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Sustainable Food Systems and Social Well-Being:  
Environmental, Social, and Governance (ESG) in the  
European Union

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# Abstract

Climate change is a significant threat, and its consequences affect various aspects of human life. These consequences can be natural, such as droughts and floods, or social consequences, such as lack of food security or worsening population health. States established global standards and targets to combat this phenomenon, partly directly or indirectly caused by human-caused factors, such as unrestrained development and high greenhouse gas production. This dissertation adopts a regional view and focuses on how the European Union intends to address the climate issue through the European Green Deal. A comprehensive plan that includes all aspects of human life and has different practical initiatives. By launching this ambitious initiative, the European Union has committed to reducing emissions by at least 55 percent by 2030 and providing a complete re-think of the economy from a green perspective. In this dissertation, the case study analyzes the sustainable report of Italian companies in the food sector. Specifically, it will examine the approach to sustainability adopted by Italian companies and compare it with the new European regulations, outlining the state of progress.

Il cambiamento climatico rappresenta una minaccia grave e le sue conseguenze si ripercuotono su vari aspetti della vita umana. Tali conseguenze possono essere naturali come siccità ed inondazioni o possono essere delle conseguenze sociali come, per esempio, la mancanza di sicurezza alimentare o un peggioramento della salute della popolazione. A livello globale sono stati individuati criteri e obiettivi da raggiungere per combattere questo fenomeno che in parte direttamente o indirettamente è stato prodotto dall'uomo a causa di uno sviluppo sfrenato e un'alta produzione di anidride carbonica. In questo lavoro si adotta una visione regionale e ci si focalizza sul modo in cui l'Unione Europea intende affrontare la questione con l'attuazione del Green Deal europeo. Grazie a questo progetto, l'Unione europea si è impegnata a ridurre le emissioni di almeno il 55% entro il 2030 e a prevedere una revisione completa dell'economia in un'ottica green. Il green deal è un piano che ricopre tutti gli aspetti della vita umana e ha tantissime iniziative pratiche. In particolare, in questo lavoro si è deciso di analizzare le aziende italiane del settore alimentare. Nello specifico verrà esaminato l'approccio alla sostenibilità adottato da queste aziende e si confronterà con le nuove normative europee, delineando lo stato di avanzamento.

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# Introduction

The current historical<sup>1</sup> period is characterized by a series of crises of various kinds, ranging from the environmental crisis, central to this work, to political, social, and economic crises. These crises are global and intersect reciprocally, making the development of effective solutions even more complex. The Pandemic crisis of 2020 still affects the world economy, and the Russian invasion of Ukraine in 2022 brought war back to Europe, almost 80 years after World War II. These events with the environmental crisis have intensified disparities, such as a rise in the cost of living, the dissemination of fake news, and the denial of established scientific evidence. To blame for this inaction are certainly States, as it is only recently in the sphere of politics and institutions that they have begun to create action plans and implement targeted policies; even if the first debates regarding global warming began in 1896 when Svante Arrhenius claimed that fossil fuel combustion may eventually increase the air temperature<sup>2</sup>. The urgency of dealing with the problem is explained by the rise in the earth's temperature, the rising sea level, and sudden disasters such as tropical typhoons, hurricanes, and floods that have increased in frequency and intensity year after year.

The Intergovernmental Panel on Climate Change<sup>3</sup>, established in 1988 by the World Meteorological Organization and the United Nations Environment Program, with the aim of tackling the concern of global warming, produced its first report in 1990. This first work highlights the link between global warming and the use of fossil fuels that leads to an increase in greenhouse gas emissions. From this evidence comes the need to reduce emissions in industrialized countries.

The European Union<sup>4</sup> at the end of 1990 adopted the first targets to stabilize emissions by the year 2000 at the 1990 level through environmental protection and

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<sup>1</sup> World Economic Forum. (2024). Global Risks Report 2024: The risks are growing, but there's hope. Retrieved July 5, 2024, available at <https://www.weforum.org/agenda/2024/01/global-risk-report-2024-risks-are-growing-but-theres-hope/>

<sup>2</sup> Arrhenius, S. (1896). On the influence of carbonic acid in the air upon the temperature of the ground. *Philosophical Magazine and Journal of Science*, 41(5), 237-276. Retrieved July 5, 2024, available at [https://www.rsc.org/images/Arrhenius1896\\_tcm18-173546.pdf](https://www.rsc.org/images/Arrhenius1896_tcm18-173546.pdf)

<sup>3</sup> United Nations General Assembly. (1988). Resolution 43/53: Protection of global climate for present and future generations of mankind. Retrieved July 5, 2024, available at <https://digitallibrary.un.org/record/54234>

<sup>4</sup> Italian National Institute for Environmental Protection and Research (ISPRA).

energy efficiency initiatives. This first European step was crucial as it laid the foundation for the negotiation of the United Nations Framework Convention on Climate Change. An international environmental agreement produced by the Earth Summit in 1992 is one of the first attempts by the international community. However, the agreement is not binding on the parties and therefore has no legal effect. Instead, the agreement provided meetings for updating, known as protocols, in which the goals to be achieved were identified.

The agreement was based on an awareness of the threat of climate change, of activities that lead to the production of greenhouse gases and consequently to global warming.

Article 3 of the UNFCCC<sup>5</sup> lists its principles concerning the fight against climate change and its effects, the recognition of the vulnerability of developing countries regarding climate change, and the awareness that this entails special conditions and needs. Finally, the lack of scientific certainty is not an excuse to postpone prevention and mitigation measures against global warming.

Article 4 outlines the obligations under the convention, such as the implementation of climate change mitigation, adaptation measures, and the sustainable management of ecosystems. Other key articles are Article 7 and Article 12.

Article 7 establishes the Conference of the Parties (COP), the regular meeting of the parties to the convention with business and civil society. During this two-week meeting, important decisions to solve the global problem of climate change are taken, information exchange is promoted, measures to be taken, and the status and problems of the goals set to combat climate change are reviewed.

Article 12 regulates reporting on the implementation of the convention, which involves two types of documents for industrialized countries (Annex I).

The first document is an annual national inventory of emissions and removals of greenhouse gases not controlled by the Montreal Protocol, with estimates and methodologies prepared by the IPCC and officially approved by the UNFCCC.

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(n.d.). Convenzione quadro sui cambiamenti climatici e protocollo di Kyoto.  
Retrieved July 10, 2024.

Available at <https://www.isprambiente.gov.it/attivita/cambiamenti-climatici/convenzione-quadro-sui-cambiamenti-climatici-e-protocollo-di-kyoto>

<sup>5</sup> United Nations. (1992). United Nations Framework Convention on Climate Change  
.Retrieved July 10, 2024, available at <https://unfccc.int/resource/docs/convkp/conveng.pdf>

The second category of documents pertains to reports that necessitate regular submission and comprise a comprehensive listing of policies and measures implemented to mitigate greenhouse gas emissions. The convention entered into force on 21 March 1994 and the following year saw the first COP in Berlin. However, it was not until COP3 in Kyoto in 1997 that the first implementing instrument of the UN Framework Convention was drafted. The Kyoto Protocol<sup>6</sup> entered into force in 2005. Although its commitment to reduce greenhouse gas emissions is modest in contrast to the framework convention, it sets binding parameters for the countries listed in its Protocol B.

The countries covered are thirty-seven industrialized countries, countries with economies in transition, and the European Union.

The European Union has an obligation to reduce greenhouse gas emissions by 8% compared to 1990. It is set out in Council Decision 2002/358/EC<sup>7</sup>, which will be divided among the member countries according to economic growth, industrial structure and the mix of energies used. For example, Italy was allocated a 6.5% reduction in greenhouse gases compared to 1990. In the end, the protocol's targets were not achieved, and the Kyoto Protocol was replaced by the Paris Agreement<sup>8</sup>.

The Paris Agreement is a legally binding agreement, approved at the end of COP21 held in Paris in 2015 and entered into force in 2016 when the quorum required in Article 21 was reached. This required fifty-five ratifications from countries responsible for at least 55% of global greenhouse gas emissions for the treaty to enter into force. Cop21 was one of the most important in the history of the Conference of the Parties and was responsible for adopting a post-Kyoto agreement governing the period from 2020 onwards, a process that had been initiated in 2011 in Durban with Cop 17. Moreover, defined as the first global agreement, the

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<sup>6</sup> ISPRA. (n.d.). United Nations Framework Convention on Climate Change and Kyoto Protocol. Retrieved July 10, 2024.

Available at <https://www.isprambiente.gov.it/it/attivita/cambiamenti-climatici/convenzione-quadro-sui-cambiamenti-climatici-e-protocollo-di-kyoto>

<sup>7</sup> Council of the European Union. (2002). Council Decision of 25 April 2002 concerning the approval, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments Thereunder (2002/358/EC). Official Journal of the European Union, L 130., Retrieved July 10, 2024. Available at <https://eur-lex.europa.eu/eli/dec/2002/358/oj>

<sup>8</sup> United Nations Framework Convention on Climate Change. (2015). Adoption of the Paris Agreement. FCCC/CP/2015/L.9/Rev.1., Retrieved July 10, 2024, available at [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)



agreement succeeded in restoring credibility to the process in the face of previous failures. Such as that of Cop 15 in 2009, which had set the goal of sending \$100 billion to developing countries to combat climate change but remained unfulfilled. The shared goal of the Paris Agreement is to hold “the global average temperature increases well below 2 °C compared to pre-industrial levels”<sup>9</sup>, while the more ambitious goal is to keep “the temperature increases at 1.5 °C”<sup>10</sup>.

This target was specifically requested by the peninsular countries, which are most vulnerable to climate change. The UN Intergovernmental Panel on Climate Change pointed out that exceeding the 1.5 °C threshold could result in more climate change impacts.

Another significant aspect is the ensuing passage contained in the preamble of the Paris Agreement: “Acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity<sup>11</sup>” .

This renders the consideration of human rights a crucial component of climate negotiations and states parties to the convention acknowledge that climate change poses a threat not only to the environment but also to human beings. Extreme weather events result in an increased number of victims, in areas most vulnerable to climate change, preventing the full enjoyment of their inviolable rights. For example, a lack of access to food due to extreme rainfall or pest infestations that have destroyed crops.

This work aims to emphasize that action to combat climate change must be guided by the promotion and protection of human rights as these impose precise standards and criteria that must be respected by states. Indeed, human rights play a significant role in my research question.

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<sup>9</sup> Ibidem

<sup>10</sup> Ibidem

<sup>11</sup> United Nations Framework Convention on Climate Change. (2015). Adoption of the Paris Agreement. FCCC/CP/2015/L.9/Rev.1. Art.2 Paragraph (a) Pag. 5, Retrieved July 10, 2024, available at [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)

As in 1990, the European Union remains the first major producer of greenhouse gases to present its targets for reducing emissions. In line with the Paris Agreement and the 2030 Agenda, the European Commission presented the European Green Deal<sup>12</sup> in December 2019. This is an ambitious plan that aims to reduce emissions, while promoting a sustainable development that will grow Europe's economies and the well-being of its inhabitants. This work has a European perspective and will explain the initiatives taken by the European Union, such as the creation of a European taxonomy, the adoption of new sustainability directives, new standards and ESG assessment criteria.

The acronym ESG<sup>13</sup> stands for environmental, social, and governance factors utilized to assess and quantify the sustainability of corporations and nations.

In particular, it is essential to consider the crucial role of businesses in achieving the targets, as they are the main driving force of economic development.

Therefore, the analysis would be inaccurate if corporate sustainability measures were not considered. A case in point is the Directive on Corporate Sustainability Due Diligence<sup>14</sup> approved in March 2024, also known as the Supply Chain Act, which aims to prevent and mitigate negative social and environmental impacts throughout the entire production and distribution process. In the face of the new directives, companies must demonstrate their commitment to operating in a way that respects human rights and environmental and social responsibility. It was decided to conduct an analysis of companies operating in the food industry, as a sustainable food system is imperative for achieving the Sustainable Development Goals<sup>15</sup>. It is not a coincidence that the second goal of the 2030 Agenda also contains a subgoal to improve nutrition and promote sustainable agriculture.

Indeed, the global food system is draining our natural resources and directly contributing to the production of greenhouse gases. The report titled “Food systems

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<sup>12</sup> European Commission. (2019). The European Green Deal. Retrieved July 10, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

<sup>13</sup> Sonko, K. N. M., & Sonko, M. (2023). *Demystifying Environmental, Social and Governance (ESG): Charting the ESG Course in Africa*. Palgrave Macmillan. Retrieved July 10, 2024, available at <https://doi.org/10.1007/978-3-031-35867-8>

<sup>14</sup> European Union. (2022). Proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDDD). COM (2022) 71 final. Retrieved July 12, 2024. available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A71%3AFIN>

<sup>15</sup> United Nations. (2015). Sustainable Development Goals Retrieved July 15, 2024, available at <https://sdgs.un.org/goals>

are accountable for a third of global anthropogenic GHG emissions,<sup>16</sup> which was compiled by the European Commission's Joint Research Centre in collaboration with the FAO, besides asserting that the world food system is accountable for 1/3 of global GHG emissions.

It highlights that the global food system is becoming progressively more energy intensive. In developing countries, it is triggered by the continuous supply of goods in retail shops and the entire packaging and distribution process. In industrialized countries, this is due to the increased emission of fluorinated greenhouse gases used in refrigeration and other industrial applications. The central role of the food supply chain in combating global warming cannot be ignored, because of its impact, as well as ongoing violations of human rights in large-scale production, and because the right to food is a human right. An in-depth analysis will be conducted of Italian companies that are considered sustainability leaders by Standard Ethics, an independent ESG rating company.

The sustainable approach adopted by these companies will be compared with the new European regulation in order to understand if or what will change for these companies, but also what the new regulation introduces.

## Research Question

The European Union<sup>17</sup> has committed to reducing emissions by a minimum of 55% by 2030 through the implementation of the European Green Deal, which includes a comprehensive overhaul of the economy, and enhancements in employment, health, and well-being. Moreover, it aims to establish Europe as the first continent to achieve climate neutrality by 2050. The purpose of this dissertation is to analyze the policies and politics the European Union is going through to become a sustainable reality. To examine this matter, it will be imperative to proceed through

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<sup>16</sup> Crippa, M., Solazzo, E., Guizzardi, D., Monforti-Ferrario, F., Tubiello, F. N., & Leip, A. (2021). Food systems are responsible for a third of global anthropogenic GHG emissions. *Nature Food*, 2, 198-209. Retrieved July 16, 2024. available at <https://doi.org/10.1038/s43016-021-00225-9>

<sup>17</sup> European Commission. (2019). The European Green Deal. Retrieved July 10, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

distinct stages. One must first emphasize the risks involved in climate change and why scientists, politicians, and citizens are coming together to create a green plan. Subsequently, the transition from a global process to a regional vision, with the European Union as the primary protagonist, and the progress made thus far. Once the framework is established, it is important to clarify what the European Green Deal is and what the judicial acts are that allow this project to be started. These acts will help us answer the following research question: How will it be possible to improve and guarantee respect for human rights through the Directive on Corporate Sustainability Reporting Directive<sup>18</sup>?

## Literature Review – State of the Art

Initially, studies centered on climate change were scientific investigations based on physics, calculation, and measurement of gases present in the atmosphere and their influence. Indeed, the pioneering study on climate change was conducted by Svante Arrhenius, titled “On the influence of carbonic acid in the air upon the temperature of the ground<sup>19</sup>,” wherein he asserted that carbon dioxide concentrations were affecting the climate. Subsequently, the impact of climate change on people and the enjoyment of their political and social rights also opened this field of study to the social sciences. Social Studies play a central role in the design and production of public policies for more democratic and innovative societies. However, social science is at a distinct disadvantage in terms of funding for research development. According to Indra Overland and Benjamin K. Sovacool from 1990 to 2018 “a mere USD 393 million of funding went to social science research on the mitigation of climate change, equivalent to 5.21% of all funding for climate change research and 0.12% of all research funding”<sup>20</sup>. Fortunately, this has not stopped research, but

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<sup>18</sup> European Union (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD). Official Journal of the European Union, L 322/15. Retrieved 20 July 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

<sup>19</sup> Arrhenius, S. (1896). On the influence of carbonic acid in the air upon the temperature of the ground. *Philosophical Magazine and Journal of Science*, 41(5), 237-276. Retrieved July 5, 2024, available at [https://www.rsc.org/images/Arrhenius1896\\_tcm18-173546.pdf](https://www.rsc.org/images/Arrhenius1896_tcm18-173546.pdf)

<sup>20</sup> Overland, I., & Sovacool, B. K. (2020). The misallocation of climate research funding. *Energy Research & Social Science*, 62, 101349. Retrieved July 12, 2024, available at <https://doi.org/10.1016/j.erss.2019.101349>

more and more researchers are focusing on climate change and emphasizing the importance of recognizing the role of social science in this field.

In this introductory framework, it is crucial to consider the central role of companies in both technological and economic development. As a matter of fact, climate change has triggered a shift in the market; companies are expected to be sustainable and to have a positive social impact. This has led to an intensification of research into measuring sustainability and awareness of the environmental impacts caused by companies. In the regulatory framework of states, corporate responsibility is typically a voluntary reporting process in which companies self-evaluate their environmental performance, frequently presenting themselves as greener than they are. This dedication to appear more responsible and more environmentally friendly is a result of consumers' willingness to pay a higher price for sustainable products.

This has been proved by several research studies, such as Martin Grimmer and Timothy Bingham's study entitled “Company environmental performance and consumer purchase intentions<sup>21</sup>”.

The literature on sustainability is extensive and has grown rapidly over the past decades and “it has explored a variety of issues, from sustainability disclosure to measurement in green supply chains, from the diffusion of environmental standards to the political use of sustainability metrics. Also, articles have been published in a variety of journals, and authors have used different terms, methods, and theoretical frameworks”<sup>22</sup>.

Mariolina Longo, Matteo Mura, Chiara Vagnini, and Sara Zanni, in their book “*Methods in Sustainability Science*<sup>23</sup>”, have helped to divide the various branches of sustainability research into nine fields of investigation. This work relates to the

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<sup>21</sup> Grimmer, M., & Bingham, T. (2013). Company environmental performance and consumer purchase intentions. *Journal of Business Research*, 66(10), 1945-1953. Retrieved July 12, 2024, available at <https://doi.org/10.1016/j.jbusres.2013.02.016>

<sup>22</sup> Longo, M., Mura, M., Vagnini, C., & Zanni, S. (2024). Sustainability measurement: Evolution and methods. In A. Editor (Ed.), *Sustainability Practices* (pp. 123-145) Paragraph 5.2.1 Literature Structures. Green Publishing. Retrieved July 12, 2024, available at <https://doi.org/10.1016/B978-0-12-823987-2.00010-6>

<sup>23</sup> Longo, M., Mura, M., Vagnini, C., & Zanni, S. (2024). Sustainability measurement: Evolution and methods. In A. Editor (Ed.), *Sustainability Practices* (pp. 123-145). Green Publishing. Retrieved July 12, 2024, available at <https://doi.org/10.1016/B978-0-12-823987-2.00010-6>

seventh field identified, which is that of the “diffusion of sustainability standards<sup>24</sup>” due to the adoption of a new legal framework or pressure from stakeholders.

Since 2012, the research in this field has been subdivided into two independent directions. The first one is sustainability disclosure and reporting results.

The other one is on the consequences of ESG factor reporting on companies and how they respond to it, which is the direction chosen for this work.

A 2008 study by Avshalom Madhala Adam and Tal Shavit<sup>25</sup> used a mathematical model to examine whether ESG factor reporting could incentivize companies to improve their performance. In a market like the one in 2008, where not all companies were classified, the benefit of ESG reporting was minimal.

That is because companies that did not adhere to reporting had no incentive to improve. For those who did adhere, this incentive might diminish if the cost of capital was too high and did not allow for a certain threshold of improvement. In line with this result is the work of Steven Scalet and Thomas F. Kelly<sup>26</sup>.

