in the different aspects of the business in which they should be involved.

---

[241] Acuti, D., Bellucci, M., & Manetti, G. (2020). Company disclosures concerning the resilience of cities from the Sustainable Development Goals (SDGs) perspective.
https://www.sciencedirect.com/science/article/pii/S0264275119313654?via%3Dihub

[242] Esposito, P., & Witkowska, E.A. (2024). Sustainability of Italian Listed Companies in Non-Financial Reporting.
https://www.researchgate.net/publication/380620606_Sustainability_of_Italian_Listed_Companies_in_Non-Financial_Reporting

3.4. ESG reporting and communication strategies

3.4.1. Addressing compliance and reporting challenges

The challenges associated with ESG (Environmental, Social, and Governance) reporting and compliance remain significant. In today's business environment, transparency and accountability are significantly important, especially because stakeholders, including all those involved from investors to customers, demand more detailed and reliable ESG disclosures. Addressing these challenges requires both well-developed internal systems and a clear understanding of the evolving regulatory landscape, which together should be guided from what the stakeholders expect from the company.

One of the key challenges that Pirelli has to face in ESG reporting is the need to make its reporting practices consistent across the numerous jurisdictions in which it operates. As already said, the company's global presence in more than 160 countries, means that it must navigate a complex set of regulations and standards, each with its own reporting requirements. For example, the European Union has implemented stringent regulations such as the Non-Financial Reporting Directive (NFRD), which requires large companies to disclose information on their environmental and social impacts (Pirelli, 2023), and of which we previously discussed in the second chapter. The compliance with regulations such as the NFRD implies the need to have an approach that takes into consideration all the elements in the phases of data collection and reporting, thus making sure that all the relevant information is correctly captured and communicated in a way that meets the expectations of regulators and other stakeholders. In addition to regulatory compliance, Pirelli must also address the challenge of ensuring the accuracy and reliability of its ESG data, and as the demand for ESG transparency grows, so does the scrutiny of the data provided. The investors, in particular, are increasingly relying on ESG information and indicators in order to inform their investment decisions, and eventual inaccuracies or inconsistencies in this data can lead to a loss of trust and to potential financial repercussions. As Pirelli needs to mitigate this risk, it has implemented strong data governance practices, including the use of advanced analytics and technology, which are helping the company to streamline data collection and reporting processes (Capocchi, 2023)[243]. These measures are designed with

[243] Capocchi, A. (2023). Case Studies: Pirelli–NatWest–Eni–Ocado–Ryanair. In Vulnerability and the Corporate Immune System: An International Perspective. Springer.

the aim to enhance the accuracy and consistency of ESG data across the organization, and in this way, they can improve the overall quality of Pirelli's ESG disclosures. Another challenge that is worth mentioning in ESG reporting is the need to effectively communicate complex and often technical information to an audience that is very diverse.: the stakeholders of Pirelli are not only regulators and investors, but also customers, employees, and the broader public, all of whom have varying levels of familiarity with the ESG concepts. In order to address this challenge, Pirelli has developed a communication strategy that leverages multiple channels, including its annual reports, the corporate website, and social media platforms such as Instagram and Facebook, and these are also used to share ESG information in a clear and accessible manner (Pirelli, 2023). This strategy is supported by the commitment that the company has with respect to transparency, as it wants to make sure that all of its stakeholders have the same access to the information they need: thus, the final goal is to be able to put them in a position where they can make informed decisions about the performance of the company, both in general terms and in the sustainability related ones.

The integration of ESG into executive compensation is another area where Pirelli faces compliance and reporting challenges. As noted in recent studies, linking executive pay to ESG performance can be a powerful tool for driving corporate sustainability, but it also introduces new complexities in terms of reporting and compliance (Cucari et al., 2023)[244]. Pirelli has responded to this challenge by adopting a structured approach to ESG-linked compensation, where specific ESG targets are clearly defined and integrated into the company's overall performance management system. This way of proceeding in this matter is again something that improves the image and credibility of the company in the eyes of all the stakeholders, and at the same time it is also aligned with the interest of the executives, which are the party that is affected by these new targets that have been out in order to get determined amount of money as a bonus.

Moreover, as ESG reporting evolves, with new frameworks and guidelines that are emerging at a regular pace in these last years, it implies that a company like Pirelli must remain agile and responsive to these changes. Thus, this means that it has to always monitor

---

[244] Cucari, N.C.E., D'Angelo-Domenico, N., & Di Silvestre, S.F.S. (2023). Substance and Symbol in ESG-Linked Executive Compensation: Evidence from Italian Listed Companies. file:///Users/leodianaz/Downloads/cucari-et-al._Sinergie.pdf

the regulatory landscape, and adapt its practices involved in reporting in order to ensure that they are compliance with the latest standards. This proactive approach is critical for maintaining the company's reputation as a leader in sustainability and for ensuring that its ESG disclosures remain relevant and impactful (Acuti et al., 2020)[245].

The commitment that Pirelli has in addressing the different ESG reporting challenges that were named up to now is also reflected in the company's participation in the different international sustainability initiatives and frameworks. The company is a signatory to the United Nations Global Compact and adheres to the Global Reporting Initiative (GRI) standards, which provide a comprehensive framework for reporting on sustainability performance (Pirelli, 2023), with these initiatives that not only guide Pirelli's reporting practices, but also demonstrate that the company is committed to align its operations with these globally recognized sustainability principles.