They point out that there is a force pushing companies to be socially responsible due to personal ethics or consumer demand, but also underline that rating agencies do not encourage companies with negative ratings to address the issue. Hereford, the responses to negative rankings are few.

Mohamed Chelli & Yves Gendron in 2013<sup>27</sup> demonstrated that rating practices promote both an exclusion and an inclusion regime. The exclusion regime penalizes companies that score low, while the inclusion regime rewards companies by giving them a higher score.

Supporting these ideas is the research of Rieneke Slager and Wendy Chapple<sup>28</sup>. They point out that there are two instances in which companies improve their

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<sup>24</sup> Ibidem

<sup>25</sup> Madhala, A., & Shavit, T. (2008). How can a ratings-based method for assessing corporate social responsibility (CSR) provide an incentive to firms excluded from socially responsible investment indices to invest in CSR? *Journal of Business Ethics*, 82(4), 899-905. Retrieved June 12, 2024, available at <https://doi.org/10.1007/s10551-007-9600-4>

<sup>26</sup> Scalet, S., & Kelly, T. F. (2010). CSR rating agencies: What is their global impact? *Journal of Business Ethics*, 94(1), 69-88. Retrieved June 11, 2024, available at <https://doi.org/10.1007/s10551-009-0250-6>

<sup>27</sup> Chelli, M., & Gendron, Y. (2013). Sustainability ratings and the disciplinary power of the ideology of numbers. *Journal of Business Ethics*, 112(2), 187-203. Retrieved June 11, 2024, available at <https://doi.org/10.1007/s10551-012-1252-3>

<sup>28</sup> Slager, R., & Chapple, W. (2015). Carrot and stick? The role of financial market intermediaries in corporate social performance. *Business & Society*, 55(3), 398-426. Retrieved June 11, 2024, available at <https://doi.org/10.1177/0007650315575291>

performance after the introduction of new criteria: when they were in danger of being excluded from the index or when they had actively advertised to be part of the index. In contrast to the previous idea, Jeffrey Gauthier and Bill Wooldridge<sup>29</sup> invoke the idea that companies use compensatory techniques. Companies take advantage of the fact that some rating companies give higher scores in specific categories and decide to invest in those to increase their score, but without making substantial changes. Robert McCorquodale and Justine Nolan<sup>30</sup>'s research highlights the need for clear legal frameworks to improve human rights compliance. They also underline the importance of companies recognizing new legislation as real change, not just symbolic compliance.

The most recent research in this literature is by Surya Deva<sup>31</sup> from 2023: in it, he criticizes the notion that human rights due diligence regulations improve human rights compliance and also points out that there is still too much ambiguity to be able to claim that these regulations lead to a decrease in abuses.

These criticisms were made before the European legislation was approved, so they are based on assumptions made at the time. This dissertation aims to understand whether the new legislation will lead to a decrease in human rights abuses or whether, as Deva predicted in his work, too much ambiguity will persist in social improvements.

The first point of newness is the geographic area of analysis since most of the previous works focus on US, South American, or Asian companies.

There is only one work that focuses on the Italian situation, but in a generic way without focusing on individual companies. A second element of originality is the comparison between the companies. Since, as learned from the previous literature, a more general analysis is usually made and does not go into the specifics of individual company data.

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<sup>29</sup> Gauthier, J., & Wooldridge, B. (2017). Sustainability ratings and organizational legitimacy: The role of compensating tactics, *Sustainability and social responsibility: Regulation and reporting* (pp. 141-157). Springer. Retrieved June 12, 2024, available at [https://doi.org/10.1007/978-981-10-4502-8\\_6](https://doi.org/10.1007/978-981-10-4502-8_6)

<sup>30</sup> McCorquodale, R., & Nolan, J. (2021). The Effectiveness of Human Rights Due Diligence for Preventing Business Human Rights A. *Netherlands International Law*, V.68. Pag.455-478, Retrieved June 12, 2024, available at [https://doi.org/10.1007/978-981-10-4502-8\\_6](https://doi.org/10.1007/978-981-10-4502-8_6)

<sup>31</sup> Deva, S. (2023). Mandatory human rights due diligence laws in Europe: A mirage for rightsholders? *Leiden Journal of International Law*, 36(2), 389–414. Retrieved June 15, 2024, available at doi:10.1017/S0922156522000802

## Thesis Structure

To furnish a concrete response, this dissertation will be divided into four chapters: 1- From globalization towards global sustainable development, 2- A greener European Union, 3- Food system and Food justice, 4- Case Study: Italy sustainable brands. The first chapter, “From globalization towards global sustainable development”, serves to acquaint the reader with the fundamental components required for comprehending the issue of climate change and the global ESG criteria that will guide us towards our conclusions. Specifically, this chapter also addresses the historical part. The second chapter, “A greener European Union”, introduces the European Union as an international player and outlines the steps taken to a green transition. This examines the key policy initiatives contained in the Green Deal and enables the reader to delve further into the fundamental directives and the recently introduced taxonomy. The third chapter, “Food system and sustainability,” focuses on the food industry and on its massive impact on the climate. Moreover, food will be analyzed as an essential human right and the importance to ensure food security for all. In the fourth chapter, "Case Study: Italy Sustainable Brands," an in-depth analysis is conducted on large Italian food companies and their sustainability reports. These companies are identified from the Food & Beverage Italian Benchmark<sup>32</sup> by Standard Ethics, which ranks the top 30 Italian food companies that comply with international sustainability guidelines established by the European Union, the OECD, and the United Nations. I selected one company for each of the four rating categories based on the highest transparency and data availability. Since no Italian food company was able to fit into the highest two categories, I started with the Strong and Sustainable category and selected Illy Caffè. For the Excellent and Sustainable category, I selected Loacker, and for the Low and Not Fully Sustainable category, I selected Mutti. While for the category of Very Low, Not Fully Sustainable, I selected Pastificio Rana. Following that the approach to sustainability adopted by these companies has been compared to the new European legislation, highlighting the parameters that are already acceptable according to it.

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<sup>32</sup> Standard Ethics. (2022). Food&Beverage Sustainability Italian Benchmark Retrieved 20 July 2024. available at <https://www.standardethics.eu/media-en/research-methodology/standard-ethics-publishes-the-food-beverage-sustainability-italian-benchmark/viewdocument/650>



The comparison was made to evaluate if it is possible to implement and ensure respect for human rights through the Corporate Sustainability Reporting Directive or not.

## Methodology

This qualitative investigation was initiated to comprehend this lengthy path toward sustainability and tackling global warming. The sources used are official documents, directives, and regulations from the European Union, as well as official documents from the United Nations and its agencies. Other significant resources include books on sustainable finance, the Green Deal, as well as the European Taxonomy. The investigation conducted by experts in the field is also crucial for this endeavor. In addition, I also relied on the official websites of the United Nations, the European Union, and their bodies.

Lastly, the sustainable balance sheets of the companies considered were analyzed. I chose these types of sources because they were the ones that would objectively provide me with the information I was looking for and a legal, economic, and historical basis. These diverse sources allowed me to transcend the realm of theoretical analysis and observe the practicalities of European institutions.

# 1. Globalization towards sustainable development

## 1.1 A New Global Perspective

Globalization<sup>33</sup> has redefined our reality, interconnecting markets, improving communication, and promoting technological and economic development.

Certainly, its most memorable features are the standardization of production methods and immediate communication. Despite its numerous advantages, globalization also has negative effects, these include the rise of social disparities, environmental degradation, and the intensifying influence of multinational corporations. According to historians<sup>34</sup>, globalization is an ancient phenomenon, with the first navigation aimed at commercialization.

While according to economists' perspective, globalization began with the Second Industrial Revolution, which altered production methods, improved living conditions, and influenced art and culture. But the negative impact of human activity on the environment is indisputable, especially since the advent of the second industrial revolution. From this first moment on, the negative environmental impact is significant and encompasses pollution, deforestation, and loss of biodiversity, all in favor of maximizing profits.

The realization of environmental damage did not occur instantaneously; rather, it was a gradual process that developed over time. It must be clear that in this century, industries had great freedom to pollute; specifically, environmental law is a recent branch of jurisprudence, for example in Italy it was born in the 1980s.

Despite being a significant contributor to environmental degradation, globalization is also a driving force behind the development of international collaboration and the advancement of multilateral agreements to address common environmental challenges. Analyzing the 1950s and 1960s, this was marked by several environmental disasters, a well-known example being the “Great Smog”<sup>35</sup>.

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<sup>33</sup> Nakajima, T., Hamori, S., He, X., Liu, G., Zhang, W., Zhang, Y., & Liu, T. (2021). ESG Investment in the Global Economy. SpringerBriefs in Economics. Retrieved 16 June, 2024, available at <https://doi.org/10.1007/978-981-16-2990-7>

<sup>34</sup> Bordo, M. D., Taylor, A. M., & Williamson, J. G. (Eds.). (2003). Globalization in Historical Perspective. University of Chicago Press. Retrieved 16 June, 2024, available at <https://www.nber.org/system/files/chapters/c9583/c9583.pdf>

<sup>35</sup> National Geographic. (2022). The Great Smog of London woke the world to the dangers

This event, caused through coal for industry and electricity, resulted in thousands of deaths and the necessity for a plan to improve air quality.

In response to environmental disasters and social pressures, states agreed that it was time to address the environmental problem at the international level.

During the 23rd session of the United Nations General Assembly with the adoption of resolution No. 2398<sup>36</sup>, states committed to meet in Stockholm to deliberate on collective environmental initiatives.

On a global scale, the first United Nations conference concerning the environment was the Stockholm Conference on the Human Environment in 1972.

The convening of the conference by the States signifies an official recognition that environmental issues have a direct impact on the quality of human life. Additionally, it acknowledges that these issues are international, requiring cooperation between states to find solutions.

The Stockholm Conference resulted in the Stockholm Declaration, which is a non-binding document containing fundamental principles on environmental respect. Its preamble emphasizes that the human being “is both creature and moulder of his environment, which gives him physical sustenance and affords him the opportunity for intellectual, moral, social and spiritual growth<sup>37</sup>”.

Furthermore, it recognizes that the time has come to realize that human action “can do massive and irreversible harm to the earthly environment on which our life and well-being depend<sup>38</sup>”. Another significant passage to remember is the following, which recognizes that environmental protection is as important as economic progress, social development and peace: “To defend and improve the human environment for present and future generations has become an imperative goal for mankind—a goal to be pursued together with, and in harmony with, the established and fundamental goals of peace and of worldwide economic and social

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of coal. Retrieved 16 June, 2024, available at <https://www.nationalgeographic.com/history/article/great-smog-of-london-1952-coal-air-pollution-environmental-disaster>

<sup>36</sup> United Nations General Assembly. (1968). Problems of the human environment: Resolution A/RES/2398 (XXIII). Retrieved 16 June, 2024, available at <https://digitallibrary.un.org/record/657791>

<sup>37</sup> United Nations. (1972). Declaration of the United Nations Conference on the Human Environment. Preamble. Retrieved 16 June, 2024, available at <https://wedocs.unep.org/bitstream/handle/20.500.11822/29567/ELGP1StockD.pdf>

<sup>38</sup> Ibidem

development<sup>39</sup>”. The declaration is composed of 26 principles regarding human responsibilities towards the environment and their rights. It is relevant to note that these principles served as the foundation for the development of international environmental law and helped define sustainable development, a concept that will be examined in greater detail below.

Some fundamental concepts emerge from the following principles:

- Principle n°1 highlights the intrinsic link between human rights and the right to a clean and healthy environment.
- Principle n°13 acknowledges the synergy between economic development and environmental protection, urging states to implement and coordinate measures to enhance environmental quality.
- Principle n°24 emphasizes the importance of Cooperation between States is fundamental to “control, prevent, reduce, and eliminate adverse environmental effects resulting from activities conducted in all spheres.”<sup>40</sup>

A further significant outcome of the Stockholm Conference was the establishment of the United Nations Environment Program, “the leading environmental authority in the United Nations system”<sup>41</sup>. It has several responsibilities, such as providing technical assistance to developing countries, monitoring the global environmental status, and disseminating scientific and technological information.

UNEP’s mission is to “provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations”<sup>42</sup>.

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<sup>39</sup> United Nations. (1972). Declaration of the United Nations Conference on the Human Environment. Principles Retrieved 16 June, 2024, available at <https://wedocs.unep.org/bitstream/handle/20.500.11822/29567/ELGP1StockD.pdf>

<sup>40</sup> Ibidem

<sup>41</sup> United Nations. (1972). *About the United Nations Environment Programme*. UNEP UN Environment Programme Retrieved 17 June, 2024, available at <https://www.unep.org/who-we-are/about-us>

<sup>42</sup> United Nations. (1972). *About the United Nations Environment Programme*. UNEP UN Environment Programme Retrieved 17 June, 2024, available at <https://www.unep.org/who-we-are/about-us>

However, after the conference, there was a period of inactivity at the international level regarding the environmental issue. It was only in 1987 when the report entitled *Our Common Future* was presented, that there was a renewed effort to rekindle the spirit of Stockholm. The report is commonly referred to as the Brundtland report, after Gro Harlem Brundtland, the Chair of the Commission. It emphasized that global environmental challenges stem from two distinct factors: the first is linked to the impoverished regions of the world's South, and the second pertains to the unsustainable production and consumption practices of the North. For the first time, a definition of sustainable development is introduced as: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs<sup>43</sup>”.

The Brundtland Report played a central role in the establishment of the 1992 United Nations Conference on Environment and Development, commonly referred to as the Earth Summit or the Rio Conference. The aim was to promote sustainable development worldwide and find a common solution to the problems of poverty, inequality between the global North and South, and difficulties in the environmental, economic, and social spheres. The conference was attended by representatives from 172 nations, who acknowledged the significance of environmental protection alongside economic and social development.

Significantly, the results of this world meeting include three non-binding international agreements and two binding international agreements.

Although the three declarations of principles are not legally binding, they still have considerable political value, since they represent a global consensus on environmental and sustainable development issues.

Beginning with non-binding agreements, there is the Declaration of Principles for Sustainable Forest Management, which is a compromise between developing countries' demands for international aid for forest preservation and developed countries' opposition.

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<sup>43</sup> World Commission on Environment and Development. (1987). *Our common future*. Oxford University Press. Retrieved 17 June, 2024, available at <https://digitallibrary.un.org/record/139811?v=pdf>

This is limited to recommending states to preserve forests and limit their damage; also, “these principles reflect a first global consensus on forests<sup>44</sup>”. “In committing themselves to the prompt implementation of these principles, countries also decide to keep them under assessment for their adequacy with regard to further international cooperation on forest issues<sup>45</sup>”.

The Rio Declaration<sup>46</sup> outlines the 27 principles and responsibilities that states must adhere to accomplish sustainable development.

Key concepts emerge in the following listed principles:

- Principle n°1 places the human being at the center as responsible for sustainable development.
- Principle n°2 underlines that states have “the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies<sup>47</sup>”, but at the same time they have “the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction<sup>48</sup>”.
- Principle n°3 highlights that the “right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations<sup>49</sup>”. It is also crucial to emphasize that the Rio Declaration definitively delineates the concept of sustainable development that was initially proposed in the Brundtland Report.
- Principle n°4 emphasizes that, to achieve sustainable development, it is imperative to recognize that “environmental protection shall constitute an

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<sup>44</sup> United Nations. (1992). On-Legally binding authoritative statement of principle for a global consensus on the management, conservation and sustainable development of all types of forests. United Nations Digital Library. Retrieved 17 June,2024, available at <https://digitallibrary.un.org/record/144461?v=pdf>

<sup>45</sup> Ibidem

<sup>46</sup> United Nations. (1992). The Rio Declaration on Environment and Development. United Nations Digital Library. Retrieved 17 June,2024, available at <https://digitallibrary.un.org/record/200866?ln=en>

<sup>47</sup> Ibidem

<sup>48</sup> United Nations. (1992). The Rio Declaration on Environment and Development. United Nations Digital Library. Retrieved 17 June,2024, available at <https://digitallibrary.un.org/record/200866?ln=en>

<sup>49</sup> Ibidem

integral part of the development process and cannot be considered in isolation from it<sup>50</sup>”

- Principle n° 7 underlines the need for a global alliance for the development of environmental law in the international sphere. It also underlines that states must have common and differentiated responsibilities based on their pressures on the environment and their own financial resources.
- Principle n° 15 entails the precautionary principle, which stipulates that a policy to safeguard the environment must be implemented despite the lack of scientific certainty.

The last non-binding document is the Agenda 21<sup>51</sup>, a global, national, and local action plan that aims to promote sustainable development in the 21st century with the aim of enhancing individuals' quality of life while preserving the environment and future generations. When the document was redacted, the central idea was that the development model had led to a rise in inequality, the spread of diseases, and a persistent economic disparity among nations; the Agenda 21 was presented as a means of addressing this issue through an action plan.

The two legally binding agreements produced from the Rio conference are:

The Convention on Biological Diversity<sup>52</sup>, entered into force in 1993, and its fundamental objectives are articulated in Article 1: *“the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding<sup>53</sup>”*.

The United Nations Framework Convention on Climate Change, based on an awareness of the existence of climate change, of activities that lead to the

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<sup>50</sup> United Nations. (1992). The Rio Declaration on Environment and Development. United Nations Digital Library. Retrieved 17 June, 2024, available at <https://digitallibrary.un.org/record/200866?ln=en>

<sup>51</sup> United Nations. (1992). Agenda 21: The United Nations Programme of Action from Rio. Retrieved 17 June, 2024, available at <https://sustainabledevelopment.un.org/outcomedocuments/agenda21/>

<sup>52</sup> United Nations. (1992). Convention on Biological Diversity. United Nations Digital Library. Retrieved 17 June, 2024, available at <https://digitallibrary.un.org/record/223428?ln=en&v=pdf>

<sup>53</sup> United Nations. (1992). Convention on Biological Diversity. United Nations Digital Library. Retrieved 17 June, 2024, available at <https://digitallibrary.un.org/record/223428?ln=en&v=pdf>

production of greenhouse gases and consequently to global warming. The objective of the UNFCCC was the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system<sup>54</sup>”.

Key concepts emerge in the following listed articles:

- Article 3 of the Convention lists its principles concerning the fight against climate change and its effects, the recognition of the vulnerability of developing countries regarding climate change and the awareness that this entails special conditions and needs. Finally, the lack of scientific certainty is not an excuse to postpone prevention and mitigation measures against global warming.
- Article 4 outlines the obligations under the convention, such as the implementation of climate change mitigation and adaptation measures and the sustainable management of ecosystems.
- Article 7 establishes the Conference of the Parties (acronym COP), the regular meeting of the parties to the convention together with business and civil society. During this two-week meeting, important decisions to solve the global problem that is climate change are taken, information exchange is promoted, measures to be taken, and the status and problems of the goals set to combat climate change are reviewed.
- Article 12 regulates reporting on the implementation of the convention, which involves two types of documents for industrialized countries (Annex I). The first document is an annual national inventory of emissions and removals of greenhouse gases not controlled by the Montreal Protocol, with estimates and methodologies prepared by the IPCC and approved by the UNFCCC in the “Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories”.<sup>55</sup> The second category of documents pertains to reports that necessitate regular submission and

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<sup>54</sup> United Nations. (1992). *The united nations framework convention on climate change*. Art.2 Retrieved 18 June,2024, available at <https://unfccc.int/resource/docs/convkp/conveng.pdf>

<sup>55</sup> Intergovernmental Panel on Climate Change IPCC. (2000). *Good practice guidance and uncertainty management in national greenhouse gas inventories* Retrieved 20 June,2024, Available at <https://www.ipcc.ch/publication/good-practice-guidance-and-uncertainty-management-in-national-greenhouse-gas-inventories/>



comprise a comprehensive listing of policies and measures implemented to mitigate greenhouse gas emissions. It is crucial to highlight that the agreement does not place mandatory limits on greenhouse gas emissions on individual nations.

The UNFCCC entered into force on 21 March 1994 and the following year saw the first COP in Berlin. However, it was not until COP3 in Kyoto in 1997 that the first implementing instrument of the UN Framework Convention was drafted.

Kyoto's Protocol<sup>56</sup> is an international agreement produced by COP3 in Japan in 1997, which aims to reduce global greenhouse gas emissions through agreed collective action. It has established binding targets for greenhouse gas reductions, a precedent not established by any other international environmental agreement. However, the reductions in gas emissions are modest and were not targeted at all nations, but rather at the 39 identified in Annex I, considering their respective levels of development, income, and energy. This decision is based on the principle of "common but differentiated responsibilities and respective capabilities"<sup>57</sup>, outlined in the Rio Declaration, particularly in principle n° 7. For example, the European Union was obligated to reduce greenhouse gas emissions by 8 percent, which was to be distributed among its member states by Council Decision 2002/358/EC<sup>58</sup> based on economic growth, industrial structure, and the mix of energies employed. Kyoto's targets will not be met, and the Paris Agreement<sup>59</sup> will replace them with new targets established during the COP 21 held in Paris.

The year 2015 is a landmark for international environmental law because not only was the Paris Agreement established, but earlier in the same year the 2030 Agenda

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<sup>56</sup> United Nations Framework Convention on Climate Change. (1998). Kyoto Protocol to the United Nations Framework Convention on Climate Change. Retrieved 20 June, 2024, available at <https://unfccc.int/resource/docs/convkp/kpeng.pdf>

<sup>57</sup> United Nations. (1992). The Rio Declaration on Environment and Development. United Nations Digital Library. Retrieved 17 June, 2024, available at <https://digitallibrary.un.org/record/200866?ln=en>

<sup>58</sup> Council of the European Union. (2002). Council Decision of 25 April 2002 concerning the approval, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments Thereunder (2002/358/EC). Official Journal of the European Union, L 130., Retrieved July 10, 2024. Available at <https://eur-lex.europa.eu/eli/dec/2002/358/oj>

<sup>59</sup> United Nations Framework Convention on Climate Change. (2015). Paris Agreement. Retrieved July 10, 2024. Available at [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)

was established. This will provide continuity to the sustainable development goals established by the United Nations Conferences on Sustainable Development and the Millennium Development Goals, which expired that year. The 2030 Agenda is a global plan to solve problems that are common to all countries in the world by 2030. It is made up of 17 sustainable development goals and 169 related sub-goals. Figure 1.1 illustrates the 17 sustainable development goals.



Figure 1.1 *The UN Sustainable Development Goals*. This figure has been officially approved by the UN, but the contents of this publication have not been approved by the UN and does not reflect the views of the UN or its officials or Member States. Source: <https://www.un.org/sustainabledevelopment>.

Returning to COP21<sup>60</sup>, this was one of the most important in the history of the Conference of the Parties and responsible for adopting a post-Kyoto agreement governing the period from 2020 onwards, a process that had been initiated in 2011 in Durban with COP 17.

Moreover, defined as the first global agreement, the agreement succeeds in restoring credibility to the process in the face of previous failures. Such as that of COP 15 in 2009, which had set the goal of sending \$100 billion to developing countries to combat climate change but remained unfulfilled.

The Paris Agreement<sup>61</sup> is a legally binding agreement, approved at the end of COP21 held in Paris in 2015 and entered into force in 2016 when the quorum

<sup>60</sup> University of Padova (2023). Il clima che vogliamo. Ogni decimo di grado conta. Il Bo live Retrieved July 10, 2024.

<sup>61</sup> Italian National Institute for Environmental Protection and Research (ISPRA). (2015). *Accordo di Parigi e l'EU ETS [Paris Agreement and the EU ETS]*. Retrieved July 20, 2024. Available at <https://www.isprambiente.gov.it/it/servizi/registro-italiano-emission-trading/aspetti-general/Accordo-Parigi-e-EU-ETS>

required in its article 21 was reached. Which required fifty-five ratifications from countries that were responsible for at least 55% of global greenhouse gas emissions for the treaty to enter into force.

In contrast to the Kyoto Protocol, the new agreement aimed to establish commitments that were acceptable to both developed and developing nations.

To accomplish this objective, Intended Nationally Determined Contributions (non-binding national plans) were introduced. The states in these plans emphasize their efforts to combat climate change by implementing policies and targets that align with their capacities and national realities, while always adhering to the collective obligations enshrined in the agreement's Article 2.

Another relevant article to analyze is Article 9, which is about climate finance, and it aims to transform the economy and its financial flows into sustainable ones.

This article anticipates what will be ESG phenomenon that will mainly break out from 2020 and which we will analyze later.

The shared goal of it is to hold “the global average temperature increases well below 2 °C compared to pre-industrial levels”<sup>62</sup>, while the more ambitious goal is to keep “the temperature increases at 1.5 °C”<sup>63</sup>.

In its preamble, the agreement mentions not only the environmental issue, but also social issues such as recognizing the need of the poorest countries and those who are most vulnerable to climate change, and the importance of human rights in environmental treaties. Since climate change is a threat not only to the environment, but also to human beings. After Paris, there are two important COP to mention.

The first is COP 24<sup>64</sup>, which resulted in the adoption of a set of standards, guidelines, and procedures aimed at operationalizing the Paris Agreement, known as the Katowice Package. The second is COP 28, which hosted the first global stocktake under the Paris Agreement, which aimed to measure progress made and compliance with the agreement's objectives. “The stocktake highlighted the need for a peak of global greenhouse gas emissions by 2025 and for their reduction by

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<sup>62</sup>*The Paris agreement. (2015). UNFCCC. Retrieved 20 June, 2024, available at [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)*

<sup>63</sup> Ibidem

<sup>64</sup> United Nations Framework Convention on Climate Change (UNFCCC). (2018). Katowice Climate Package: Making The Paris Agreement Work For All. Retrieved 26 June, 2024, available at <https://unfccc.int/process-and-meetings/the-paris-agreement/katowice-climate-package>

43% by 2030 and by 60% by 2035, compared to 2019 levels, in order to limit global warming to 1.5°C. It noted that some countries are off track when it comes to meeting their Paris Agreement goals”.<sup>65</sup>

Furthermore, the state parties have agreed to present their climate plans by COP 30. Another significant aspect is that the final agreement reached in Dubai starts the transition from fossil fuels to achieve the goal of zero emissions by 2050.

## 1.2 Climate change risks for the economy

Even though classical economists did not emphasize this aspect, Economics plays a central role in climate change mitigation<sup>66</sup>. This is attributable to the fact that the linear economic model does not consider aspects such as resource depletion and the negative effects that their irresponsible use brings through climate change.

Today, economists try to include these aspects in their models and theories.

Considering the interconnectedness of the economy, markets, and production, it is possible to adopt a public policy plan that directs available resources toward environmentally and socially responsible businesses and investments.

This is precisely where economic sustainability comes from, which aims to promote economic growth while maintaining environmental respect and human dignity, the so-called rule of the three E's: “Ecology, Economy, and Equity<sup>67</sup>”.

From the concept of economic sustainability, a new macroeconomic model called the “Green Economy” is established that pushes for low-emission development, toward energy efficiency, promotes social welfare, decreases economic disparity and fosters accountable and transparent government institutions.

In turn within this macroeconomic model is developed the circular economy the backbone of the “Green Economy.” According to a study conducted in 2017 by Julian Kirchherr, Denise Reike, and Marko Hekkert<sup>68</sup>, it has been determined that

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<sup>65</sup> European Council Official website. (2024). COP28. Retrieved 26 June, 2024, available at <https://www.consilium.europa.eu/en/policies/climate-change/paris-agreement/cop28/>

<sup>66</sup> Burniaux, J. et al. (2008), “The Economics of Climate Change Mitigation: Policies and Options for the Future”, OECD Economics Department Working Papers, No. 658, OECD Publishing, Paris, <https://doi.org/10.1787/228868001868>.

<sup>67</sup> Kirchherr, Julian and Reike, Denise and Hekkert, Marko, Conceptualizing the Circular Economy: An Analysis of 114 Definitions (September 15, 2017). Available at <https://ssrn.com/abstract=3037579> or <http://dx.doi.org/10.2139/ssrn.3037579>

<sup>68</sup> Ibidem

there is no definitive and universally accepted definition of the circular economy. They identified<sup>69</sup> 114 definitions, noting that the absence of a common definition results in only incremental changes at the business level, rather than a comprehensive transition. This leads to a lack of commitment towards the social aspect and recycling, which are crucial components of the green economy. In the absence of a universally recognized definition, I have opted to rely on the description of the circular economy provided by UNEP, which is actively engaged in the creation of a common definition. UNEP presents the circular economy as: "one of the current sustainable economic models, in which products and materials are designed in such a way that they can be reused, remanufactured, recycled or recovered (4-R) and thus maintained in the economy for as long as possible, along with the resources of which they are made, and the generation of waste, especially hazardous waste, is avoided or minimized, and greenhouse gas emissions are prevented or reduced<sup>70</sup>. Figure 1.2 represents the circular economy

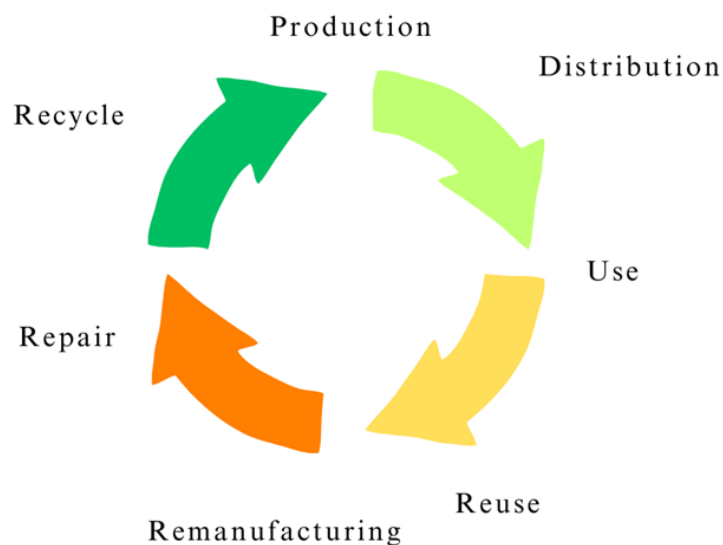


Figure 1.2. Circular economy Source: Created by the Author

<sup>69</sup> Kirchherr, Julian and Reike, Denise and Hekkert, Marko, Conceptualizing the Circular Economy: An Analysis of 114 Definitions (September 15, 2017). Available at <https://ssrn.com/abstract=3037579> or <http://dx.doi.org/10.2139/ssrn.3037579>

<sup>70</sup> Castro de Hallgren, S., Julca, A., Palacin Lucio, J., Ferrufino, R., & Silva Pacini Costa, H. (2023). Circular Economy New Economics for Sustainable Development. United Nations Economist Network. Retrieved 27 June, 2024, available at [https://www.un.org/sites/un2.un.org/files/circular\\_economy\\_14\\_march.pdf](https://www.un.org/sites/un2.un.org/files/circular_economy_14_march.pdf)

In essence, the linear model is no longer a viable option, given the limitations of resources and the growing concern regarding waste disposal. The present paradigm of extreme consumerism, coupled with the generation of substantial waste, is leading to a depletion of resources, environmental degradation, and an elevated diffusion of illness. The circular economy<sup>71</sup> is presented as a production model that has the potential to self-regenerate. This is due to an extension of the product's lifespan, thanks to repair and recycling, which allows resources to be reused by transforming what cannot be recovered into garbage.

There are many potential benefits to adopting a circular economy, at the environmental, economic, and social levels. From an environmental level, one of the pillars of the circular economy is to protect the natural world and reduce biodiversity loss. This is possible through the responsible use of resources<sup>72</sup> and recycling, which will result in a decrease in the production of greenhouse gases. Considering from an economic perspective, the circle economy involves reducing production costs for companies and life costs for citizens because the reuse and reconditioning of products mean spending less.

Then it is imperative to highlight that the circular economy embraces the entire production chain, not only its final stages, leading to generating new business models and markets, stimulating innovation and economic growth.

From a social perspective<sup>73</sup>, there are improvements in the quality of life of the population due to greater opportunities for work and savings, as well as the reduction of pollution and waste; a decrease in diseases due to climate change and an improvement in public health. It would be unrealistic to expect that the adoption of the “green economy” and the circular economy could be accomplished immediately. It is imperative to have a targeted investment plan for technologies and infrastructures, at the corporate and political level. For this reason, both the Sustainable Development Goals and the Green Deal are crucial to encourage a change at a structural level that is homogeneous and long-lasting.

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<sup>71</sup> Castro de Hallgren, S., Julca, A., Palacin Lucio, J., Ferrufino, R., & Silva Pacini Costa, H. (2021). Circular Economy: from indicators and data to policymaking. United Nations. Available at [https://www.un.org/sites/un2.un.org/files/circular\\_economy\\_14\\_march.pdf](https://www.un.org/sites/un2.un.org/files/circular_economy_14_march.pdf)

<sup>72</sup> Ibidem

<sup>73</sup> World Economic Forum. (2021). What are the benefits of a circular economy? Retrieved Available at <https://www.weforum.org/agenda/2021/02/change-five-key-areas-circular-economy-sustainability/>

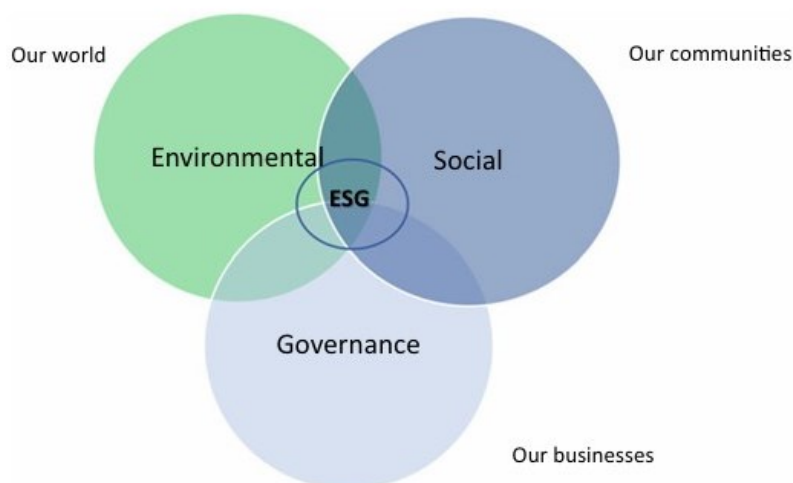
Another fundamental aspect is the measurability of any sustainable development goal. If it is not possible to measure the impact of a certain choice, it is impossible to know that it works. This is precisely why the next paragraph will discuss ESG.

### 1.3 ESG: what does it mean?

Nowadays the acronym ESG has become viral both in the business world and outside. However, the great popularity is sometimes accompanied by superficial knowledge due to its complexity and the fact that it is a recent phenomenon that involves limited knowledge. ESG<sup>74</sup> stands for environmental, social, and governance factors utilized to assess and quantify company sustainability.

Thanks to these it is possible to determine the costs or benefits, the ethical impact of investment, and its future performance.

Figure 1.3 presents the elements of the ESG.



*Figure 1.3.* Environmental, social, and governance (ESG)  
Source (Karamo NM Sonko, 2023)

ESG<sup>75</sup> disclosure can be voluntary or, as has been happening in the last decade, be defined by a law focusing mainly on large corporations, as it has always been difficult to impose measures due to their vast negotiating power.

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<sup>74</sup> Sonko, K. N. M., & Sonko, M. (2023). *Demystifying Environmental, Social and Governance (ESG): Charting the ESG Course in Africa*. Palgrave Macmillan. <https://doi.org/10.1007/978-3-031-35867-8>

<sup>75</sup> Hamori, S., & He, X. (2021). Corporate Social Responsibility and the Role of Institutions: A Short Introduction to ESG and CSR. In T. Nakajima et al. (Eds.), *ESG Investment in the Global Economy* (pp. 65-80) Springer. Retrieved 27 June, 2024, available at

Another important point to note is that some of it is a recent phenomenon depending on the source chosen, one can have different speculations about how the phenomenon originated and its relationship to concepts such as Socially Responsible Investing, impact investing, or corporate social responsibility.

For some “CSR, II, and SRI are different ways of putting emphasis on various but related ESG factors or issues, all of which are intended to benefit businesses, communities and/or the world at large; while others disagree that ESG can encompass “all the factors and processes of the other three”,<sup>76</sup> and believe the opposite, therefore “the big three encompasses ESG”<sup>77</sup>.

In this second scenario, it can be asserted that ESG does not represent an evolution, but rather a dependent variable influenced by these three concepts.

The goals are generally the same, although individual motivations, perceptions, and priorities may be different<sup>78</sup>. Regarding its origin, based on the analysis of the source, various periods are indicated for the potential birth of ESG.

For some, the concept of ESG was born in the 1960s with the protests against the Vietnam War, while for others, this concept was already mainstream in the 1960s and was fundamental in the 80s “to end apartheid in South Africa when churches, universities, cities, and states during the period made decisions which forced American companies to divest in South Africa, causing very serious economic instability in the country”<sup>79</sup>.

It is possible to derive two perspectives on how the ESG phenomenon originated. One is that ESG investing first “took hold in Europe, where regulations and standards relating to ESG began to develop in the early 2000s”<sup>80</sup>.

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[https://doi.org/10.1007/978-981-16-2990-7\\_5](https://doi.org/10.1007/978-981-16-2990-7_5)

<sup>76</sup> Hamori, S., & He, X. (2021). Corporate Social Responsibility and the Role of Institutions: A Short Introduction to ESG and CSR. In T. Nakajima et al. (Eds.), *ESG Investment in the Global Economy* (pp. 65-80). Springer. Retrieved 27 June, 2024, available at

[https://doi.org/10.1007/978-981-16-2990-7\\_5](https://doi.org/10.1007/978-981-16-2990-7_5)

<sup>77</sup> Sonko, K. N., & Sonko, M. (2023). *Demystifying Environmental, Social and Governance (ESG)*. Springer International Publishing. Retrieved 27 June, 2024, available at

<https://doi.org/10.1007/978-3-031-35867-8>

<sup>78</sup> Ibidem

<sup>79</sup> Ibidem

<sup>80</sup> Kelley, M., & Sardi, C. (s.d.). *ESG investments – part one: An introduction to and history of ESG investing*. ESL federal credit union. Retrieved 28 June, 2024, available at <https://www.esl.org/resources-tools/educational-resources/esg-investing-part-one>



The other is a globalist perspective that sees the United Nations as the promoter of ESG since the acronym was used for the first time in the report “Who Care Wins<sup>81</sup>”. Report that is the “ result of a joint initiative of financial institutions which were invited by United Nations Secretary-General Kofi Annan to develop guidelines and recommendations on how to better integrate environmental, social and corporate governance issues in asset management, securities brokerage services and associated research functions<sup>82</sup>”.

During my analysis it became apparent that the globalist perspective is the most prevalent. Despite the varying origins of the term ESG, the historical reconstruction of the authors reveals two recurring events: the "Who Cares Wins" report and its outcome, namely the "Principles for Responsible Investment".

This document for the first time promoted ESG principles and their integration into traditional investments for a more sustainable world.

The "Who Cares Wins” report and the "Principles for Responsible Investment" can be considered historical evidence for the ESG process.

With regard to the Europeanist vision, it is possible to find books that present it, but they do not present reliable sources that demonstrate that the phenomenon was born in Europe. However, this does not diminish the central role the European Union has today in the regulation of ESG, both in terms of transparency, improvement of measurement, and prevention of greenwashing. Investing with ESG criteria means gaining an economic return while also creating added value for society.