[245] Acuti, D., Bellucci, M., & Manetti, G. (2020). Company disclosures concerning the resilience of cities from the Sustainable Development Goals (SDGs) perspective. https://www.sciencedirect.com/science/article/pii/S0264275119313654?via%3Dihub

3.4.2. Communication of ESG achievements and challenges

One of the primary challenges Pirelli faces in communicating ESG achievements is the complexity and breadth of the information that needs to be conveyed. As detailed in the 2023 Annual Report, Pirelli's ESG efforts span numerous areas, including environmental impact reduction, social initiatives, and governance reforms (Pirelli, 2023). In order to communicate its efforts, the company uses a strategy which could be considered as multi-channel, as it invests in communication both in the traditional way, thus via magazines and journals, and also through the digital media, including social networks, influencers, and platforms which can give space to news related to the company. More than this, its annual reports and the corporate websites (Pirelli for cars[246], motorcycles[247] and bicycles[248], and Metzeler for motorcycles[249]) are other tools that are employed to convey information related to the company. An element that is present in all the communications forms used by Pirelli is the active engagement with the public, through events and most of all in the social media platforms, where the users can directly address their problems or their appreciation with respect to the company. These channels allow Pirelli to reach a broad audience, ensuring that stakeholders can access information in formats that suit their preferences and needs (Pirelli, 2023).

However, the complexity of ESG data presents significant challenges in ensuring that the information communicated has both a high level of accuracy and is at the same time meaningful. Pirelli addresses this challenge by implementing rigorous data verification processes and engaging third-party auditors to validate its ESG disclosures (Capocchi, 2023)[250]. Being committed to the integrity of the data that it shares, Pirelli increases the level of trust of its stakeholders, and this links back to what has been said previously, regarding the reliance that they have with respect to what information the company conveys,

[246] https://www.pirelli.com/tyres/it-it/auto/home

[247] https://www.pirelli.com/tyres/it-it/moto/homepage

[248] https://www.pirelli.com/tyres/it-it/bici

[249] https://www.metzeler.com/it-it/home

[250] Capocchi, A. (2023). Case Studies: Pirelli–NatWest–Eni–Ocado–Ryanair. In Vulnerability and the Corporate Immune System: An International Perspective. Springer.

ultimately impacting their decisions. Moreover, Pirelli's use of advanced data analytics tools enables the company to track and report on ESG performance in real-time, providing stakeholders with up-to-date information on the company's sustainability efforts (Amendola et al., 2023)[251].

Pirelli also changes its ESG communication strategies based on the different countries where the information needs to be conveyed: this is because each reality has its own expectations and priorities.

For example, in regions where environmental concerns are particularly prominent, Pirelli emphasizes its achievements in reducing carbon emissions and promoting circular economy practices. In contrast, in markets where social issues such as labour rights are more pressing, Pirelli focuses on its initiatives to improve workplace safety and promote diversity and inclusion (Galati, 2024). This localized approach to ESG communication ensures that Pirelli's messaging is relevant and impactful across its diverse global footprint.

Social media plays an increasingly important role in Pirelli's ESG communication strategy. Platforms like X (once Twitter), LinkedIn, Facebook and Instagram allow Pirelli to engage directly with its stakeholders, and other than sharing posts regarding the products with videos, pictures and testimonials from both employees and members of the car, moto, and bike communities, also real-time updates on its sustainability initiatives are shared, and in these platforms the employees also respond to public concerns and inquiries (Sandroni, 2021)[252]. This is definitely something that humanizes from a certain point of view the narrative that the company is making around its sustainability efforts, and this continuously creates more engagement with the public in general, thus having a positive effect for all the parties involved.

Despite all these efforts, Pirelli faces on a daily basis some challenges in managing the risks associated with ESG communication. Of course, one of these risks is the potential for accusations of greenwashing, where companies are perceived to be overstating their environmental or social achievements. To mitigate this risk, Pirelli ensures that its ESG communications are grounded in verifiable data and supported by independent audits and

---

[251] Amendola, C., Gennaro, A., & Vito, P. (2023). The evolution of intellectual capital disclosure driven by European regulatory change: Evidence from the Italian stock market.

[252] Sandroni, A. (2021). How companies communicate the Sustainable Development Goals on social media: An analysis of FTSE 40 companies.
https://tesi.univpm.it/retrieve/ca921fb2-057f-4a10-a519-83f53650be49/Sandroni%20Tesi.pdf

certifications (Macellari et al., 2021)[253]. To face the many different risks that accusations of greenwashing carry, Pirelli developed an approach under which it states both the positive achievements, and the difficulties involved: so, by maintaining this kind of balanced approach, those stakeholders who are understandably skeptical about the sometimes over optimistic sustainability claims, can improve their level of trust towards the company.

To wrap up this paragraph dedicated to the ways in which Pirelli develops its communication, it is clear that communication is almost inextricably linked to the overall brand value and brand perception, which certainly are indicators of competitive advantage when positive, especially in those markets where consumers and investors are always more considering ESG factors as a priority in both their purchasing and investment decisions (Amendola et al., 2023).

3.5. Conclusion: case study findings and possible implications for the business community

In order to wrap up the findings of this case study about Pirelli S.p.A., it is fair to state that the company has proved that the integration of all the ESG principles into its corporate strategy represents a fundamental necessity, most of all because today's business world is constantly evolving towards new directions which require a strong look and focus into ESG imperatives. Of course, this shift comes with both opportunities and challenges that are at the basis of Pirelli's future development.

Pirelli’s journey in ESG implementation makes it clear that being able to adapt the management of the company to these three dimensions, and thus having a proactive management in addressing the challenges that are posed by elements such as globalization, diverse cultural contexts, and evolving regulatory landscapes, is really fundamental for a company operating in 2024. What Pirelli is doing in this field can be considered in a more than positive way, also setting a benchmark for other businesses (and most of all the competitors) that are carrying their operations on a global scale like Pirelli. Adopting circular economy practices, investing a huge portion of its capital in innovation on the

[253] Macellari, M., Yuriev, A., & Boiral, O. (2021). Exploring bluewashing practices of alleged sustainability leaders through a counter-accounting analysis.
https://doi.org/10.1016/j.eiar.2020.106489

processes both in production and distribution, and developing this solid governance framework are all elements that support the thesis of Pirelli being an example of dedication and care towards ESG factors, reducing the impact that it has on the environment, and in this way being a contributor to society.

Many businesses across industries need to face the increasing demand for sustainability, and Pirelli sets an example which offers some good insights on how to effectively implement and communicate the ESG initiatives. It demonstrates that ESG can be a source of competitive advantage, driving innovation, enhancing brand reputation, and last but not least contributing to the long-term profitability of the company. For businesses looking to enhance their ESG performance, the key takeaway from Pirelli's case is the importance of the integrated approach that aligns sustainability with core business objectives, and this is not just valuable for companies involved in the manufacturing of goods, but also to the ones involved in the service industry.

Pirelli is a company that puts attention into everything involved in its environment: production, selling, transports and facilities are something that has been well proved to be on a road destined to increment the sustainability of the company along with profits, but what helps closing this circle is the ability of this company to integrate needs of the different parties that are involved in every aspect of the value chain, starting from the employees.

Bibliography

Aarak, S., & Werner, H.W. (2021). ESG and corporate financial performance: A study on differences across countries and industries in Europe. https://biopen.bi.no/bi-xmlui/bitstream/handle/11250/2825243/2940864.pdf?sequence=1&isAllowed=y

Acuti, D., Bellucci, M., & Manetti, G. (2020). Company disclosures concerning the resilience of cities from the Sustainable Development Goals (SDGs) perspective. https://www.sciencedirect.com/science/article/pii/S0264275119313654?via%3Dihub

Aguilera, R. V., & Cuervo-Cazurra, A. (2004). Codes of good governance worldwide: What is the trigger? *Organization Studies*, 25(3), 415-443. https://deliverypdf.ssrn.com/delivery.php?ID=476013072022120113097078098085110095028032023043029030023008004088117108065124021070033000021120038125121099106018093003085027054048045092025011091075082021079046034046087076101105003108065067093104069005080095094007000113017065098024125103110094&EXT=pdf&INDEX=TRUE

Amendola, C., Gennaro, A., & Vito, P. (2023). The evolution of intellectual capital disclosure driven by European regulatory change: Evidence from the Italian stock market.

Amidei, F.B., Nazionale, V., & Goldstein, A. (2007). Italian investment in the United States: Contributions to a history. https://ebha.org/ebha2007/pdf/BarbielliniGoldstein.pdf

Background report for the **ILO-AICESIS Joint International Conference** 23–24 November 2023 Athens, Greece (2023). https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_dialogue/@dialogue/documents/publication/wcms_901614.pdf

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120. https://journals.sagepub.com/doi/epdf/10.1177/014920639101700108

Basaglia, G., Guida, M., & dei Valtorta, V. (1991). The ESPRIT effect on CIM development from strategic to operative level: The Pirelli Tyre Holding experience. https://aei.pitt.edu/39309/1/Esprit.1991.Conf..pdf

Bhagwati, J. (2004). In Defense of Globalization. Oxford University Press. DOI:10.2307/40204318

Bercusson, B. (2002). European Labour Law and the EU Charter of Fundamental Rights. *ETUI*.

Boutilier, R., & Thomson, I. (2011). Modelling and measuring the social license to operate: Fruits of a dialogue between theory and practice. *Social License*, 1-10. https://socialicense.com/publications/Modelling%20and%20Measuring%20the%20SLO.pdf

Bourdieu, P. (1986). The forms of capital. In J. G. Richardson (Ed.), *Handbook of theory and research for the sociology of education* (pp. 241-258). Greenwood. https://www.socialcapitalgateway.org/sites/socialcapitalgateway.org/files/data/paper/2016/10/18/rbasicsbourdieu1986-theformsofcapital.pdf

Brino, V. (2024). Brevi note sulla responsabilizzazione nel governo dell'impresa.

Buhmann, K. (2011). Integrating human rights in emerging regulation of corporate social responsibility: The EU case. *International Journal of Law in Context*, 7(2), 139-179. https://www.cambridge.org/core/services/aop-cambridge-core/content/view/4B160A71A6454CD7DC6CDCE69016C532/S1744552311000048a.pdf/integrating-human-rights-in-emerging-regulation-of-corporate-social-responsibility-the-eu-case.pdf

Busch, T., Bauer, R., & Orlitzky, M. (2016). Sustainable development and financial markets: Old paths and new avenues. *Business & Society*, 55(3), 303-329. https://doi.org/10.1177/0007650315570701

Capocchi, A. (2023). Case Studies: Pirelli–NatWest–Eni–Ocado–Ryanair. In Vulnerability and the Corporate Immune System: An International Perspective. Springer.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48. https://www.researchgate.net/publication/4883660_The_Pyramid_of_Corporate_Social_Responsibility_Toward_the_Moral_Management_of_Organizational_Stakeholders

Castells, M. (1996). *The rise of the network society*. Oxford, UK: Blackwell Publishers Ltd. https://web.uniroma1.it/memotef/sites/default/files/file%20lezioni/Manuel%20Castells%20-%20The%20Rise%20of%20the%20Network%20Society%2C%20With%20a%20New%20Preface_%20Volume%20I_%20The%20Information%20Age_%20Economy%2C%20Society%2C%20and%20Culture%20%28Information%20Age%20Series%29%20%282010%2C%20Wiley-Blackwell%29%20-%20libgen.lc_.pdf