Companies with such criteria actively work to improve their environmental performance, respect human dignity, and enhance diversity and equal opportunities within their organizations. Depending on the investment, some value certain letters of the acronym over others; therefore, it will depend on the personal choice of each investor. In practice, ESG complements<sup>83</sup> the evaluation of economic and financial variables by adding environmental, social, and governance variables.

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<sup>81</sup> World Bank(2004) Who Cares Wins: Connecting Financial Markets to a Changing World. Retrieved 28 June,2024, available at <https://documents1.worldbank.org/curated/en/280911488968799581/pdf/113237-WP-WhoCaresWins-2004.pdf>

<sup>82</sup> World Bank(2004) Who Cares Wins: Connecting Financial Markets to a Changing World. Retrieved 28 June,2024, available at <https://documents1.worldbank.org/curated/en/280911488968799581/pdf/113237-WP-WhoCaresWins-2004.pdf>

<sup>83</sup> <sup>83</sup> Sonko, K. N. M., & Sonko, M. (2023). Demystifying Environmental, Social and Governance

Figure 1.4 illustrates common examples of factors in each category of ESG:

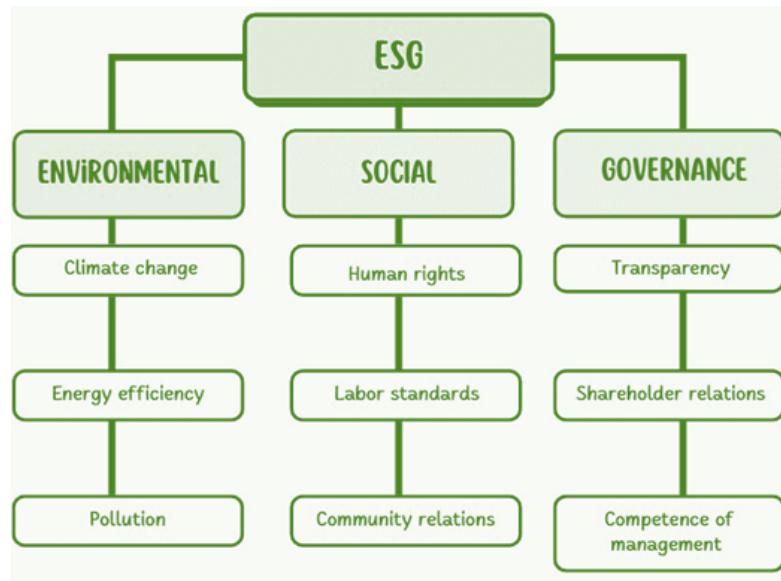


Figure 1.3 ESG Factors.- Source Created by the Author

When discussing ESG, it is important to highlight the advantages companies can obtain thanks to their adoption, as their effectiveness in promoting financial performance is more than proven. For example, Clark, Feiner, and Viehs<sup>84</sup> analyzed 200 empirical studies to understand if environmental sustainability could bring competitive advantages to companies. They concluded there is “clearly demonstrated the economic relevance of sustainability parameters for corporate management and for investors<sup>85</sup>”. Additionally, it has been demonstrated that “ESG standards lower the cost of capital<sup>86</sup>”, “solid ESG practices result in better operational performance<sup>87</sup>” and that “stock price performance is positively influenced by good sustainability practices<sup>88</sup>”. There are two other potential advantages, the first is the possibility of developing a greater capacity for innovation. The second is the chance to improve one's reputation, from investors paying greater attention to sustainability. Analyzing ESG factors presents a

(ESG): Charting the ESG Course in Africa. Palgrave Macmillan. <https://doi.org/10.1007/978-3-031-35867-8>

<sup>84</sup> Clark, G. L., Feiner, A., & Viehs, M. (2014). From the stockholder to the stakeholder: How sustainability can drive financial outperformance. SSRN Electronic Journal. Retrieved 27 June, 2024, available at <https://doi.org/10.2139/ssrn.2508281>

<sup>85</sup> Ibidem

<sup>86</sup> Ibidem

<sup>87</sup> Clark, G. L., Feiner, A., & Viehs, M. (2014). From the stockholder to the stakeholder: How sustainability can drive financial outperformance. SSRN Electronic Journal. Retrieved 27 June, 2024, available at <https://doi.org/10.2139/ssrn.2508281>

<sup>88</sup> Ibidem

challenge<sup>89</sup> due to the extensive qualitative and quantitative details involved, which require careful consideration and time. Furthermore, there is a limited number of ESG investments due to the limited number of companies that respect ESG factors. Another disadvantage is that an ESG investment incurs a higher cost for the investor than a non-ESG investment. The objective is to reward companies that incorporate ESG factors that may have incurred expenses for their implementation. The most alarming negative aspect is the lack of a uniform and globally recognized data collection procedure, which leads to a lack of transparency and volatility in ESG scores. This is because one ESG rating agency may consider the investment sustainable and give it a high score, whereas another may have a contrary perception. Without a data collection procedure, rating agencies may consider self-reporting and empty promises, creating the perfect environment for greenwashing.

## 1.4 The Greenwashing

As environmental regulations developed at the same time, awareness of environmental protection increased, consumers in the first place were willing to spend more to buy sustainable products than traditional products and become loyal to companies responsible for environmental protection<sup>90</sup>.

Companies responded to this new type of market in different ways. Some truly invested in a sustainable strategy, while others abused the lack of sustainability controls by adopting communication and marketing strategies that fake a green reality that did not exist in practice.

Greenwashing<sup>91</sup> refers to the practice of illuding consumers and investors into believing that a company is more sustainable than it is.

Companies utilize social and environmental claims to make stakeholders feel a part of an active project for a better world by exploiting their sensitivity to increase their

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<sup>89</sup> OECD. (2020). ESG Investing: Practices, Progress and Challenges. Retrieved from [https://www.oecd.org/en/publications/esg-investing-practices-progress-and-challenges\\_b4f71091-en.html](https://www.oecd.org/en/publications/esg-investing-practices-progress-and-challenges_b4f71091-en.html)

<sup>90</sup> Vollero, A. (2022). Understanding Greenwashing. In *Greenwashing: Foundations and Emerging Research on Corporate Sustainability and Deceptive Communication* (pp. 1-20). Emerald Publishing Limited. <https://doi.org/10.1108/978-1-80117-966-920221001>

<sup>91</sup> Szabo, S., & Webster, J. (2020). Perceived Greenwashing: The Effects of Green Marketing on Environmental and Product Perceptions. *Journal of Business Ethics*, 171, 719-739. <https://doi.org/10.1007/s10551-020-04461-0>

profit. It can manifest in various ways, such as packaging that claims to be eco-friendly or purchasing carbon credits without adequately addressing one's environmental impact. While its established type is direct greenwashing; “where the discrepancy between the company’s words and deeds on sustainability is internal to a company. In this case, a company is responsible for the communications and the misbehavior, as the company’s misbehavior is at variance with its own claims of sustainability”<sup>92</sup>. The typical example, also reported in several sources, is that of Volkswagen, which had installed software in its cars that manipulated the calculation of CO2 emissions to appear that its cars produced less CO2 than its competitors. The research conducted by Marta Pizzetti, Lucia Gatti, and Peter Seele<sup>93</sup> introduces two new types of greenwashing: indirect and vicarious. These were idealized since the researchers realized that previous studies on the phenomenon did not consider greenwashing in the supply chain.

Indirect greenwashing occurs when a company's supplier engages in behaviors inconsistent with their sustainability statements. A concrete example is when “a retailer purchases from a supplier claiming to be part of a certified CSR standard, e.g. environmental management (e.g. ISO 14000) or fair work (e.g. S.A. 8000). Subsequently, it transpires that the supplier has been misleading regarding its certification e.g. its certification may have lapsed, and the blame for greenwashing spills over from the supplier to the supplied company, which itself is now also being accused of greenwashing”<sup>94</sup>.

Vicarious greenwashing<sup>95</sup>, on the other hand, holds a company accountable for what happens in its supply chain; thus, it can be accused of greenwashing when it purchases material from a supplier that does not meet its sustainability standards. In this case, the supplier company did not misbehave, but the company did not monitor or sanction the supplier's behavior.

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<sup>92</sup> Pizzetti, M., Gatti, L., & Seele, P. (2019). *Firms talk, suppliers walk: Analyzing the locus of greenwashing in the blame game and introducing 'vicarious greenwashing'*. *Journal of Business Ethics*. Retrieved 27 June, 2024, Available at <https://doi.org/10.1007/s10551-019-04406-2>

<sup>93</sup> Ibidem

<sup>94</sup> Pizzetti, M., Gatti, L., & Seele, P. (2019). *Firms talk, suppliers walk: Analyzing the locus of greenwashing in the blame game and introducing 'vicarious greenwashing'*. *Journal of Business Ethics*. Retrieved 27 June, 2024, Available at <https://doi.org/10.1007/s10551-019-04406-2>

<sup>95</sup> Ibidem

Directly suffering from greenwashing in the first place is the planet as it represents delaying the adoption of concrete actions to combat climate change.

For companies<sup>96</sup> that engage in greenwashing, the primary risks include losing the trust of stakeholders, being sued, and sustaining damage to their reputation, resulting in economic and partner losses. One solution to the issue of greenwashing is to invest in transparency, regulatory standards on sustainability, and ESG factors, which are utilized to evaluate companies both quantitatively and qualitatively.

In the next chapter, we will analyze the efforts of the European Union, one of the actors that is making a concrete commitment to sustainability.

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<sup>96</sup> Szabo, S., & Webster, J. (2020). Perceived Greenwashing: The Effects of Green Marketing on Environmental and Product Perceptions. *Journal of Business Ethics*, 171, 719-739. <https://doi.org/10.1007/s10551-020-04461-0>

## 2. A greener European Union

### 2.1 Towards a Sustainable European Union

When analyzing the European Union environmental policy<sup>97</sup>, its dynamic and constantly evolving nature must be considered. With the European Economic Community constitution in 1957, the primary goal of European politicians was to rebuild the old continent that had been the scene of World War II.

The conflict had razed entire cities and the economy and industrial sectors of the European countries and a reconstruction of Europe was only possible through the integration of markets, resulting in the creation of a large European common market. This explains why a common environmental policy was not a priority and the Treaty of Rome did not include any regulations regarding environmental protection. The International Conferences on the Environment of 1972<sup>98</sup> and their declarations influenced the European Economic Community to create a European common environmental policy. In fact, only after the Stockholm Conference, at the Paris Summit of 1972, the European Council declared the need to adopt a common environmental policy. Before<sup>99</sup> this, in the absence of rules regarding environmental protection, the measures undertaken in this field were adopted thanks to two articles. The former art. 100 of the EEC, now article 114 of the TFEU, thanks to a detailed procedure allows the European Council to establish directives to approximate the legislation of the member states to the realization of the common market. The second is art. 235 of the EEC allowed the adoption of decisions to achieve the original objectives of the treaties even if these did not provide for certain matters. Therefore, these first environmental approaches were sectoral for example, the reduction of pollution or waste management.

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<sup>97</sup> Orlando, E. (2013). The Evolution of EU Policy and Law in the Environmental Field: Achievements and Current Challenges. Retrieved from [https://www.iai.it/sites/default/files/TW\\_WP\\_21.pdf](https://www.iai.it/sites/default/files/TW_WP_21.pdf)

<sup>98</sup> European Parliament. (n.d.). **Environment policy: general principles and basic framework**. Retrieved from <https://www.europarl.europa.eu/factsheets/en/sheet/71/environment-policy-general-principles-and-basic-framework>

<sup>99</sup> Orlando, E. (2013). The Evolution of EU Policy and Law in the Environmental Field: Achievements and Current Challenges. Retrieved from [https://www.iai.it/sites/default/files/TW\\_WP\\_21.pdf](https://www.iai.it/sites/default/files/TW_WP_21.pdf)

The Single European Act<sup>100</sup> of 1987 introduced for the first time the legal basis for a common environmental policy. This comes with the introduction of Title XII devoted to the environment in the Community Treaty and consisting of Articles 130R, 130S and 130T. The first paragraph of Article 130 R establishes three environmental objectives:

1. To “preserve, protect and improve the quality of the environment”<sup>101</sup>.
2. To "contribute towards protecting human health”<sup>102</sup>.
3. To “ensure prudent and rational utilization of natural resources”<sup>103</sup>.

The second paragraph of Article 130 R introduces the three principles on which the protection of the environment action is based, the principle of preventive action, the principle of "rectifying pollution at source”<sup>104</sup>, and the principle of the "polluter pays”<sup>105</sup>. It also provided that environmental policy should be integrated with other Community policies. The provisions of Article 130 S establish that decisions on environmental subject areas must be taken unanimously by the Council and clarify the process for their adoption. While article 130T establishes that Member States are encouraged to adopt more stringent measures than the common environmental protection measures. The 1987 was a watershed year for environmental policy, and this is also clear from the fact that it is referred to as the European Year of the Environment<sup>106</sup>.

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<sup>100</sup> European Parliament. (n.d.). Environment policy: general principles and basic framework. Retrieved from <https://www.europarl.europa.eu/factsheets/en/sheet/71/environment-policy-general-principles-and-basic-framework>

<sup>101</sup> Council of the European Communities. (1986). Single European Act. Official Journal of the European Communities No L 169/1, Art. 130 R, Environmental Objectives. Pag. 11 Retrieved August 05, 2024. available at

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A11986U%2FTXT>

<sup>102</sup> European Union. (1986). Single European Act. Official Journal of the European Communities No L 169/1, Art. 130 R Paragraph 1, Environmental Objectives. Pag. 11 Retrieved August 05, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A11986U%2FTXT>

<sup>103</sup> Ibidem

<sup>104</sup> European Union. (1986). Single European Act. Official Journal of the European Communities No L 169/1, Art. 130 R Paragraph 2 principles. Pag. 11 Retrieved August 05, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A11986U%2FTXT>

<sup>105</sup> Ibidem

<sup>106</sup> Commission of the European Communities. (1987). *European year of the environment - Publications Office of the EU*. Publications Office of the EU. Retrieved 15 September 2024. available at <https://op.europa.eu/en/publication-detail/-/publication/8262b21a-4752-4425-87c8-afc8ef487667>

The practice of dedicating a year to a theme<sup>107</sup> was established to raise public awareness through conferences, and events. In this case, the idea was to raise awareness of environmental issues and get people to act against climate change.

Following the timeline, the Conference of Rio also directly influenced European legislation, as it imported the concept of sustainable development into Europe in the Maastricht Treaty. Furthermore, it influences the adoption of a fourth fundamental principle, the precautionary principle<sup>108</sup> completing the principles that European environmental policy must adhere to.

While the Treaty of Amsterdam<sup>109</sup> in 1999 introduces in its Article 6 the obligation to protect the environment in all EU policies and actions.

The adoption of this treaty resulted in a renumbering of Articles 130R, 130S, and 130T found in the EC Treaty, which became Articles 174, 175, 176.

This numbering was maintained until the adoption of the Lisbon Treaty<sup>110</sup>, which changed the numbering of the articles again. Article 6 of the Treaty of Amsterdam becomes Article 11 of the Treaty on the Functioning of the European Union. Instead, Articles 174, 175, and 176 become Articles 191, 192, and 193 of the TFEU. These 4 articles are the legal basis for European environmental policy.

The 2007 Lisbon Treaty strengthens the role of the European Union as a global actor by giving itself the legal capacity to conclude international agreements, expanding regulation on combating climate change, and making it its priority.

The EU became a key player in promoting the Paris Treaty and was the first international actor to declare a global climate emergency in 2019.

The European Parliament<sup>111</sup> declared the climate emergency to influence the European Commission, which is responsible for negotiating on behalf of the Union

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<sup>107</sup> European Union. (n.d.). European Year. EUR-Lex. Retrieved September 10, 2024, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Aeuropean\\_year](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Aeuropean_year)

<sup>108</sup> Commission of the European Communities. (2000). *Communication from the Commission on the precautionary principle* /\* COM/2000/0001 final \*/. EUR-Lex - Access to European Union law. Retrieved 15 September 2024. available at <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52000DC0001>

<sup>109</sup> Orlando, E. (2013). *The Evolution of EU Policy and Law in the Environmental Field: Achievements and Current Challenges*. Retrieved from [https://www.iai.it/sites/default/files/TW\\_WP\\_21.pdf](https://www.iai.it/sites/default/files/TW_WP_21.pdf)

<sup>110</sup> Ibidem

<sup>111</sup> European Parliament. (2019). *Climate and environmental emergency*. Retrieved from [https://www.europarl.europa.eu/doceo/document/TA-9-2019-0078\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2019-0078_EN.html)



at international tables the goal was to ensure that future commitments made levels of limiting global warming to below 1.5 °C.

The decision was made having as a scientific basis the IPCC's special report<sup>112</sup> on the 1.5°C temperature increase over pre-industrial levels published in October 2018. The IPCC states that we should try to limit global warming to below 1.5°C and not 2.0°C as scientists had originally estimated. Because when you reach 1.5 °C above pre-industrial levels you already have environmental impacts.

To respond to environmental challenges and obligations undertaken at the international level, the European Commission presented a new growth strategy that aims to move the European Union towards climate neutrality, this is called the European Green Deal. This is presented in the Communication (2019) 640 final<sup>113</sup>, which forms an integral part of the Commission's strategy for the implementation of the 2030 Agenda and its related targets.

The EU aims to use the Green Deal<sup>114</sup> to convert the climate crisis into an opportunity for economic growth and strengthen its role as a world leader in combating climate change. This will be achieved by promoting energy efficiency, the use of renewable sources, the protection of biodiversity. Also known as the Green Pact of Europe, this is a broad and ambitious action plan to make Europe the world's first climate-neutral continent, putting sustainability and the well-being of European citizens at the center of policy. The roadmap calls for reducing greenhouse gas emissions by 55 percent by 2030 from 1990 levels and achieving climate neutrality by 2050. To ensure that these goals were not empty promises in 2021 the European Climate Act was adopted making these goals binding.

In February 2024 a binding interim target was introduced to reduce emissions by 90 percent by 2040 from 1990 levels.

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<sup>112</sup> Intergovernmental Panel on Climate Change (IPCC). (2018). *Global Warming of 1.5°C: An IPCC Special Report on the Impacts of Global Warming of 1.5°C Above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways*. Retrieved from <https://www.ipcc.ch/sr15/>

<sup>113</sup> European Commission. (2019). The European Green Deal. Retrieved July 10, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

<sup>114</sup> European Commission. (2019). The European Green Deal. Retrieved from [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en)

In addition to climate neutrality, the Green Deal<sup>115</sup> has two other priority goals, environmental protection and the development of the circular economy.

Figure 2.1 illustrates the main points of the Green Deal.