Chang, H-J. (2002). *Kicking away the ladder: Development strategy in historical perspective*. Anthem Press. https://anthempress.com/kicking-away-the-ladder-pb
Chartered Institute of Personnel and Development (CIPD). (2020). Health and Well-being at Work Survey Report.
eehealth-and-well-being-2020-report_tcm18-73967.pdf (cipd.org)

Christensen, C. M. (1997). *The innovator's dilemma: When new technologies cause great firms to fail*. Boston, MA: Harvard Business School Press. https://www.hbs.edu/faculty/Pages/item.aspx?num=46

Clark, G. L., Feiner, A., & Viehs, M. (2015). From the stockholder to the stakeholder: How sustainability can drive financial outperformance. *SSRN Electronic Journal*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2508281

Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, 20(1), 92-117. https://doi.org/10.2307/258888

Committee of Sponsoring Organizations of the Treadway Commission (COSO). (2017). *Enterprise risk management—Integrating with strategy and performance*. https://coso.org/

Corral-Marfil, J.A., Arimany-Serrat, N., & Hitchen, E.L. (2021). Recycling technology innovation as a source of competitive advantage: The sustainable and circular business model of a bicentennial company. https://www.researchgate.net/publication/353169422_Recycling_Technology_Innovation_as_a_Source_of_Competitive_Advantage_The_Sustainable_and_Circular_Business_Model_of_a_Bicentennial_Company

Cucari, N.C.E., D'Angelo-Domenico, N., & Di Silvestre, S.F.S. (2023). Substance and Symbol in ESG-Linked Executive Compensation: Evidence from Italian Listed Companies. file:///Users/leodianaz/Downloads/cucari-et-al._Sinergie.pdf

Davenport, T. H., & Patil, D. J. (2012). Data scientist: The sexiest job of the 21st century. *Harvard Business Review*. https://hbr.org/2012/10/data-scientist-the-sexiest-job-of-the-21st-century

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147-160. https://www.researchgate.net/publication/224892279_'The_Iron_Cage_Revisited_Isomorphism_in_Organizational_Fields'

Donaldson, T. (1996). Values in tension: Ethics away from home. *Harvard Business Review*, 74(5), 48-62. https://hbr.org/1996/09/values-in-tension-ethics-away-from-home

Earley, P. C., & Ang, S. (2003). *Cultural intelligence: Individual interactions across cultures*. Stanford University Press. https://www.researchgate.net/publication/40421838_Cultural_Intelligence_Individual_Interactions_Across_Cultures

Earley, P. C., & Mosakowski, E. (2004). Cultural intelligence. *Harvard Business Review*, 82(10), 139-146. https://hbr.org/2004/10/cultural-intelligence

Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835-2857. https://www.hbs.edu/ris/Publication%20Files/SSRN-id1964011_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf

Eccles, R. G., & Krzus, M. P. (2010). Integrated reporting for a sustainable strategy. *Financial Executive*, 26(6), 28-32. file:///Users/leodianaz/Downloads/Integrated%20reporting.pdf

Eccles, R. G., & Serafeim, G. (2013). The performance frontier: Innovating for a sustainable strategy. *Harvard Business Review*. https://www.v-finance.it/wp-content/uploads/2013/07/Harward-Articolo_CSR.pdf

Elkington, J. (1997). *Cannibals with forks: The triple bottom line of 21st century business*. Capstone. https://www.sdg.services/uploads/9/9/2/1/9921626/cannibalswithforks.pdf

Ellen MacArthur Foundation. (2019). Completing the Picture: How the Circular Economy Tackles Climate Change. https://www.ellenmacarthurfoundation.org/completing-the-picture

Esposito, P., & Witkowska, E.A. (2024). Sustainability of Italian Listed Companies in Non-Financial Reporting. https://www.researchgate.net/publication/380620606_Sustainability_of_Italian_Listed_Companies_in_Non-Financial_Reporting

European Agency for Safety and Health at Work (EU-OSHA). (2019). The Economics of Occupational Safety and Health: The Value of OSH to Society. Value of OSH_and_societal_cost_workrelated injuries_and_diseases.pdf (europa.eu)

European Commission. (2011). A renewed EU strategy 2011-14 for Corporate Social Responsibility. EUR-Lex - 52011DC0681 - EN (europa.eu)

European Commission. (2018). Action Plan: Financing Sustainable Growth. https://finance.ec.europa.eu/publications/renewed-sustainable-finance-strategy-and-implementation-action-plan-financing-sustainable-growth_en#documents

European Commission. (2020). Biodiversity Strategy for 2030. https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en#:~:text=The%202030%20EU%20Biodiversity%20Strategy&text=The%20EU's%20biodiversity%20strategy%20for,contains%20specific%20actions%20and%20commitments.

European Commission. (2014). 2030 Climate and Energy Framework https://data.consilium.europa.eu/doc/document/ST-169-2014-INIT/en/pdf

European Commission. (2020). Circular Economy Action Plan. https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

European Commission. (2014). Communication from the Commission — Guidelines on non-financial reporting (methodology for reporting non-financial information). C_2014186EN.01001401.xml (europa.eu)

European Commission. (2000a). Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0078

European Commission. (2000b). Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0078

European Commission. (2019). Directive (EU) 2019/1158 on work-life balance for parents and carers. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L1158

European Commission. (2011). Directive 2011/36/EU on preventing and combating trafficking in human beings and protecting its victims. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011L0036

European Commission. (1994). Directive on the Protection of Young People at Work (94/33/EC). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31994L0033

European Commission. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095

European Commission. (2021). EU Emissions Trading System (EU ETS). https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en

European Commission. (2020). European Green Deal. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

European Commission. (1989). Framework Directive on Safety and Health at Work (89/391/EEC). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391

European Commission. (2020). Gender Equality Strategy 2020-2025. https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/gender-equality-strategy_en

European Commission. (2020). Just Transition Mechanism. https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/just-transition-mechanism-performance_en#:~:text=Mission,an%20effective%20and%20fair%20manner

European Commission. (2020). Making Europe's businesses future-ready: A new Industrial Strategy for a globally competitive, green and digital Europe. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_416

European Commission. (2016). Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0679

European Commission. (2020). Sustainable finance: Commission welcomes the adoption by the European Parliament of the Taxonomy Regulation. Sustainable Finance: Commission welcomes the adoption (europa.eu)

European Commission. (2020). Sustainable Products Initiative. https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12567-Sustainable-products-initiative_en

European Consumer Agenda. (2020). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0696

European Council. (1994). Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work.

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01994L0033-20190726

European Environment Agency. (2020). The Circular Economy and the Bioeconomy. https://www.eea.europa.eu/publications/circular-economy-and-bioeconomy

European Financial Reporting Advisory Group (EFRAG). (2020). EFRAG's work on sustainability reporting. https://www.efrag.org/Activities/2010051123028442/Sustainability-reporting-standards-roadmap?AspxAutoDetectCookieSupport=1

European Financial Reporting Advisory Group (EFRAG). (2022). European Sustainability Reporting Standards (ESRS). Europe's voice in corporate reporting | EFRAG

European Parliament. Climate Action. https://climate.ec.europa.eu/eu-action_en

European Parliament. (2018). Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001

European Parliament. (2019). Single-Use Plastics Directive. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L0904

European Parliament. (2008). Waste Framework Directive. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008L0098

European Parliament and Council. (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Official Journal of the European Union. L_2022322EN.01001501.xml (europa.eu)

European Securities and Markets Authority. (2014). Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0596

European Union Agency for Fundamental Rights. (2021). Fundamental Rights Report. https://fra.europa.eu/en/publication/2021/fundamental-rights-report-2021

European Union. (2003). Directive 2003/88/EC of the European Parliament and of the Council concerning certain aspects of the organization of working time. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0088

European Union. (2017). Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0828

European Union. (2020). European Pillar of Social Rights. https://ec.europa.eu/social/main.jsp?catId=1226&langId=en

European Union. (2020). EU taxonomy for sustainable activities. https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

European Union. (2018). General Data Protection Regulation (GDPR). https://www.consilium.europa.eu/en/policies/data-protection/data-protection-regulation/#:~:text=The%20GDPR%20establishes%20the%20general,data%20processing%20operations%20they%20perform

European Union. (2019). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088

European Union. (2020). Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. https://www.researchgate.net/publication/228320877_A_Stakeholder_Approach_to_Strategic_Management

Freeman, R. E., & McVea, J. F. (2001). A stakeholder approach to strategic management. https://doi.org/10.2139/ssrn.263511

Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210-233. https://doi.org/10.1080/20430795.2015.1118917

Friedman, T. L. (2005). *The world is flat: A brief history of the twenty-first century*. Farrar, Straus and Giroux. file:///Users/leodianaz/Downloads/THE_WORLD_IS_FLAT_by_Thomas_Friedman_A_B.pdf

Fung, V. K., Fung, W. K., & Wind, Y. (2008). *Competing in a flat world: Building enterprises for a borderless world*. Wharton School Publishing. https://ptgmedia.pearsoncmg.com/images/9780132332903/samplepages/0132332906.pdf

Ghemawat, P. (2011). *World 3.0: Global prosperity and how to achieve it*. Harvard Business Review Press. https://doi.org/10.5585/riae.v14i2.2188

Global Impact Investing Network (GIIN). https://thegiin.org/

Global Reporting Initiative (GRI). (2016). GRI 405: Diversity and equal opportunity 2016. https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/

Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate Governance and Equity Prices. Quarterly Journal of Economics, 118(1), 107-156. fin.PDF (elsevier-ssrn-document-store-prod.s3.amazonaws.com)

Hart, S. L. (1995). A Natural-Resource-Based View of the Firm. The Academy of Management Review, 20(4), 986-1014. https://www.jstor.org/stable/258963

Hewlett, S. A., & Rashid, R. (2011). *Winning the war for talent in emerging markets: Why women are the solution*. Harvard Business Review Press. https://store.hbr.org/product/winning-the-war-for-talent-in-emerging-markets-why-women-are-the-solution/13024

Hiessl, C. (2023). Labour Rights and their Enforcement in Global Value Chains: the EU's legislative initiatives on corporate ESG due diligence in context. ERA Forum.

Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Sage Publications. https://doi.org/10.1177/017084068300400409

Hofstede, G. (1991). *Cultures and organizations: Software of the mind*. McGraw-Hill. file:///Users/leodianaz/Downloads/Cultures_and_Organizations_Software_of_t.pdf

House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.). (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Sage Publications.

https://www.researchgate.net/publication/240475527_Leadership_and_Organizations_The_GLOBE_Study_of_62_Societies

Inkpen, A. C., & Tsang, E. W. K. (2005). Social capital, networks, and knowledge transfer. *Academy of Management Review*, 30(1), 146-165. https://web.archive.org/web/20170809053615id_/http://www.crossingboundaries.eu/wp-content/uploads/2014/02/Inkpen-Tsang-2005.pdf

International Association for Impact Assessment https://www.iaia.org/wiki-details.php?ID=23#:~:text=Definition,processes%20invoked%20by%20those%20interventions