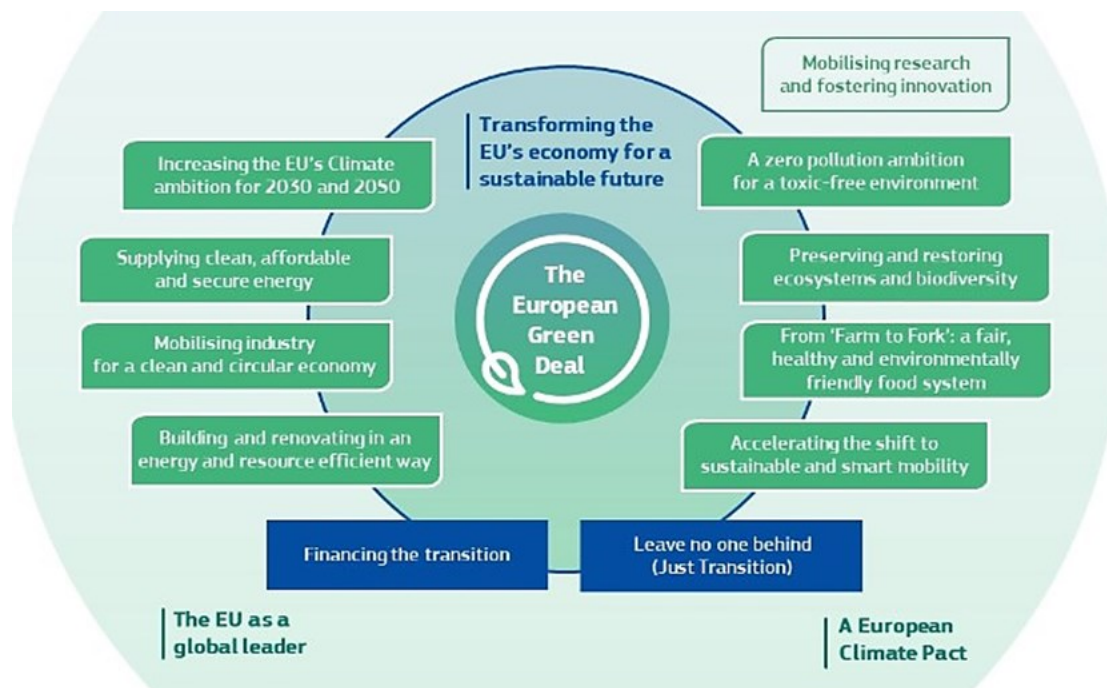


Figure 2.1 The European Green Deal from the European Commission

Source:( <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>)

Regarding environmental protection, the Green Deal renews its commitment enshrined in the Founding Treaties through targeted actions such as:

- The Biodiversity Strategy 2030<sup>116</sup> is a long-term strategy that aims to protect and enhance European biodiversity by expanding the EU protected areas that are listed in Natura 2000 the EU's network of protected areas. It also aims to restore European ecosystems and, in February 2024, through the Nature Restoration Act, the European Union pledged to restore 20 percent of ecosystems by 2030, with the remaining percentage to be restored by 2050.

<sup>115</sup> European Commission. (2019). The European Green Deal. Retrieved July 10, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

<sup>116</sup> European Commission. (2020). EU Biodiversity Strategy for 2030: Bringing nature back into our lives. Retrieved from [https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030\\_en](https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en)

- The Chemical Strategy for Sustainability<sup>117</sup> aims to limit harmful non-essential chemicals in traded products to safeguard the environment, and consumer health and encourage innovation of sustainable and safe chemicals.
- The Zero Pollution Action Plan<sup>118</sup> is a long-term plan that aims to reduce soil, water, and air pollution to zero by 2050 so that it is no longer a danger to ecosystems and people's health. This also introduces interim targets that must be met by 2030.

Regarding the circular economy, the European Union defines it as: “an economic model based inter alia on sharing, leasing, reuse, repair, refurbishment and recycling, in an (almost) closed loop, which aims to retain the highest utility and value of products, components and materials at all times<sup>119</sup>”.

The definition even if in different words perfectly overlaps with the definition presented by UNEP in the first chapter on circular economy. The European Commission in 2015 first adopted an action plan to introduce the circular economy in Europe<sup>120</sup>. This was designed to implement the EU's international commitments under the 2030 Agenda concerning the twelfth goal concerning the promotion of production and consumption patterns that are environmentally and consumer friendly. An example of action under this plan is the plastics strategy adopted in 2018, which transforms the production of plastics from a sustainable perspective. It can be seen from the report that the Action Plan<sup>121</sup> has been important in accelerating the transition to the circular economy, but there appears to be a need

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<sup>117</sup> European Commission. (2020). Chemicals Strategy for Sustainability: Towards a Toxic-Free Environment. Retrieved from <https://circabc.europa.eu/ui/group/8ee3c69a-bccb-4f22-89ca-277e35de7c63/library/dd074f3d-0cc9-4df2-b056-dabcacfc99b6/details?download=true>

<sup>118</sup> European Commission. (2021). Pathway to a Healthy Planet for All: EU Action Plan "Towards Zero Pollution for Air, Water and Soil" Retrieved from

[https://eur-lex.europa.eu/resource.html?uri=cellar:a1c34a56-b314-11eb-8aca-01aa75ed71a1.0001.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:a1c34a56-b314-11eb-8aca-01aa75ed71a1.0001.02/DOC_1&format=PDF)

<sup>119</sup> Bourguignon, D. (2016). *Closing the loop: New circular economy package*. European Parliamentary Research Service, Definition of circular economy Pag 2. Retrieved August 15, 2024, available at [https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573899/EPRS\\_BRI\(2016\)573899\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573899/EPRS_BRI(2016)573899_EN.pdf)

<sup>120</sup> European Commission. (2015). Closing the loop - An EU action plan for the Circular Economy. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015DC0614>

<sup>121</sup> European Commission. (2019). Report on the implementation of the circular economy action plan. EUR-Lex - Access to European Union law. Retrieved 15 September 2024 . available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0190>

to adopt new actions for more incidents, this is evident in paragraph 4 which defines the challenges still open for the EU in the circular economy.

The paragraph<sup>122</sup> begins by defining the circular economy as a global trend to which there is no backing down and that there is still much to be done to take advantage of its benefits. While in the conclusions it reiterates its importance for modernizing European industry and maintaining its competitiveness.

In 2020, the European Commission adopted a new action plan for the circular economy<sup>123</sup>, one pillar of the Green Deal and its achievement is a priority goal.

The circular economy is an essential ally in achieving economic neutrality and generating new jobs in Europe. The new plan like the previous one introduces direct measures in the life cycle of products by promoting sustainability and avoiding waste of resources. The action plan consists of 32 actions that are divided into 6 different action frameworks:

- 1) Covers the design of sustainable products, measures to ensure that consumers and public purchasers are better informed about the durability and repair of products to implement informed choices, and measures to increase circularity in European industry.
- 2) Covers measures and actions to decrease the impacts of key value chains involving packaging, automobiles, batteries, plastics, food, and construction products.
- 3) Covers actions on waste and recycling.
- 4) Concerns about social aspects that are introduced through the circular economy.
- 5) Concerns about the cross-cutting actions of the plan.
- 6) It is about the actions aimed at reinforcing the role of the European Union as a driving leader in the circular economy.

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<sup>122</sup> European Commission. (2019). Report on the implementation of the circular economy action plan. EUR-Lex - Access to European Union law. Retrieved 15 September 2024 . available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0190>

<sup>123</sup> European Commission. (2020). COM (2020) 98 final- A new circular economy action plan for a cleaner and more competitive europe. EUR-Lex - Access to European Union law. Retrieved 15 September 2024. available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>

Monitoring the progress<sup>124</sup> of circular economy integration is important to understand its developments and whether the measures taken in the action plan are adequate to achieve climate neutrality. For this reason, in 2023 the European Commission revised the previous circular economy monitoring framework<sup>125</sup> and introduced two new indicators. The first is the material footprint and resource productivity indicator to monitor materiality efficiency. The second is the consumption footprint indicator.

## 2.2 Links between Green Deal and ESG

The European Green Deal<sup>126</sup> and ESG factors though have different origins, these two concepts are closely related, as they have the common goal of transforming today's businesses and society into more environmentally friendly realities through the promotion of sustainable development.

As presented in the preceding chapter, ESG criteria evaluate<sup>127</sup> the environmental, social, and governance impacts of companies or investments.

The Green Pact of Europe embraces the ESG perspective in its policies, strategies and action plans for environmental preservation, improved social welfare and European governance. This is also done through the adoption of regulations for the introduction of and compliance with ESG factors to reduce risks associated with climate change, promote social justice, and environmentally friendly businesses, and increase transparency in business practices.

The policies outlined within the European Green Deal are more intuitively identifiable when categorized according to their environmental, social, or governance aspects. At the environmental level, ESG criteria encourage companies to reduce the impacts of their activities on the environment.

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<sup>124</sup> European Commission. (2020). *COM. (2020) 98 final- A new circular economy action plan for a cleaner and more competitive Europe*. EUR-Lex - Access to European Union law. . Retrieved 15 September 2024.

Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>  
<sup>125</sup> European Commission. (2020). *Circular economy action plan*. European Union. Retrieved 15 September 2024. available at [https://environment.ec.europa.eu/strategy/circular-economy-action-plan\\_en](https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en)

<sup>126</sup> European Commission. (2019). *The European Green Deal*. Retrieved July 10, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640>

<sup>127</sup> Sonko, K. N., & Sonko, M. (2023). *Demystifying Environmental, Social and Governance (ESG)*. Springer International Publishing. . Retrieved 27 June, 2024, available at <https://doi.org/10.1007/978-3-031-35867-8>

The Green Deal is formed by a circular economy action plan, the Zero Pollution Action Plan, and the Biodiversity Strategy 2030. To promote the circular economy, incentive pollution control, and biodiversity conservation.

At the Social level, ESG criteria measure the impacts the company's activities have on people, these include various issues from its relationship with the local community to respect for human rights in its supply chain. The Green Pact of Europe has a social dimension in its policies to ensure a fair and inclusive transition. The importance of the active participation of European citizens is repeatedly stressed in its official text. This is visible in the European pillar, the transition mechanism, and the New European Bauhaus.

The European Pillar of Social Rights<sup>128</sup> was adopted in 2017 to be the compass for solving the limitations and critical issues in the EU's social sphere. It is formed by 20 principles responsible to ensure the transition is fair and inclusive.

Figure 2.2 illustrated all 20 principles:

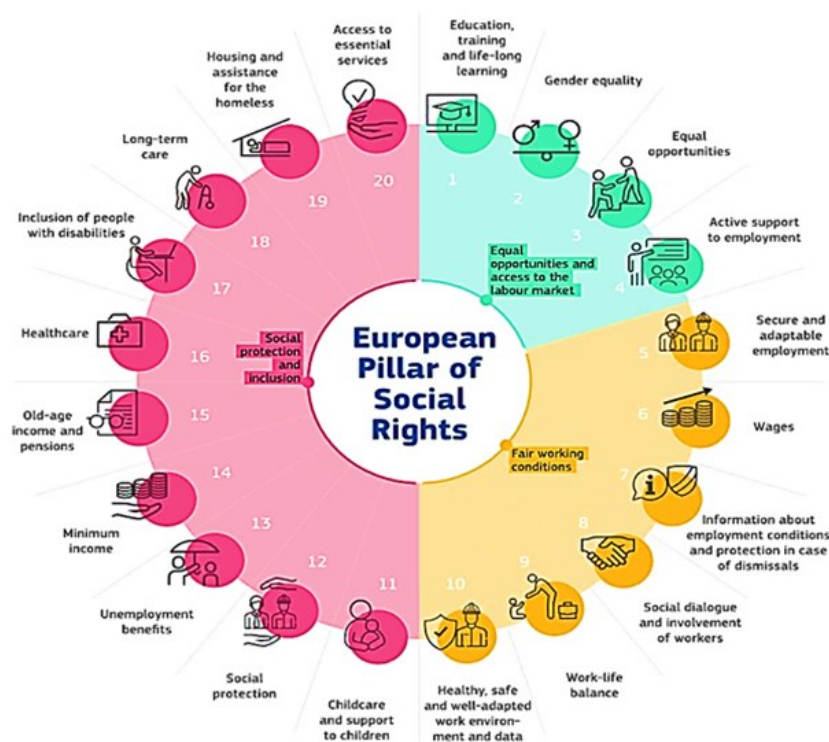


Figure 2.2. The 20 principles of the European Pillar of Social Rights taken from European Commission. - Source :(<https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/index.html>)

<sup>128</sup> European Commission. (2021). European Pillar of Social Rights. Retrieved September 6, 2024, available at <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/>

The importance of the social dimension<sup>129</sup> is enshrined in EU founding treaties, specifically in Article 3 TEU and Articles 9 and 151 TFEU.

The pandemic highlighted how the European Pillar of Social Rights<sup>130</sup> was the only social strategy of the EU and its importance in the face of the damaging effects of COVID-19 also at the social level. To define concrete actions for its implementation in 2021, the European Pillar of Social Rights Action Plan was established, which takes place in cooperation with EU institutions, authorities in different levels of member states, and social partners. In this way, the pillar has become an integral part of the Green Deal, although implementation depends individually on each member state. With the action plan, the EU commits<sup>131</sup> by 2030 to increase employment in the population aged 20-64 by 78 percent. It also commits to ensuring that 60 percent of adults have one training per year to improve their employability and reduce 15 million the number of people at risk of poverty or social exclusion. The Transition Mechanism<sup>132</sup> was established with the intention of providing financial and technical support to address the social and economic effects of the transition to a green economy in a way that is equitable and inclusive. One of its pillars is the Just Transition Fund (JTF), which provides financial support for projects for economic diversification, increased job opportunities, and job retraining in Europe.

The New European Bauhaus<sup>133</sup> is referred to by European Commission President Ursula von der Leyen as the soul of the Green Deal and was launched in 2021. It is an “EU policy and funding initiative launched by the European Commission in 2021 that fosters sustainable solutions for transforming the built environment and lifestyles under the green transition”<sup>134</sup>.

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<sup>129</sup> Treaty on European Union (TEU) & Treaty on the Functioning of the European Union (TFEU). (2012). Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Retrieved from

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012M/TXT>

<sup>130</sup> European Commission. (2021). European Pillar of Social Rights. Retrieved September 6, 2024, available at <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/>

<sup>131</sup> Ibidem

<sup>132</sup> European Commission. (2019a). *The just transition mechanism*. European Union. Retrieved 16 September 2024. available at [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en)

<sup>133</sup> European Commission. (2021). New European Bauhaus, Official Web Site of the European Union. Definition of the New European Bauhaus Retrieved September 06, 2024, available at [https://new-european-bauhaus.europa.eu/index\\_en](https://new-european-bauhaus.europa.eu/index_en)

<sup>134</sup> Ibidem

This aims for the creation of an innovative, socially cohesive and inclusive Europe. Through the design and implementation of projects with the active participation of civil society for the creation of new spaces, cultural initiatives, or educational programs aimed at welcoming everyone independent of their economic or physical conditions. Starting in 2021, the European Commission awards cash prizes<sup>135</sup> each year for the best projects that align with the principles and values of the new European Bauhaus and for the best-emerging ideas submitted by young Europeans under 30. In the 2024 edition, the projects and emerging ideas had to be related to one of the following 4 categories<sup>136</sup>:

1. Reconnecting with nature.
2. Regaining a sense of belonging.
3. Prioritizing the places and people that need it the most.
4. Shaping a circular industrial ecosystem and supporting life cycle thinking.

Compared to previous editions, the 2024 edition<sup>137</sup> encourages the participation of emerging projects and ideas turned to the reconstruction and recovery of Ukraine through an additional cash prize dedicated to this issue, still highlighting European support for Ukraine. There were 20 winners in this edition and awards were given to the first and second-place winners in each category chosen by a jury of experts and online voting by the public. Among the categories previously presented, the second and third are the ones in which it is easiest to identify the social aspect of the new European Bauhaus. The 2024 Winner of the category “regaining a sense of belonging” for implemented projects in the first place is SET Community Gardens which was developed in Amsterdam through the regeneration of a public space into a permaculture and community center to create an intergenerational community from different sociocultural backgrounds by offering free group activities such as social cooking classes or children art workshops.

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<sup>135</sup> European Commission. (2021). New European Bauhaus: beautiful, sustainable, together. Retrieved from [https://new-european-bauhaus.europa.eu/index\\_en](https://new-european-bauhaus.europa.eu/index_en)

<sup>136</sup> European Commission. (2024). About the New European Bauhaus Prizes. Official Web Site of the European Union, Categories of the 2024 Edition. Retrieved August 20, 2024, available at <https://prizes.new-european-bauhaus.europa.eu/about>

<sup>137</sup> Ibidem



The first-place winner for innovative ideas was Cooperative Ownership for Communities, which aims to renovate old buildings in Budapest into inclusive spaces for housing groups of vulnerable people at affordable prices. For the category “prioritizing the places and people that need it the most” the winner<sup>138</sup> for implemented projects in the first place is Rooftop Garden developed in Barcelona, which transforms the Rooftops of municipal buildings into cultivable gardens to promote the integration and inclusion of people with disabilities through urban agriculture. For innovative ideas, the first-place winner is Community Rebuilding in Ukraine intending to award the resilience of Ukrainian communities by transforming old community-building centers by promoting social cohesion activities such as movie nights.

At the Governance level<sup>139</sup>, ESG is about introducing principles, rules, and procedures that guide governments, institutions, and companies to be more transparent and sustainable in decision-making.

For the realization of the Green Deal, there is a need for a European governance that is solid, transparent, and capable of implementing the proposed policies, furthermore this through new regulations pushes companies to adopt ESG practices<sup>140</sup>. Examples that confirm this practice are the EU Taxonomy, the Sustainable Finance Disclosure Regulation, the Corporate Sustainability Reporting Directive, and the Supply Chain Act. The last mentioned two regulations will be analyzed individually in the following paragraphs as their knowledge is strictly necessary for the case study addressed in the fourth chapter of this thesis.

The European taxonomy<sup>141</sup> plays the role of a classification system by which the criteria that economic activities must meet to be considered sustainable are defined and regulated by Regulation (EU) 2020/852.

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<sup>138</sup> European Commission. (2024). About the New European Bauhaus Prizes. Official Web Site of the European Union, Categories of the 2024 Edition. Retrieved August 20, 2024, available at <https://prizes.new-european-bauhaus.europa.eu/about>

<sup>139</sup> Sonko, K. N., & Sonko, M. (2023). *Demystifying Environmental, Social and Governance (ESG)*. Springer International Publishing. . Retrieved 27 June, 2024, available at <https://doi.org/10.1007/978-3-031-35867-8>

<sup>140</sup> European Commission. (2021). Sustainable finance package 2023. Retrieved from [https://finance.ec.europa.eu/publications/sustainable-finance-package-2023\\_en](https://finance.ec.europa.eu/publications/sustainable-finance-package-2023_en)

<sup>141</sup> European Commission. (2020). Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

Figure 2.3. points out what Taxonomy is for the European Commission.

What the EU Taxonomy is	What the EU Taxonomy is not
A classification system to establish clear definitions of what is an environmentally sustainable economic activity	It's not a mandatory list to invest in
Tool to help investors and companies to make informed investment decisions on environmentally sustainable activities for the purpose of determining the degree of sustainability of an investment	It's not a rating of the "greenness" of companies
Reflecting technological and policy developments: The Taxonomy will be updated regularly	It does not make any judgement on the financial performance of an investment
Facilitating transition of polluting sectors	What's not green is not necessarily brown. Activities that are not on the list, are not necessarily polluting activities. The focus is simply on activities that contribute substantially to environmental objectives.
Technology neutral	
Fostering Transparency by disclosures for financial market participants and large companies related to the Taxonomy	

Figure 2.3 EU Taxonomy Navigator from the European Commission.  
Source: (<https://ec.europa.eu/sustainable-finance-taxonomy/>)

The Taxonomy Regulation came into effect in July 2020 and has four conditions for an economic activity to be classified<sup>142</sup> as sustainable.

The first condition is to meet one of the six climate targets identified in Article Nine of the regulation, which are:

- 1) Climate change mitigation
- 2) Climate change adaptation
- 3) The sustainable use and protection of water and marine resources
- 4) The transition to a circular economy
- 5) Pollution prevention and control

<sup>142</sup> European Parliament and Council of the European Union. (2020). *Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088*. European Taxonomy Regulation, Article 9 Pag.17. Retrieved August 17, 2024, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

6) The protection and restoration of biodiversity and ecosystems

The second condition<sup>143</sup> is that the company must not produce negative impacts on any other of the six objectives mentioned earlier.

The third condition requires that the economic activity be carried out in compliance with minimum social guarantees, while the fourth condition is to comply with performance criteria introduced in the delegated acts to ensure that the economic activity does not cause harm to the other five objectives, these criteria are called technical screening criteria.

The Sustainable Disclosure Regulation<sup>144</sup> is governed by Regulation (EU) 2019/288, which aims to promote sustainable investments.