International Institute for Sustainable Development. Social Impact Assessment. https://www.iisd.org/learning/eia/wp-content/uploads/2016/05/SIA.pdf

International Labour Organization (ILO). Declaration on Fundamental Principles and Rights at Work. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/normativeinstrument/wcms_716594.pdf

International Labour Organization (ILO). (2022). Global estimates of modern slavery: Forced Labour and forced marriage https://www.ilo.org/publications/major-publications/global-estimates-modern-slavery-forced-labour-and-forced-marriage

International Labour Organization (ILO). (2021). Child Labour: Global estimates 2020, trends and the road forward. https://www.ilo.org/publications/major-publications/child-labour-global-estimates-2020-trends-and-road-forward

International Labour Organization. (2021). Decent work and the 2030 Agenda for sustainable development. https://www.ilo.org/topics/decent-work-and-2030-agenda-sustainable-development#about

International Labour Organization (ILO). (2017). Report of the Committee of Experts on the Application of Conventions and Recommendations. https://www.ilo.org/resource/conference-paper/ilc/106/report-committee-experts-application-conventions-and-recommendations

International Labour Organization (ILO). (2019). Rules of the Game: An introduction to international labour standards. https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_norm/@normes/documents/publication/wcms_672549.pdf

International Labour Organization (ILO). (2022). Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (Sixth Edition). Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ilo.org)

ILO. (1958). Discrimination (Employment and Occupation) Convention, No. 111. https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:55:0:::55:P55_TYPE,P55_LANG,P55_DOCUMENT,P55_NODE:CON,en,C111,/Document

ILO. (1981). Occupational Safety and Health Convention, No. 155. https://normlex.ilo.org/dyn/normlex/en/f?p=normlexpub:12100:0::no::p12100_instrument_id:312300

ILO. (1930). Forced Labour Convention, No. 29. https://normlex.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C029

ILO. (1973). Minimum Age Convention, No. 138. https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138

Ioannou, I., & Serafeim, G. (2019). The consequences of mandatory corporate sustainability reporting. *Harvard Business School Working Paper*, (16-100). https://deliverypdf.ssrn.com/delivery.php?ID=615100008007027083097090113072017068002059093093031010095070002067124125072104020099058027096058051040011088108000094010112009108058062055076065126090071100101102024085057003120009125025085065083017015002005107074083015116006124108107072075120114009&EXT=pdf&INDEX=TRUE

Ioannou, I., & Serafeim, G. (2012). What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies, 43*(9), 834-864 https://www.jstor.org/stable/pdf/41674526.pdf?refreqid=fastly-default%3A93eb4f6600ac250732da818910500e8a&ab_segments=&origin=&initiator=&acceptTC=1

Izzo, M.F., Dello Strologo, A., & Granà, F. (2020). Learning from the best: New challenges and trends in IR reporters' disclosure and the role of SDGs. file:///Users/leodianaz/Downloads/sustainability-12-05545.pdf

KPMG. (2020). *The KPMG survey of sustainability reporting 2020*. KPMG International Cooperative. https://assets.kpmg.com/content/dam/kpmg/be/pdf/2020/12/The_Time_Has_Come_KPMG_Survey_of_Sustainability_Reporting_2020.pdf

Kotler, P., Kartajaya, H., & Setiawan, I. (2017). *Marketing 4.0: Moving from traditional to digital*. Wiley. https://www.drnishikantjha.com/booksCollection/Marketing%204.0_%20Moving%20from%20Traditional%20to%20Digital%20(%20PDFDrive%20).pdf

Lee, K-F. (2018). *AI superpowers: China, Silicon Valley, and the new world order*. Houghton Mifflin Harcourt. https://bawar.net/data0/books/5c711041c66e0/pdf/AI_Superpowers,_China,_Silicon_Valley_and_the_New_World_Order_-_Kai-Fu_Lee.pdf

Macellari, M., Yuriev, A., & Boiral, O. (2021). Exploring bluewashing practices of alleged sustainability leaders through a counter-accounting analysis. https://doi.org/10.1016/j.eiar.2020.106489

Martins, A.R.G. (2023). We Race As One: Formula One as an Intercultural Business and Social Movement. https://recipp.ipp.pt/bitstream/10400.22/24463/1/Ana_Martins_MISB_2023.pdf

Masconale, S. (2023). ESG and Boundary Risks: A Social Welfare Approach. https://www.ecgi.global/sites/default/files/Presentation%3A%20%20Saura%20Masconale.pdf

Matten, D., & Moon, J. (2008). "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33(2), 404-424. https://www.researchgate.net/publication/228311150_Implicit_and_Explicit_CSR_A_Conceptual_Framework_for_a_Comparative_Understanding_of_Corporate_Social_Responsibility

Mattera, M., Ruiz-Morales, C.A., & Gava, L. (2022). Sustainable business models to create sustainable competitive advantages: Strategic approach to overcoming COVID-19 crisis and improve financial performance. https://www.emerald.com/insight/content/doi/10.1108/CR-03-2021-0035/full/pdf?title=sustainable-business-models-to-create-sustainable-competitive-advantages-strategic-approach-to-overcoming-covid-19-crisis-and-improve-financial-performance

Meyer, E. (2014). *The culture map: Breaking through the invisible boundaries of global business*. PublicAffairs. file:///Users/leodianaz/Downloads/erin-meyer-the-culture-map-breaking-through-the-invisible-boundaries-of-global-business-publicaffairs-2014-pdf-NOVv.pdf

Michael Viehs, Gordon L. Clark, & Andreas Feiner. (2014). *From the stockholder to the stakeholder: How sustainability can drive financial outperformance. SSRN Electronic Journal*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2508281

Nidumolu, R., Prahalad, C. K., & Rangaswami, M. R. (2009). Why sustainability is now the key driver of innovation. *Harvard Business Review*. https://hbr.org/2009/09/why-sustainability-is-now-the-key-driver-of-innovation

OECD. (2015). *G20/OECD principles of corporate governance*. https://doi.org/10.1787/9789264236882-en

Orlitzky, M., Siegel, D. S., & Waldman, D. A. (2011). Strategic corporate social responsibility and environmental sustainability. *Business & Society*, 50(1), 6-27. https://doi.org/10.1177/0007650310394323

Pellegrini, C.B., Pellegrini, L., & Catizone, M. (2022). Climate Change Adaptation, Governance and New Issues of Value: Measuring the Impact of ESG Scores on CoE and Firm Performance.