At the same time, it is also a tool to combat greenwashing at the level of financial products. The SFDR obliges firms, investment companies, and financial advisors to disclose information about the sustainability of their financial products without leaving out the negative effects these may have on sustainability and how these risks will be managed. The regulation came into force in 2021, but as it is a complex subject, several problems were found at the practical level, for example, ambiguities that made it difficult for companies to understand exactly how to comply.

Because of this the SFDR<sup>145</sup> is being reviewed and supported by the three Supervisory Authorities, which submitted a joint opinion in June 2024 to create a State of Art and identify the main issues with the intention that the review succeeds in improving the sustainable financial framework and that there is greater protection to consumers. At the time of writing, the expectation is to conclude the revision process by the end of 2024 so that this will come into effect in 2025.

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<sup>143</sup> European Parliament and Council of the European Union. (2020). Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. European Taxonomy Regulation, Article 9 Pag.17. Retrieved August 17, 2024, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

<sup>144</sup> European Commission. (2019). Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R2088>

<sup>145</sup> Ibidem

## 2.3 Corporate Sustainability Reporting Directive

Corporate social responsibility was not introduced in Europe with the Green Deal, but it has been present in the European debate for at least twenty years.

The first EU action regarding corporate social responsibility was the publication of the 2001 Green Paper<sup>146</sup> devoted to promoting a European framework for corporate social responsibility. Green papers are intended to stimulate debate or consultation among stakeholders on a particular topic based on proposals put forward by the Commission. These are published on the Commission's website in a dedicated space called “Have your say”<sup>147</sup>, allowing stakeholders to present their opinion.

Before 2014 disclosing non-financial information was voluntary, this changed with the introduction of the Non-Financial Reporting Directive<sup>148</sup>, implemented in 2014 as an amendment to the previous Accounting Directive 2013/34/EU,

The directive was the first European norm to oblige companies to disclose non-financial information. This change becomes necessary because knowledge of the impacts of companies is considered critical to managing climate change and the economic transition to a green economy.

NFRD requires the drafting of a non-financial statement to identify and manage negative, potential, and actual impacts on the environment and society.

The statement must consider the company, thus including its subsidiaries, supply chain, and business partners. It also had to provide an analysis of its business model, policies, results, key risks, and key performance indicators, including information on four<sup>149</sup> issues:

- Environment;
- Social and employee issues;
- Human rights;

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<sup>146</sup> European Commission. (n.d.). Green paper glossary. Retrieved from <https://eur-lex.europa.eu/EN/legal-content/glossary/green-paper.html>

<sup>147</sup> European Commission. (n.d.). Have Your Say - European Commission. Retrieved from [https://have-your-say.ec.europa.eu/index\\_en](https://have-your-say.ec.europa.eu/index_en)

<sup>148</sup> European Parliament and Council of the European Union. (2014). Directive 2014/95/EU amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

<sup>149</sup> Ibidem

- Bribery and corruption.

If the company does not pursue policies with one or more of the above issues, the non-financial statement must provide a clear and reasoned explanation of why.

The Non-Financial Reporting Directive<sup>150</sup> was one of the Commission's grand ambitions to improve the transparency of non-financial information in Europe.

Under the scope of the Directive<sup>151</sup>, all large companies considered to be in the public interest with more than 500 employees and a balance sheet total of more than €20 million or a net turnover of more than €40 million are its recipients.

These are joined by large non-EU enterprises that have subsidiaries or public interest entities in the EU and meet the size criteria of the NFRD.

Public interest entities<sup>152</sup> include all listed companies, banks, insurance companies, and other companies identified by the national authorities of member states as being of public importance. So, in the case of large non-EU companies, if it happens to be listed on one of the regulated markets in the European Union, it is considered a public interest entity. However, the directive<sup>153</sup> does not impose a specific reporting standard leaving individual companies free to choose the one they prefer such as the OSCE guidelines or the Global Compact. To ensure compliance with the directive, member states must establish a Responsible Authority to oversee and enforce the standard also with the responsibility to take injunctive relief or sanctions, which must be effective, proportionate, and dissuasive.

In Article 8, the directive provides for penalties of 20 thousand to 150 thousand euros in case of formal or substantial non-compliance. Directive 2014/95/EU came into force in 2017, and member states had until December 2016 to transpose NFRD into their laws.

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<sup>150</sup> European Parliament and Council of the European Union. (2014). Directive 2014/95/EU amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Article 1, Pag.4. Retrieved August 23, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

<sup>151</sup> Ibidem

<sup>152</sup> European Parliament and Council of the European Union. (2014). Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts. The definition of “public interest entities” Article 2 point 13 Retrieved September 08, 2024, available at <https://eur-lex.europa.eu/eli/dir/2014/56/oj>

<sup>153</sup> European Parliament and Council of the European Union. (2014). Directive 2014/95/EU amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Article 1, Pag.4. Retrieved August 23, 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

While for companies obliged to comply with the directive, they had to submit their NFRD for the first time in 2018 (for the 2017 fiscal year).

In 2021 this is replaced with the Corporate Sustainability Reporting directive<sup>154</sup>, which aims to update and consolidate the rules of sustainable financial reporting so that companies are more accountable for their environmental and social impacts than the previous directive. This may be possible because the directive takes from the NFRD the perspective of dual materiality; promoting companies to report on the external risks that may affect their financial performance and the impacts of the company itself in the environmental and social spheres.

To enhance this, sustainability information must be integrated into companies' annual financial statements in a way that also ties it in with the financial aspect.

The directive promises a new uniform reporting framework through the introduction of the European Sustainability Reporting Standards (ESRS) produced by European Financial Reporting Advisory Group (EFRAG)<sup>155</sup>, to ensure comparability and improve the quality of the data.

The intent is for companies to disengage from CSR-oriented communication thus communication turned to appear socially responsible to ESG communication that has targets with clear timelines and plans for achieving them.

The Commission together with EFRAG<sup>156</sup> has worked hard to ensure alignment between ESRS standards with the International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI) standards.

The GRI has been an important reference point and several of its standards have been taken as inspiration for the creation of the ESRS requirements.

While with the ISSB standards, this alignment has been even deeper, since the ESRS and the first two ISSB standards were developed at the same time making it possible to actively compare EFRAG and ISSB.

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<sup>154</sup> European Union (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD). Official Journal of the European Union, L 322/15. Retrieved 02 October 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

<sup>155</sup> European Financial Reporting Advisory Group (EFRAG). (2023). ESRS Set 1 – General Requirements. Retrieved from <https://xbrl.efrag.org/e-esrs/esrs-set1-2023.html>

<sup>156</sup> European Commission. (2023). Q&A on the adoption of the European Sustainability Reporting Standards (ESRS). Retrieved from [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_23\\_4043](https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_4043)

This alignment<sup>157</sup> aims to ensure that companies that must comply with the ESRS and at the same time want to comply with the ISSB can submit a single report.

As well as being an important contribution by the EU to the development of a consistent global framework and global comparability of reported sustainability information. The European Sustainability Reporting Standards “specify the information that an undertaking shall disclose about its material **impacts, risks and opportunities** in relation to environmental, social, and governance **sustainability matters**<sup>158</sup>”.

ESRSs are classified into three categories<sup>159</sup>:

- 1) Cross-cutting standards
- 2) Topical standards
- 3) Sector-specific standards

Figure 2.4 illustrates a complete list of the ESRS presented by the European Commission.

ESRS 1	General requirements
ESRS 2	General disclosures
ESRS E1	Climate change
ESRS E2	Pollution
ESRS E3	Water and marine resources
ESRS E4	Biodiversity and ecosystems
ESRS E5	Resource use and circular economy
ESRS S1	Own workforce
ESRS S2	Workers in the value chain
ESRS S3	Affected communities
ESRS S4	Consumers and end-users
ESRS G1	Business conduct

Figure. 2.4 European Sustainability Reporting Standards taken from the Commission the Delegated Regulation (EU) 2023/2772.

<sup>157</sup> European Commission. (2023). Q&A on the adoption of the European Sustainability Reporting Standards (ESRS). Retrieved from [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_23\\_4043](https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_4043)

<sup>158</sup> European Commission. (2023). *Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU as regards sustainability reporting standards*. Title Objective Pag.5 Retrieved September 6, 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02023R2772-20231222>

<sup>159</sup> European Commission. (2023). *Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU as regards sustainability reporting standards*. - Categories of ESRS standards, Pag.5 Retrieved September 6, 2024, Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02023R2772-20231222>

The first category<sup>160</sup> includes ESRS1 which establishes the general principles of reporting and ERSS2 which specifies what information must be disclosed by enterprises independent of their industry. The second category includes all thematic ESRSs so from ESRS E1 to ESRS G1. While the ESRSs that fall into the third category at the time of writing have yet to be processed by EFRAG because in February 2024 the European Commission granted EFRAG's request to postpone the deadline for submission of sectoral ESRSs to mid-2026. So, the first companies that are required to submit social reports in 2025 for the first year will not have to consider sectoral ESRSs. All information provided by companies is subject to materiality, this means that only relevant, understandable, truthful, and verifiable information should be reported by an external auditor to improve the quality of the data presented. The CSRD<sup>161</sup> broadens the scope compared to the previous directive, the new directive is applied to all large companies and all companies whether they are listed on stock exchanges or not, and exceptions are made for micro-enterprises. The rules also apply to listed small and medium-sized companies and non-EU companies that exceed 150 million in revenue or performance and have a subsidiary or branch in the EU territory.

The timing of implementation for each category is different<sup>162</sup>:

- For large companies that were already subject to the Non-Financial Reporting Directive, the regulations apply from January 2024 with the first reports being published in 2025.
- For all other large companies and corporations that were not subject to the NFRD, the regulations apply from January 2025 with the first reports being published in 2026.

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<sup>160</sup> European Commission. (2023). *Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU as regards sustainability reporting standards*. Title Objective Pag.5 Retrieved September 6, 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02023R2772-20231222>

<sup>161</sup> European Union (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD). Official Journal of the European Union, L 322/15. Retrieved 02 October 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

<sup>162</sup> Ibidem



- For listed SMEs, small and non-complex credit institutions, and captive insurance companies, the regulations apply from January 2026 with the first reports being published in 2027. Due to the specificity of SMEs, they can exempt themselves from the application of the regulations until 2028 and submit their first sustainability statement in 2029.
- For non-EU companies that exceed 150 million in revenues or performance and have a subsidiary or branch in the EU territory, the regulations apply from January 2028 with the first reports published in 2029

To ensure compliance, the directive keeps the Authorities responsible for supervision, enforcement and with the responsibility to take injunctive measures or sanctions that must be effective, proportionate, and dissuasive that were established by member states. The fines become more onerous as based on the company's annual turnover, non-monetary sanctions such as restriction of their operations or a declaration by the company are also introduced. Added to this is the liability of board members or corporate officers who can be held personally liable if the company fails to comply with CSRD<sup>163</sup> requirements. This can include civil and potentially criminal liability, depending on the severity of the violation of the directive and the national laws of member states.

## 2.4 Supply Chain Act

The political priority of the European Union is to achieve a sustainable economy, and to give continuity to this project the Corporate Sustainability Due Diligence Directive<sup>164</sup> (CSDD) also known as the Supply Chain Act is added.

According to the OECD<sup>165</sup>, 70 percent of international trade is related to global value chains, this means that the different stages of production of a product or

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<sup>163</sup> European Union (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD). Official Journal of the European Union, L 322/15. Retrieved 02 October 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

<sup>164</sup> European Union. (2022). Proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDDD). COM (2022) 71 final. Retrieved 20 October 2024. available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A71%3AFIN>

<sup>165</sup> OECD. (n.d.). Global value and supply chains. Retrieved from <https://www.oecd.org/en/topics/global-value-and-supply-chains.html>

service are carried out in different countries to optimize costs and production efficiency. Faced with the development of global value chains, it becomes essential to regulate them to prevent companies from continuing to take actions that are not environmentally friendly and contrary to human rights with impunity.

The CSDDD<sup>166</sup> completes the European Union's sustainable finance framework and aims to hold companies legally accountable for their operations carried out throughout their value chain that may generate a negative impact on 'the environment or violate human rights. Both direct and indirect operations are considered, such as, for example, suppliers who are not responsible for workers' rights. The directive introduces three obligations which are<sup>167</sup>:

- Adopt and implement a plan for economic transition with the intent to mitigate climate change and the obligations undertaken by the EU since the Paris Treaty.
- Conduct due diligence to identify and mitigate negative impacts on human rights and the environment.
- Stipulate a sustainability report outlining sustainability practices and policies to mitigate its potential negative impacts and halt actual negative impacts.

To ensure that these obligations are met, member states must design a supervisory and enforcement authority. Failing companies may face injunctive relief and penalties such as, for example, suspension of the ability to export products to EU states or fines of up to 5 percent of global turnover. As well as in case the company is liable for damages to civilians it will have to provide full compensation to the victim. At the European level, the Commission will establish a European network of supervisors formed by representatives of national bodies to ensure a coordinated approach among member states. Through the adoption of the CSDDD,<sup>168</sup> it is hoped to improve environmental protection, respect for human rights, European competitiveness, and risk management by businesses.

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<sup>166</sup> European Union. (2022). Proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDDD). COM (2022) 71 final. Retrieved 20 October 2024. available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A71%3AFIN>

<sup>167</sup> Ibidem

<sup>168</sup> Ibidem

In addition, it is hoped to increase people's confidence in business.

All companies<sup>169</sup>, limited liability companies, partnerships, or parent companies of a corporate group based in the EU that have 1,000 employees and a global net turnover of more than 450 million euros in industry-dependent terms are subject to the obligations under the directive. To these are added franchisor/ franchisee generating royalties exceeding 22,500,000 euros in the last fiscal year and making or having a parent company making a worldwide net turnover exceeding 80 million euros in the last fiscal year. The same rules are also applied to non-European companies that have achieved these figures in the European market, while it excludes the application of the directive to SMEs directly and all financial services. The directive entered into force in 2024, and member states have until July 26, 2026, to perceive the directive in their national law.

The directive<sup>170</sup> will begin to be phased in for companies in 2027. Accordingly, the Union institutions have planned a staggered timetable for the implementation of the CSDD:

- In 2027, the directive will be applied for enterprises with more than 5,000 employees and 1,500 million euros in turnover.
- In 2028 the directive will be applied for enterprises with more than 3,000 employees and 900 million euros in turnover.
- In 2029, the directive will be applied to all enterprises with more than 1,000 employees and 450 million euros in turnover.

The next chapter will discuss the importance of transforming the food industry into a more sustainable one, as the companies analysed in the case study are food companies.

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<sup>169</sup> European Union. (2022). Proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDDD). COM (2022) 71 final. Retrieved 20 October 2024. available at

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A71%3AFIN>

<sup>170</sup> Ibidem

## 3. Food system and sustainability

### 3.1 The link between food and sustainability

When referring to the food system, it means: “the entire range of actors and their interlinked value-adding activities involved in the production, aggregation, processing, distribution, consumption and disposal of food products that originate from agriculture, forestry or fisheries, and parts of the broader economic, societal and natural environments in which they are embedded<sup>171</sup>”.

It is important to highlight that food systems are complex<sup>172</sup> in that they include multiple environmental, social, economic, and political elements that are intertwined with, shape, and in turn, are influenced by food production.

Figure 3.1 figure illustrates the components of the food system, which are: food supply chains, food environments, and individual factors

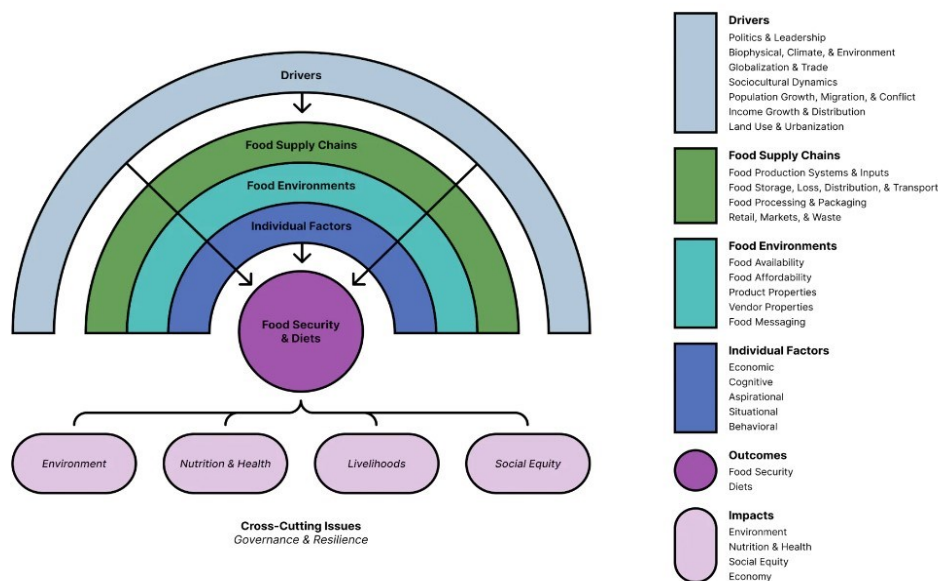


Figure 3.1-The Food Systems Dashboard. The Global Alliance for Improved Nutrition (GAIN). 2023. Geneva, Switzerland. Taken from <https://www.foodsystemsdashboard.org>. DOI: <https://doi.org/10.36072/db>

<sup>171</sup> Nguyen H. (Value Chain Development Consultant of the Sustainable Markets, Agribusiness and Rural Transformations Team, FAO) (2018). Sustainable Food Systems – Concept and Framework. FAO. Retrieved 10, September 2024. Available at <https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/116081/>

<sup>172</sup> The Food Systems Dashboard. The Global Alliance for Improved Nutrition (GAIN). 2023. Geneva, Switzerland. Retrieved 10, September 2024. Available at <https://www.foodsystemsdashboard.org>. DOI: <https://doi.org/10.36072/db>

The food supply chain “includes all the steps needed to produce and move foods from field to fork. These steps consist of agricultural production, storage and distribution, processing and packaging, and retail and marketing, among others and involve farmers, processors, wholesalers, transporters, and retailers<sup>173</sup>”.

All the steps that take place within the food supply chain are closely interconnected and are directly influenced by the demand for food. As demand increases, the number of operations carried out to increase production and meet demand increases. Food systems can be local, regional, or global. Depending on the scale and level, the number of operations within the food supply chain may increase or decrease. For example, before a local food system, the food supply chains usually are shorter than the global one, because the producers use the food for their sustenance or to sell it in the local market. As the scale and level increase, the complexities and challenges increase<sup>174</sup>.

The food environment is defined as “where people interact with the food system for the purpose of acquiring and eating food<sup>175</sup>”.

This includes all contexts that can influence the consumer choice as<sup>176</sup>:

- Physical context that regards the availability and accessibility of different types of food in that area, as the physical places where people buy food, like restaurants or markets.
- Economical contexts that regard the affordability of food, include the food price, the local population's level of income, but also the economic policies that influence the consumption of food.
- Political Context that regards government policies and regulations that can shape food environments by determining how food is labeled or which nutritional guidelines to promote.
- Socio-cultural context regards all cultural norms, traditions that play a significant role in influencing the way people's preferences and dietary habits.

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<sup>173</sup> The Food Systems Dashboard. The Global Alliance for Improved Nutrition (GAIN). 2023. Geneva, Switzerland. Retrieved 10, September 2024. Available at <https://www.foodsystemsdashboard.org>. DOI: <https://doi.org/10.36072/db>

<sup>174</sup> Ibidem

<sup>175</sup> Ibidem

<sup>176</sup> Ibidem

Individual factors<sup>177</sup> concern personal characteristics and circumstances that influence a person's eating behaviors and food choices.

For example, personal taste, income, beliefs, health status, or routines.

Food systems also include crosscutting issues and drivers.

Drivers<sup>178</sup> are factors or processes that push or pull the food system to increase or decrease production, distribution, consumption.

Some of the main drivers are:

- Climate Change: it results in decreased fauna, flora, and field yields and tends to make agricultural products less nutritious than in the past. As well as increasing risks of extreme weather events.
- Public policies: governments through policy adoptions can influence the availability of certain foods. An example is the adoption of tax policies, such as agricultural subsidies for domestic producers.
- or Globalization: It has both positive and negative effects. The positive effects are having a greater choice of products at lower costs and having seasonal products all year round. The negative effects are increased competition for local producers and the fact that imported products are cheaper. It can cause problems for small producers.

Cross-cutting issues<sup>179</sup> are issues interconnected with the food system that require an integrated and collaborative approach to be addressed. An example of cross-cutting issues is food security that intersects economic policies, nutrition, agricultural policies and access to food. The food system plays a central role as a responsible and a victim of climate change. As a victim, it suffers from rising temperatures and extreme weather events that directly affect harvest and food security. As a responsible, it contributes directly to evening gas emissions.

According to the 2019 IPCC Climate Change and Land special report<sup>180</sup>, this contributes to about 25-30% of anthropogenic greenhouse gas emissions globally.

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<sup>177</sup> The Food Systems Dashboard. The Global Alliance for Improved Nutrition (GAIN). 2023. Geneva, Switzerland. Retrieved 10, September 2024. Available at <https://www.foodsystemsdashboard.org>. DOI: <https://doi.org/10.36072/db>

<sup>178</sup> Ibidem

<sup>179</sup> Ibidem

<sup>180</sup> IPCC, 2019: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems [P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D. C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M.

Food waste contributes<sup>181</sup> 8-10% of food system greenhouse gas emissions; it is attributed between 11 and 19 billion tons of greenhouse gas emissions per year to food systems. In 2021, the Emissions Database for Global Atmospheric Research - Food (EDGAR-FOOD)<sup>182</sup> was established as a collaboration between the European Commission's Joint Research Center (JRC) and the FAO, to create a global inventory of emissions related to food systems and cover every stage of the food chain. This is important to help countries design and implement measures to make the food system more sustainable and lessen its environmental impact.

The European Union, for example, uses EDGAR- Food in the implementation of the “Farm to Fork” strategy to make the European food system more sustainable, which will be explained subsequent in this chapter. The results produced by EDGAR-Food have been published in two scientific studies. The first study is called “Food systems are responsible for a third of global anthropogenic GHG emissions<sup>183</sup>” and was published in Nature Food in 2021.

The goal of the research is to address the lack of data on the quantification of global greenhouse gas emissions in the time window from 1990 to 2015.

This first work<sup>184</sup> is responsible for the creation of EDGAR- Food through the integration of data from the Emissions Database for Global Atmospheric Research (EDGAR) with data from the FAOSTAT database on land use-related emissions.

The main results presented are:

- Emissions from food systems in 2015 amounted to 18 gigatons of CO<sub>2</sub>, corresponding to about 34 percent of global greenhouse gas emissions.

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Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.). In press. Retrieved 12, September 2024. Available at <https://www.ipcc.ch/srccl/>

<sup>181</sup> IPCC, 2019: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems [P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D. C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M. Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.). In press. Retrieved 12, September 2024. Available at <https://www.ipcc.ch/srccl/>

<sup>182</sup> European Commission (2021). EDGAR - Emissions Database for Global Atmospheric Research. Official Site of European Commission. Retrieved 02 september,2024, available at [https://edgar.jrc.ec.europa.eu/edgar\\_food](https://edgar.jrc.ec.europa.eu/edgar_food)

<sup>183</sup> Crippa, M., Solazzo, E., Guizzardi, D., Monforti-Ferrario, F., Tubiello, F. N., & Leip, A. (2021). Food systems are responsible for a third of global anthropogenic GHG emissions. *Nature Food*, 2, 198-209. Retrieved 02 september,2024, available at <https://doi.org/10.1038/s43016-021-00225-9>

<sup>184</sup> Ibidem

- Most of the emissions came from agriculture and land use activities about 71 percent while the remaining 29 percent came from activities within the supply chain.
- It highlights that the global food system is becoming progressively more energy intensive. In developing countries, it is triggered by the continuous supply of goods in retail shops and the entire packaging and distribution process. In industrialized countries, this is due to the increased emission of fluorinated greenhouse gases used in refrigeration and other industrial applications.

The second study is entitled “Air pollutant emissions from global food systems are responsible for environmental impacts, crop losses and mortality<sup>185</sup>” and was published in *Nature Food* in 2022. This study intends to demonstrate that food systems not only produce greenhouse gas emissions but also contribute significantly to global emissions of air pollutants. In turn, these air pollutants have direct impacts on the environment, agricultural production, and human health.

The research shows that emissions from the food system “are responsible for about 22.4% of global mortality due to poor air quality and 1.4% of global crop production losses<sup>186</sup>. In the face of the data presented so far, it appears necessary to transform the food system into a sustainable one.

FAO defines sustainable food system as “a food system that delivers food security and nutrition for all in such a way that the economic, social and environmental bases to generate food security and nutrition for future generations are not compromised<sup>187</sup>”. This means that to consider a food system sustainable it must reflect three categories: economic, social and environmental sustainability.

It must create profit at all stages, have positive social implications have a neutral or positive environmental impact.

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<sup>185</sup> Crippa, M., Solazzo, E., Guizzardi, D., Van Dingenen, R., & Leip, A. (2022). Air pollutant emissions from global food systems are responsible for environmental impacts, crop losses and mortality. *Nature Food*, 3, 942-956. Retrieved 02 september,2024, available at <https://doi.org/10.1038/s43016-022-00615-7>

<sup>186</sup> Ibidem

<sup>187</sup> Nguyen H. (Value Chain Development Consultant of the Sustainable Markets, Agribusiness and Rural Transformations Team, FAO) (2018). Sustainable Food Systems – Concept and Framework. FAO.Retrieved 10, September 2024.Available at <https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/1160811/>



## 3.2 Sustainable Food system and Human Rights

Human rights<sup>188</sup> mean universal and inalienable rights that are accorded to all human beings from birth without distinction. The concept of human rights<sup>189</sup> is ancient, it is found in religions and philosophical treatises in which they were named natural rights. At the national level, several historical documents demonstrate the attempt to grant equal rights to all.

Two examples are the Magna Carta of 1215, which established principles for due process and equality before the law, and the 1789 Declaration of the Rights of Man and Citizens drafted during the French Revolution.

At the international level, the first document concerning human rights is the Universal Declaration of Human Rights of 1948<sup>190</sup>. This is adopted as a response to the horrors perpetrated during World War II to provide a compass for humanity toward a new beginning in which peace and human dignity are essential elements. Because of its origin as a declaration of principles, this was initially not formally binding on member states with the passage of years have been recognized as a general principle of international law.

The Universal Declaration of Human Rights<sup>191</sup> has a strong historical importance in that it represents the international community's willingness to universally recognize the rights of all human beings.

This consists of a preamble and 30 articles. Furthermore, in 1976, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights were adopted. These, together with the UDHR, form the International Bill of Human Rights<sup>192</sup>

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<sup>188</sup> Office of the High Commissioner for Human Rights. (n.d.). What are human rights? United Nations . Retrieved October 7, 2024, available at <https://www.ohchr.org/en/what-are-human-rights>

<sup>189</sup> Cranston, M. (1983). Are There Any Human Rights? *Daedalus*, 112(4), 1–17. Retrieved October 7, 2024, available at <http://www.jstor.org/stable/20024883>

<sup>190</sup> United Nations. (n.d.). History of the Declaration. Retrieved October 7, 2024, available at <https://www.un.org/en/about-us/udhr/history-of-the-declaration>

<sup>191</sup> United Nations. (1948). Universal Declaration of Human Rights. Retrieved October 7, 2024, available at <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

<sup>192</sup> Office of the High Commissioner for Human Rights. (n.d.). International Bill of Human Rights . United Nations. Retrieved October 7, 2024. available at <https://www.ohchr.org/en/what-are-human-rights/international-bill-human-rights>

Human rights can be classified into three categories<sup>193</sup>:

- Civil and political rights are also called first-generation rights as they were the first to be recognized. These emerged in the 17th and 18th centuries and have two central ideas which are to protect the personal freedoms and political interests of individuals from the interests and power of states. Some examples are the right to life, the right to vote right to religious freedom.
- Social, economic and cultural rights are called second-generation rights and emerged in response to needs that surfaced with the Industrial Revolution. These rights “are based on the ideas of equality and guaranteed access to essential social and economic goods, services, and opportunities.” Some examples are the Right to Work, the Right to Health, and the Right to Education.
- Collective rights or peoples' rights, also known as third-generation rights. These developed in the second half of the 20th century because of the interconnectedness of countries and the need to work together to solve common supranational problems. Some examples are the right to a healthy environment, the right to development, and the right to peace.

The food system and human rights are strongly interconnected.

This connection is due to a wide range of rights such as the right to food,<sup>194</sup> the right of workers, the right to an environment that is violated along the food system, and the global challenges which are referred to as Crosscutting issues in the food system The right to food is the most direct link between human rights and the food system. This was first enshrined internationally with UDHR in 1948. The article dedicated to the right to food is Article 25<sup>195</sup>, which states in its first paragraph: “Everyone has the right to a standard of living adequate for the health

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<sup>193</sup> Council of Europe. (2023). *Compass: Manual for Human Rights Education with Young People*. Retrieved October 7, 2024. Available at <https://rm.coe.int/compass-2023-eng-final-web/1680af992c>

<sup>194</sup> Food and Agriculture Organization of the United Nations (2010) *The Right to Adequate Food*. Retrieved October 7, 2024. Available at <https://www.fao.org/4/b358e/b358e.pdf>

<sup>195</sup> United Nations General Assembly. (1948). *Universal Declaration of Human Rights*. Retrieved 12, September 2024. Available at <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”<sup>196</sup>.

The right to food is further reinforced in the International Covenant on Economic, Social and Cultural Rights in its Article 11, comma 2 highlights<sup>197</sup>:

“The States Parties to the present Covenant, recognizing the fundamental right of everyone to be free from hunger, shall take, individually and through international co-operation, the measures, including specific programmes”<sup>198</sup>.

The second paragraph letter a list why these measures are necessary: “to improve methods of production, conservation and distribution of food by making full use of technical and scientific knowledge, by disseminating knowledge of the principles of nutrition and by developing or reforming agrarian systems in such a way as to achieve the most efficient development and utilization of natural resources<sup>199</sup>”.

In the second paragraph letter b informs the issues that states must consider as: “the problems of both food-importing and food-exporting countries, to ensure an equitable distribution of world food supplies in relation to need”<sup>200</sup>.

These two documents entail states to fulfill the obligations which are to respect, protect, and fulfill the right to food<sup>201</sup>.

The obligation to respect the right to food means that any measure that would prevent access to food is prohibited; this includes both actions implemented by the state and its institutions. In addition, the state must ensure that no law or public policy undermines respect for the right to food.

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<sup>196</sup> Ibidem

<sup>197</sup> United Nations General Assembly. (1966). International Covenant on Economic, Social and Cultural Rights. Retrieved 13, September 2024. Available at <https://www.ohchr.org/Documents/ProfessionalInterest/cescr.pdf>

<sup>198</sup> Ibidem

<sup>199</sup> United Nations General Assembly. (1966). International Covenant on Economic, Social and Cultural Rights. Retrieved 13, September 2024. Available at <https://www.ohchr.org/Documents/ProfessionalInterest/cescr.pdf>

<sup>200</sup> Ibidem

<sup>201</sup> Food and Agriculture Organization of the United Nations. (2010). The Right to Adequate Food. Retrieved 14, September 2024. Available at <https://www.fao.org/right-to-food/resources/resources-detail/en/c/49338/>

The obligation to protect the right to food means that states must prevent third parties such as organized groups from violating the right to food in their territories and take their obligations into account when making agreements with both organizations and other states. States should ensure that food products placed in their markets meet quality standards and are safe for consumption.

In addition, states should encourage healthy lifestyles with healthy, balanced diets.

The obligation to fulfill encapsulates within it two sub-obligations.

The first is to facilitate people's access to and use of both resources and means of livelihood. the state must be proactive.

The second obligation is to provide food for people when they are unable to be self-sufficient for reasons beyond their efforts. This does not mean that the state is responsible for feeding people within its territory.

As pointed out in the 2010 report *The Right to Adequate of Food Produced by the FAO*<sup>202</sup>, right to food is not the same as the right to be fed by the state. The state's obligation is to ensure the right conditions for people to produce or buy their own food. Only on some occasions is the state responsible for feeding people living on its territory, such as in the case of prisoners, armed conflict, or a disaster. The central elements of the right to food are<sup>203</sup> availability, accessibility, and adequacy. By Availability, we mean both the level of resources for food production and the availability of products for sale in different stores.

Accessibility includes both physical and economic.

Physical accessibility refers to people's physical access to food so for example the introduction of a new bus line that better connects remote areas to reach with supermarkets. Affordability refers to an individual's ability to be able to purchase nutritious food sufficient for a healthy, balanced diet without having to give up other basic needs. Adequacy means that food should be safe for consumption and appropriate to personal needs such as age, health condition, and culture.

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<sup>202</sup> Food and Agriculture Organization of the United Nations. (2010). *The Right to Adequate Food*. Retrieved 14, September 2024. Available at <https://www.fao.org/right-to-food/resources/resources-detail/en/c/49338/>

<sup>203</sup> *Ibidem*

Over the past 20 years, the importance of the right to food has increased dramatically, and this is due to several factors<sup>204</sup>.

The first factor is the increase in population, mainly in the Global South. This is followed by increased volatility in food prices due to financial crises, increased armed conflicts around the world, and global warming.

At the same time, the international community has been working to help states and other actors spread the right to food.

A first attempt occurred in 2004 with the Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food<sup>205</sup> in the Context of National Food Security endorsed by the Committee on World Food Security. These promote practical directions for action such as the adoption of national strategies to secure the right to food, the introduction of legislation aimed at protecting the right to food, and monitoring systems to assess progress.

In 2011, the United Nations Guiding Principles on Human Rights and Business, a framework aimed at guiding businesses not to adopt attitudes that may flaunt in human rights violations, is presented.<sup>206</sup>

In 2015, the 17 Sustainable Development Goals part of the 2030 Agenda were adopted, representing a global commitment to address the most pressing common challenges. Goal number 2 is the dedicated zero hunger, with a focus on “end hunger, achieve food security and improved nutrition and promote sustainable agriculture<sup>207</sup>”. This is composed of eight targets that are illustrated in the Figure 3.2

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<sup>204</sup> Rae, I., Thomas, J., Vidar, M. (2007). The Right to Food as a Fundamental Human Right: FAO's Experience. In: Guha-Khasnobis, B., Acharya, S.S., Davis, B. (eds) Food Insecurity, Vulnerability and Human Rights Failure. Studies in Development Economics and Policy. Palgrave Macmillan, London. Available at [https://doi.org/10.1057/9780230589506\\_11](https://doi.org/10.1057/9780230589506_11)

<sup>205</sup> Food and Agriculture Organization of the United Nations. (2004). Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food. Retrieved 14, September 2024. Available at <https://www.fao.org/cfs/policy-products/vgr2f/en/>

<sup>206</sup> United Nations. (2011). Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework. Retrieved 14, September 2024. Available at

[https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>207</sup> United Nations. (2015). *Goal 2: Zero hunger - the global goals*. The Global Goals. Retrieved 15, September 2024. Available at <https://www.globalgoals.org/goals/2-zero-hunger/>

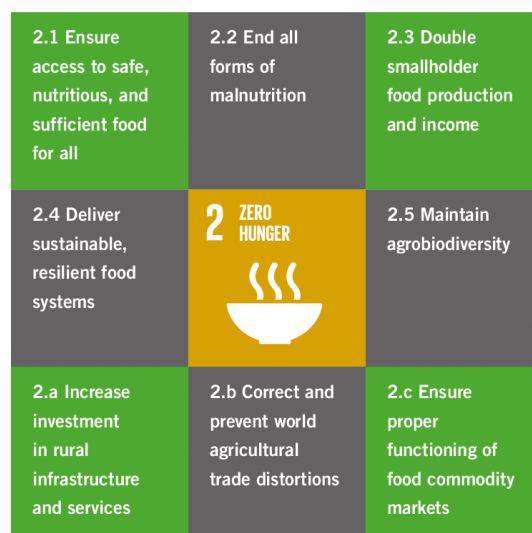


Figure 3.2. Sustainable Development Goal 2 (Zero Hunger) And the Eight Targets for Assessing Progress Taken from Global Hunger Index 2020 One Decade to Zero Hunger - Linking Health and Sustainable Food Systems. Chapter 2 One health, Zero Hunger Pag.25. Available at: [https://www.researchgate.net/publication/345338217\\_Global\\_Hunger\\_Index\\_2020\\_One\\_Decade\\_to\\_Zero\\_Hunger\\_-\\_Linking\\_Health\\_and\\_Sustainable\\_Food\\_Systems](https://www.researchgate.net/publication/345338217_Global_Hunger_Index_2020_One_Decade_to_Zero_Hunger_-_Linking_Health_and_Sustainable_Food_Systems)

During this same period, the State of Food Insecurity in the World report<sup>208</sup> recorded the lowest number of undernourished people ever before, 795 million compared to 1.011 billion in 1991. The percentage of undernourished people dropped from 19 percent in the 1990s to 10.6 percent. This is due to the introduction of effective programs to reduce malnutrition with improved food and social policies in countries such as China and India. The spread of new technologies<sup>209</sup> has improved production and consequently food availability. Added to this is economic growth that has resulted in increased access to food mainly for those countries in developing regions. In countercurrent are sub-Saharan Africa and South Asia have suffered the opposite effect, an increase in the undernourished compared to the 1990s. After 2015, progress to combat hunger changed its upward trend, this was caused by increased political instability, armed conflicts, and extreme weather events that increased by undernourished people<sup>210</sup>.

<sup>208</sup> FAO, IFAD, & WFP. (2015). The State of Food Insecurity in the World 2015: Meeting the 2015 international hunger targets: taking stock of uneven progress. Retrieved 15, September 2024 Available at <https://www.fao.org/agrifood-economics/publications/detail/en/c/288368/>

<sup>209</sup> *ibidem*

<sup>210</sup> FAO, IFAD, & WFP. (2015). The State of Food Insecurity in the World 2015: Meeting the 2015 international hunger targets: taking stock of uneven progress. Retrieved 15, September 2024 Available at <https://www.fao.org/agrifood-economics/publications/detail/en/c/288368/>

These issues were compounded by the COVID-19 pandemic in 2020, which further worsened food insecurity conditions and inequalities both locally and globally.

“In many countries, certain segments of the population paid a particularly heavy price when it came to food security, including families that depend on remittances from their immigrant members, families supported through seasonal labour, people with insecure and informal work, families headed by women, displaced persons and people living in rural or remote areas<sup>211</sup>”.

The food producers and restaurant owners have also been hit hard by the pandemic, as their businesses have been disrupted or limited by lockdowns.

In 2020, the number of people who did not have access to a healthy diet expanded by 112 million compared with 2019 to reach 3.1 billion people<sup>212</sup>.

This reflects the increase in food price inflation resulting from the economic impacts of the coronavirus pandemic (COVID-19) and the measures put in place to contain it. In 2021, “between 702 million and 828 million people were affected by hunger. This is 103 million more people than during the 2019–2020 period and 46 million more than in 2020, if comparing the figures with the middle of the projected range<sup>213</sup>”. In September 2021 first food system summit was held, this was a decisive moment of discussion on achieving sustainable development goals especially goal number 2, and how to make food systems more sustainable.

This, however, was harshly criticized by Special Rapporteur on the Right to Food Michael Fakhri in his interim report submitted to the UN Human Rights Council in July 2021 before the summit was held.