Petruzzelli, S., & Badia, F. (2024). The quality assessment of stakeholder engagement disclosure in the EU mandatory non-financial reporting framework. https://www.emerald.com/insight/content/doi/10.1108/JAAR-11-2022-0290/full/pdf?title=the-quality-assessment-of-stakeholder-engagement-disclosure-in-the-eu-mandatory-non-financial-reporting-framework

Pieragnolo, S. (2019). External audit of non-financial information: An analysis of the first year implementation of the directive 2014/95/eu in the Italian context. https://thesis.unipd.it/retrieve/ac5e9358-c6ed-4ac8-92d1-95c5f68a39f2/Pieragnolo_Sofia.pdf

Platform on Sustainable Finance. (2022). Final Report on Social Taxonomy. European Commission. https://finance.ec.europa.eu/system/files/2022-08/220228-sustainable-finance-platform-finance-report-social-taxonomy_en.pdf

Porter, M. E., & Kramer, M. R. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), 78-92. https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility

Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*, 89(1/2), 62-77. https://www.communitylivingbc.ca/wp-content/uploads/2018/05/Creating-Shared-Value.pdf

Principles for Responsible Investment (PRI). https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment

PRI. (2023). Principles for Responsible Investment Annual Report. https://www.unpri.org/download?ac=18935

Provost, F., & Fawcett, T. (2013). *Data science for business: What you need to know about data mining and data analytic thinking*. O'Reilly Media. file:///Users/leodianaz/Downloads/Data_Science_for_Business.pdf

Renneboog, L., Ter Horst, J., & Zhang, C. (2008). Socially responsible investments: Institutional aspects, performance, and investor behaviour. *Journal of Banking & Finance*, 32(9), 1723-1742. https://www.sciencedirect.com/science/article/pii/S0378426607004220

Ries, E. (2011). *The lean startup: How today's entrepreneurs use continuous innovation to create radically successful businesses*. Crown Business. file:///Users/leodianaz/Downloads/The_Lean_Startup_How_Today_s_Entrepreneu.pdf

RobecoSAM, A. G. (2014). *The sustainability yearbook 2014*. https://www.legrandgroup.com/sites/default/files/Documents_PDF_Legrand/RSE/Centre_de_ressource/1_RespSocietale/3_-RobecoSAM_Sustainability_Yearbook_2014.pdf

Rugman, A. M., & Collinson, S. (2009). International Business, 6th Edition. Pearson Education Limited. https://students.aiu.edu/submissions/profiles/resources/onlineBook/z7u7v3_International_Business.pdf

Sandroni, A. (2021). How companies communicate the Sustainable Development Goals on social media: An analysis of FTSE 40 companies. https://tesi.univpm.it/retrieve/ca921fb2-057f-4a10-a519-83f53650be49/Sandroni%20Tesi.pdf

Schaltegger, S., & Hörisch, J. (2017). In search of the dominant rationale in sustainability management: Legitimacy- or profit-seeking? *Journal of Business Ethics*, 145(2), 259-276. https://doi.org/10.1007/s10551-015-2854-3

Schaltegger, S., & Wagner, M. (2011). Sustainable entrepreneurship and sustainability innovation: Categories and interactions. *Business Strategy and the Environment*, 20(4), 222-237. https://doi.org/10.1002/bse.682

Schein, E. H. (2010). *Organizational culture and leadership* (4th ed.). Jossey-Bass. https://ia800809.us.archive.org/14/items/EdgarHScheinOrganizationalCultureAndLeadership/Edgar_H_Schein_Organizational_culture_and_leadership.pdf

Schmidt, E., & Cohen, J. (2013). *The new digital age: Reshaping the future of people, nations, and business*. Alfred A. Knopf.

Scott, W. R. (2001). *Institutions and organizations*. Sage Publications. https://www.researchgate.net/publication/235363106_Institutions_and_Organizations

Sernovitz, G. (2016). *The green and the black: The complete story of the shale revolution, the fight over fracking, and the future of energy*. St. Martin's Press.

Siegel, E. (2016). *Predictive analytics: The power to predict who will click, buy, lie, or die*. Wiley. https://www.predictiveanalyticsworld.com/book/pdf/Predictive_Analytics_by_Eric_Siegel_Excerpts.pdf

Simon Brennan, Ramon Bravo Gonzalez, Magda Puzniak-Holford, Ruth Kilsby, Adithya Subramoni (2024). Sustainability regulation Outlook 2024 https://www2.deloitte.com/us/en/insights/environmental-social-governance/sustainability-regulation-outlook.html

Siri, M. (2023). I Rating ESG ed il Fattore 'S'.

Slaper, T. F., & Hall, T. J. (2011). The triple bottom line: What is it and how does it work? *Indiana Business Review*, 86(1), 4-8. https://www.ibrc.indiana.edu/ibr/2011/spring/pdfs/spring2011.pdf

Stiglitz, J. E. (2002). *Globalization and its discontents*. W. W. Norton & Company. https://wwnorton.com/books/globalization-and-its-discontents/

Strange, S. (1996). *The retreat of the state: The diffusion of power in the world economy*. Cambridge University Press. https://doi.org/10.1017/CBO9780511559143

Sullivan, R., & Mackenzie, C. (2017). *Responsible investment: New thinking for the next generation*. *Journal of Sustainable Finance & Investment*, 7(2), 111-113. https://www.taylorfrancis.com/books/edit/10.4324/9781351283441/responsible-investment-rory-sullivan-craig-mackenzie

Sustainable Stock Exchanges Initiative. (2020). *SSE model guidance on reporting ESG information to investors*. https://www.sseinitiative.org/home-slider/model-guidance-on-reporting-esg-information-to-investors/

Truant, E., Corazza, L., & Scagnelli, S.D. (2017). Sustainability and risk disclosure: An exploratory study on sustainability reports. file:///Users/leodianaz/Downloads/sustainability-09-00636.pdf

United Nations. Sustainable Development Goals (SDGs).

https://www.undp.org/sustainable-development-goals#:~:text=The%20Sustainable%20Development%20Goals%20(SDGs)%2C%20also%20known%20as%20the,people%20enjoy%20peace%20and%20prosperity

United Nations Global Compact. The Ten Principles of the UN Global Compact. https://unglobalcompact.org/what-is-gc/mission/principles

United Nations. (2003). *United Nations Convention against corruption*. https://uncaccoalition.org/united-nations-convention-against-corruption

United Nations. (2011). *Guiding principles on business and human rights: Implementing the United Nations "protect, respect and remedy" framework*. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

United Nations. *Sustainable Development Goals (SDGs)*. https://www.undp.org/sustainable-development-goals

Vanclay, F. (2003). International principles for social impact assessment. *Impact Assessment and Project Appraisal*, 21(1), 5-12. https://www.tandfonline.com/doi/epdf/10.3152/147154603781766491?needAccess=true

Vaynerchuk, G. (2011). *The thank you economy*. Harper Business. https://writerjournalist.files.wordpress.com/2013/10/the-thank-you-economy-gary-vaynerchuk.pdf

Vogel, D. (2010). *The politics of precaution: Regulating health, safety, and environmental risks in Europe and the United States*. Princeton University Press. https://www.cambridge.org/core/services/aop-cambridge-core/content/view/EC3CB277B7CD2B7BFAF9C25279D98FD6/S1537592713000248a.pdf/the-politics-of-precaution-regulating-health-safety-and-environmental-risks-in-europe-and-the-united-states-by-david-vogel-princeton-princeton-university-press-2012-332p-dollar3950.pdf

Voigt, P., & von dem Bussche, A. (2017). *The EU General Data Protection Regulation (GDPR)*. Springer. file:///Users/leodianaz/Downloads/978-3-319-57959-7.pdf

World Economic Forum. (2020). *The global risks report 2020*. https://www.weforum.org/reports/the-global-risks-report-2020

Sitography

https://unctad.org/publication/world-investment-report-2021

https://mkt-bcg-com-public-pdfs.s3.amazonaws.com/prod/how-technology-helps-sustainability-initiatives.pdf

https://www.gartner.com/en/newsroom/press-releases/2022-04-21-gartner-says-three-emerging-environmental-sustainability-technologies-will-see-early-mainstream-adoption-by-2025

https://www.thomsonreuters.com/en-us/posts/esg/related-eu-regulation/

The European green bond standard – Supporting the transition - European Commission (europa.eu)

https://corporate.pirelli.com/corporate/en-ww/aboutus/history

https://www.pirelli.com/global/en-ww/life/innovation/pirelli-a-history-of-innovation-50678/

https://www.visordown.com/news/racing/motogp/pirelli-enters-motogp-paddock-2024-moto2-moto3-tyre-supplier

https://www.globalatlanta.com/italy-spotlight-pirelli-on-investing-in-innovation-and-the-global-reach-of-performance-tires/

https://www.pirelli.com/global/en-ww/life/sustainability/pirelli-s-sustainability-10-years-of-achievements-52779/

https://www.fondazionepirelli.org/en/activities/stories-from-world-of-pirelli/the-artists-eye-the-great-names-in-photography-for-the-pirelli-calendar/

https://www.financierworldwide.com/fw-news/2015/3/31/chemchina-to-acquire-pirelli-in-77bn-deal

https://www.pirelli.com/global/en-ww/life/sustainability/esg/

https://cib.bnpparibas/pirelli-launches-first-ever-benchmark-sustainability-linked-bond-for-the-tyre-sector/

https://corporate.pirelli.com/corporate/en-ww/sustainability/reports

https://senecaesg.com/insights/comparing-esg-reporting-frameworks-gri-vs-tcfd/

https://press.pirelli.com/pirelli-confirmed-in-the-dow-jones-world-and-europe-sustainability-indices/

https://www.european-rubber-journal.com/article/2092577/three-tire-makers-listed-on-dow-jones-sustainability-charts

https://corporate.pirelli.com/corporate/en-ww/sustainability/innovating-for-sustainability

https://corp-assets.pirelli.com/corporate/PIRELLI_ANNUAL_REPORT_2023_ENG.pdf

https://corp-assets.pirelli.com/corporate/PIRELLI_ANNUAL_REPORT_2023_ENG.pdf

https://www.pirelli.com/tyres/it-it/auto/home

https://www.pirelli.com/tyres/it-it/moto/homepage

https://www.pirelli.com/tyres/it-it/bici

https://www.metzeler.com/it-it/home