“The Special Rapporteur on the right to food observes that, even though the 2021 Food System Summit has elevated public discussion concerning food systems reform, sufficient attention has not been paid to structural challenges facing the world’s food systems.<sup>214</sup>”

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<sup>211</sup> United Nations. (2022). The right to food and the COVID-19 pandemic - Interim report of the Special Rapporteur on the right to food, Michael Fakhri. A/77/177. Retrieved 15, September 2024. Available at <https://www.ohchr.org/en/documents/thematic-reports/a77177-right-food-and-covid-19-pandemic-interim-report-special>

<sup>212</sup> FAO, IFAD, & WFP. (2024). The State of Food Security and Nutrition in the World (SOFI) 2024 Financing to end hunger, food insecurity and malnutrition in all its forms Retrieved 15, September 2024 Available at <https://openknowledge.fao.org/server/api/core/bitstreams/06e0ef30-24e0-4c37-887a-8caf5a641616/content>

<sup>213</sup> Ibidem

<sup>214</sup> United Nations. (2021). Report on Food systems and human rights of

According to this criticism, the summit focused on finding technical solutions and technological innovation while leaving deeper systemic issues related to human rights untouched and ignoring the effects of the pandemic on the global food system. Furthermore, it is pointed out that human rights have been marginalized from the Summit since the beginning of preparations.

After heavy pressure from civil society and the Special Rapporteur himself, who criticized the absence of human rights, these were included in the Summit agenda in January 2021. Only in March did the organization send an invitation to attend the summit to the FAO Right to Food team and the Office of the High Commissioner for Human Rights. It was pointed out that. “The Summit’s multi-stakeholder approach, driven by the private sector, has fallen short of multilateral inclusiveness and has led to the marginalization of some countries<sup>215</sup>”.

The Special Rapporteur on Right to Food has criticized that “the Summit process has not provided an autonomous and meaningful space for participation by communities and civil society, with the risk of leaving behind the very population critical for the Summit’s success”-<sup>216</sup>.

These criticisms have remained unchanged<sup>217</sup> in the reports following the Special Rapporteur Summit, which also reinforced his view that human rights must be the hardcore from which to transform food systems and address the food crisis.

The end of the Pandemic did nothing to improve the food crisis rather the situation worsened due to the elimination of subsidies created by the states to help people during the pandemic, decrying its end many families lost an income that helped them purchase necessities. Added to this is Russia's invasion of Ukraine, which has intensified even more the food crisis not only in Ukraine but globally. “Twenty-six countries source at least 50 percent of their wheat needs from the Russian Federation and Ukraine<sup>218</sup>”. Causing a global shock and generating the risk of imminent famine and starvation in different parts of the globe

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the Special Rapporteur on Right to Food Retrieved 15, September 2024.

Available at <https://documents.un.org/doc/undoc/gen/n21/208/03/pdf/n2120803.pdf>

<sup>215</sup> Ibidem

<sup>216</sup> Ibidem

<sup>217</sup> United Nations. (2023). Report on Right to food for food system recovery and transformation of the Special Rapporteur on Right to Food Retrieved 17, September 2024. Available at <https://documents.un.org/doc/undoc/gen/n23/210/67/pdf/n2321067.pdf>

<sup>218</sup> United Nations. (2022). The right to food and the COVID-19 pandemic - Interim report of the Special



The latest State of Food Security<sup>219</sup> (SOFI) report was released in July 2024.

The report shows that 2023 is the third consecutive year in which global hunger levels have remained stationary. “It is estimated that between 713 and 757 million people, corresponding to 8.9 and 9.4 percent of the global population, respectively, may have faced hunger in 2023. Considering the mid-range (733 million), this is about 152 million more people than in 2019<sup>220</sup>”.

Regionally, trends vary, the most problematic scenario being in Africa where the percentage of the population afflicted by hunger continues to increase and an estimated 20.4 percent of the population is suffering from hunger.

This is the highest percentage compared to other parts of the world.

The Asian region has maintained relatively the hunger levels of previous years except West Asia where there has been an increase.

An estimated 8.1% of the Asian population goes hungry.

Hunger is a central problem for Asian countries because they are home to more than half of the world's hungry people.

As regards food insecurity, it is estimated that in 2023 approximately 2.33 billion people were moderately or severely food insecure, that correspond to the 28.9 % of the global population. This estimate includes 864 million people who were severely food insecure, which corresponds to 10.7% of the population.

“The prevalence of moderate or severe food insecurity remained virtually unchanged in Africa, Asia, and Northern America and Europe from 2022 to 2023, and it worsened in Oceania. In contrast, notable progress occurred in Latin America<sup>221</sup>”. The accessibility of a healthy diet had different results depending on the income of the regions. For middle-income countries, the number of people who do not have access to a healthy diet has returned to pre-pandemic levels of COVID-19, while for low-income countries there has been an increase in the number of

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Rapporteur on the right to food, Michael Fakhri. A/77/177. Retrieved 15, September 2024  
<https://www.ohchr.org/en/documents/thematic-reports/a77177-right-food-and-covid-19-pandemic-interim-report-special>

<sup>219</sup> FAO, IFAD, & WFP. (2024). The State of Food Insecurity in the World 2024 Financing to end hunger, food insecurity and malnutrition in all its forms Retrieved 15, September 2024 Available at <https://openknowledge.fao.org/items/09ed8fec-480e-4432-832c-5b56c672ed92>

<sup>220</sup> Ibidem

<sup>221</sup> FAO, IFAD, & WFP. (2024). The State of Food Insecurity in the World 2024 Financing to end hunger, food insecurity and malnutrition in all its forms Retrieved 15, September 2024 Available at <https://openknowledge.fao.org/items/09ed8fec-480e-4432-832c-5b56c672ed92>

people who do not have access to a healthy diet. In North America, Europe, and Asia, there has been a decrease, while for African “the number rose to 924.8 million in 2022, up by 24.6 million from 2021, and by 73.4 million from 2019<sup>222</sup>.”

The report highlights that the world is far from the targets introduced with goal number two of the 17 Sustainable Development Goals. As shown in the report, the world has regressed 15 years in the roadmap, today's figures may be comparable to those of 2008 and 2009. If this trend cannot be changed, the goal will not be achieved, and it is projected that “582 million people will be chronically undernourished at the end of the decade and that more than half of them will be in Africa<sup>223</sup>”. This corresponds to “130 million more undernourished people than in a scenario reflecting the world economy before the COVID-19 pandemic<sup>224</sup>”.

In addition to providing a clear picture of the world's hunger situation, Sofi provides recommendations on what needs to be done to transform food systems to achieve the programmed goals. To make this possible, the report emphasizes the need for investments directed at the food system.

### 3.3 European Union Food System

The European Union Food System is one of the largest, complex food systems in the world, this is since it incorporates the food systems of its 27 member states.

“Hence, the European food system must be seen as apolitical and policy manifestation as well as a site of social and cultural, economic, and environmental relationships<sup>225</sup>”. The legal basis and underlying value framework of the EU food system is set out in the Treaty on the Functioning of the European Union (TFEU). Its governance framework consists of multiple elements from the EU's different sectoral policies. At the center of the governance framework of the EU food system is the Common Agricultural Policy.

This has been at the center of the EU's development and integration process, granting it the title of being one of the EU's oldest policies.

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<sup>222</sup> Ibidem

<sup>223</sup> Ibidem

<sup>224</sup> Ibidem

<sup>225</sup>Rayner, G., Barling, D., & Lang, T. (2008). Sustainable Food Systems in Europe: Policies, Realities and Futures. *Journal of Hunger & Environmental Nutrition*, 3(2–3), 145–168. Retrieved 18, September 2024. Available at <https://doi.org/10.1080/19320240802243209>

It can be said that thanks to the CAP, the EU has become a major exporter globally. This is complemented by the Common Fisheries Policy, which was launched in 1983 to regulate the market for fisheries products, modernizing EU fishing fleets, and access to fishing grounds. In 2013 the CFP was reformed to introduce sustainable targets and measures to protect fish stocks and ecosystems.

The range of policies contributing to the EU food system governance framework is vast from energy, health, research, and innovation policy to environmental, transport, and trade policies. Finalizing the food system governance framework are food regulations. Food regulations encompass sanitation regulations, regulations for tracking production steps with the intent of knowing where to act if regulations are violated, and regulations for control and inspection.

In 2002, the European Food Safety Authority (EFSA) was established, it is responsible for providing independent scientific advice and communicating risks associated with the food chain. This supports EU bodies when decisions on food risk management must be made. “European food is already a global standard for food that is safe, plentiful, nutritious and of high quality<sup>226</sup>”.

“This is the result of years of EU policymaking to protect human, animal and plant health, and of the efforts of farmers, fishers and aquaculture producers<sup>227</sup>”.

“Now European food should also become the global standard for sustainability<sup>228</sup>”.

The Farm to Fork strategy is considered the hearth of the Green Deal and has been implemented to promote sustainable transformation of the EU food system.

Figure 3.3 is used to present the Farm to Fork strategy.

This is a visible representation that the transformation of the European food system will occur at all stages of the food system. Its spherical shape highlights the adoption of a circular economy that will help decrease food waste.

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<sup>226</sup> European Commission. (2020). A Farm to Fork Strategy for a fair, healthy and environmentally Friendly food system. EUR-Lex. Retrieved 20, September 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

<sup>227</sup> Ibidem

<sup>228</sup> European Commission. (2020). A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system. EUR-Lex. Retrieved 20, September 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>



Figure 3.3-. Farm to Fork strategy. European Commission (2020)  
 Source :([https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy\\_en](https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy_en))

“The 'Farm to Fork' strategy puts forward an action plan of 27 legislative and non-legislative measures, including elements triggered by the weaknesses in the EU food chain revealed by the coronavirus crisis, such as the need for a crisis contingency plan”.<sup>229</sup>

The strategy inserts actions and goals involving all actors in the food supply chain to accelerate the transition to a sustainable food system. The main objectives of the strategy are the following divided which I have divided into three categories<sup>230</sup>:

1. Environmental and climate sustainability goals:
  - Reduce pesticide use and risks, including the most hazardous pesticides, by 50% by 2030;
  - Reduce soil nutrient loss by 2030 without compromising soil fertility;
  - Reduce fertilizer use by 20 %by 2030;
  - Allocate at least 25 percent of agricultural land to organic farming;
  - Reduce antimicrobial sales for farm animals and aquaculture by 50%.
2. Economic and social sustainability goals:
  - Promote circular economy in the agribusiness sector;
  - Introduce fast broadband Internet access in all rural areas by 2025

<sup>229</sup> European Commission. (2020). A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system. EUR-Lex. Retrieved 20, September 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

<sup>230</sup> Ibidem

- Invest in research and innovation to improve the sustainability of the food system;
  - Ensure fair working conditions and social protection for farmers and workers in food supply chains;
  - Support and incentivize farmers to adopt sustainable practices through eco-schemes;
3. Public health and nutrition goals<sup>231</sup>:
- Promote sustainable and healthy diets;
  - Halve food waste per capita at retail and consumer levels by 2030;
  - Introduce standards harmonization of food labels so that packaging provides important information related to nutritional intake.

The Farm to Fork strategy is not limited to the European context but aims to promote global food standards. “Through its external policies, including international cooperation and trade policy, the EU will pursue the development of Green Alliances on sustainable food systems with all its partners in bilateral, regional and multilateral fora<sup>232</sup>”.

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<sup>231</sup>European Commission. (2020). A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system. EUR-Lex. Retrieved 20, September 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

<sup>232</sup> European Commission. (2020). A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system. EUR-Lex. Retrieved 20, September 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

## 4. Case Study: Italy sustainable brands

### 4.1 Italian Food Sustainability Benchmark

This chapter focuses on the case study of this dissertation.

To understand whether CSRD<sup>233</sup> could improve compliance with human rights, I decided to analyze sustainability reports companies.

The sustainability report is a voluntary document that is prepared by companies and published on their official website intending to present their non-financial performance to the stakeholders, thus presenting their environmental, social, and governance impacts.

This document is essential for evaluating sustainability performance, strengthening relationships with stakeholders, and showcasing transparency.

At international level it is not a mandatory document, there is no required structure to comply with. This will depend on the company's willingness to adopt one or more international guidelines based on its industry and stakeholder interests.

The best-known and most widely used international standards are the International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI) standards. Other significant guidelines are the United Nations SDGs and Sustainability Accounting Standards Board (SASB), which offer industry standards for sustainability reporting with a financial focus.

In the European Union, the NFRD<sup>234</sup> requires large companies to produce a sustainability report by 2018. There is no precise, clear structure or mandatory standards. It is up to the company to determine which standards to use.

The chosen companies were identified from those presented in the Food & Beverage Sustainability Italian Benchmark produced by Standard Ethics<sup>235</sup>.

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<sup>233</sup> European Union (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD). Official Journal of the European Union, L 322/15. Retrieved 02 October 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

<sup>234</sup> European Commission. (2014). Directive 2014/95/EU amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

<sup>235</sup> Standard Ethics. (2022). Info Food&Beverage Sustainability Italian Benchmark Retrieved October 6 available at <https://www.standardethicsindices.eu/food-beverage-sustainability-italian-benchmark.html>

A Self-Regulated Sustainability Rating Agency based in London that issues non-financial ratings. The review of the rating agency aims to measure the company's compliance with the sustainability and corporate governance guidelines promoted by the European Union, the OECD, and the United Nations.

Figure 4.1 presents the rating scale used in Standard Ethics reports, consisting of 9 sustainability grades expressed in letters. Receiving a rating of “EE-” or higher indicates good compliance and sustainable business. In addition, any “philanthropic or socio-environmental policies that are not aligned with sustainability indications do not have positive effects on the rating<sup>236</sup>”.

EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
	Excellent	Very Strong	Strong	Adequate	Low	Very Low	Unsatisfactory	
Sustainable					Not Fully Sustainable		Not Sustainable	

Figure 4.1- Standard Ethics scale of valuation taken from Standard Ethics official website on file dedicated to the company presentation ( <https://www.standardethics.eu/>)

Standard Ethics provides two types of services<sup>237</sup>.

Firstly, it formulates a sustainability rating for companies that have requested its rating service, establishing a confidential relationship with its clients. The decision to disclose the scores is made by the requesting company.

This type of service is referred to as the applicant-pay Model. When entering a new national market or industry, Standard Ethics analyzes major companies and issues them an unsolicited, unpaid rating to create an index that can be freely used as a benchmark.

The Food & Beverage Sustainability Italian Benchmark was born from the second type of service. This benchmark was created by analyzing the 50 largest companies in the Italian food industry, from which 30 were chosen.

These 30 companies are reassessed every six months to detect any positive or negative changes in their ratings Standard Ethics analysts in creating the benchmark considered several aspects such as: “elements of fair competition; quality of ESG

<sup>236</sup> Standard Ethics. (2022). Food&Beverage Sustainability Italian Benchmark Retrieved October 6 available at <https://www.standardethics.eu/media-en/research-methodology/standard-ethics-publishes-the-food-beverage-sustainability-italian-benchmark/viewdocument/650>

<sup>237</sup> Ibidem

disclosure with a focus on Sustainability governance and corporate governance; controversial events; product reporting<sup>238</sup>”.

The average value given to the index is “E+”, which indicates that most of the Italian companies analyzed are not fully sustainable.

Figure 4.2 illustrates the updated September 2024 Food and Beverage Sustainability Italian Benchmark used for the analysis.

**Benchmark Constituents from 30<sup>th</sup> September 2024:**

Rating	Outlook	Company	Rating	Outlook	Company
EE		Casillo Group	E+		M. Zanetti Beverage
EE		Illycaffè	E+		Mutti
EE-		A. Locker	E+		Newlat Food
EE-		Bolton Group	E+		Orsero
EE-		Eurovo	E+		Sammontana
EE-		La Doria	E	Pos.	Pastificio Rana
E+	Pos.	Bauli	E		Campari
E+		Barilla	E		De Cecco
E+		Cereal Docks	E		GranTerre
E+		Colussi	E		Gruppo Amadori
E+		Conserve Italia	E		Gruppo Cremonini
E+		Ferrero	E		Gruppo Veronesi
E+		Fileni Alimentare	E		Salumificio F.lli Beretta
E+		Granarolo	E		San Benedetto
E+		Lavazza	E		Unigra

Figure 4.1. Standard Ethics Food & Beverage Italian Benchmark September 2024 taken from the official website (<https://www.standardethicsindices.eu/documents-food-beverage.html>)

From Figure 4.2, I have selected one company per category based on the availability of data, specifically the availability of sustainability reports 2024 in the reporting period 2023. A significant aspect to consider is that not all companies in this list have published their 2024 sustainability report when I started analyzing the list; as it does not require it to be published by a specific date it just needed to be published by the end of the fiscal year.

<sup>238</sup> Standard Ethics. (2022). Food&Beverage Sustainability Italian Benchmark Retrieved October 6 available at <https://www.standardethics.eu/media-en/research-methodology/standard-ethics-publishes-the-food-beverage-sustainability-italian-benchmark/viewdocument/650>



Returning to Figure 4.2, as perceived from the image, the highest category on the Standard Ethics rating scale<sup>239</sup> present in the figure is the “Strong” and sustainable category, for this category I selected Illycaffè.

For the "Excellent" and sustainable rating, I selected Loacker.

For the "Low" and not completely sustainable category, I selected Mutti.

For the "Very Low" and not fully sustainable category, I selected Pastificio Rana. The next paragraph presents the methodology used in the analysis of the 2024 sustainability report for each company.

## 4.2 Corporate overview and sustainability report analysis

The analysis of the sustainability report is divided into five parts.

The first section introduces the company briefly, focusing on its history, dimensions, and values. This first part also presents a session called “Important Information” that encapsulates the following aspects:

- Standards used to prepare the sustainability report
- The existence of a sustainability strategy
- How long they have been drafting sustainability reports,
- The existence of a page devoted to the history of previous sustainability reports
- Direct references to new European regulations.

Subsequently, I divided the analysis into four macro areas:

1. Governance
2. Environment
3. Social
4. Supply chain

For each macro area, I identified elements that, I thought, were important to find in sustainability reports. For governance, they were: presentation of corporate bodies,

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<sup>239</sup> Standard Ethics. (2022). Food&Beverage Sustainability Italian Benchmark Retrieved October 6 available at <https://www.standardethics.eu/media-en/research-methodology/standard-ethics-publishes-the-food-beverage-sustainability-italian-benchmark/viewdocument/650>

composition of governance, incidents of corruption, stakeholder engagement and risk management model. For the environmental aspect, they were: energy consumption, emissions, logistics, water resources, biodiversity protection, circular economy, packaging, and waste. For the social aspect, they were employees, training, diversity, community relations, health, and safety.

For the supply chain, I did not identify any specific elements, but I looked for measurable data because besides the supplier part they all have different aspects or no other data about it. Subsequently, I researched these elements in each company's sustainability report and briefly described whether they presented measurable data on these aspects. Once I had analyzed the sustainability reports of the four companies I presented a brief analysis by macro area. After, I presented an overall analysis of the sustainability reports. To make it easier to find each area of the analysis again, I divided these five parts into sub-paragraphs of 4.2.

## 4.2.1 Companies profile

I decided to start the analysis of the company with the lowest rating to the highest. All information is taken from the sustainability report of the countries.

### 4.2.1.1 Pastificio Rana - Very “Low” rating ranking

#### **Company presentation**

Pastificio Rana<sup>240</sup> is a joint-stock, family-owned company founded in 1962 by Giovanni Rana in San Giovanni Lupatoto, Veneto, Italy. The company specializes in fresh pasta and combines the use of high-quality ingredients and the adoption of innovation while honoring traditional pasta-making techniques. In 1986, the company started to develop a strategy of expansion into foreign markets and the first time the products crossed the Italian border was in 1994, destined for the Spanish market. Nowadays, their products are celebrated not only in Italy but also in Europe and North America.

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<sup>240</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_\\_4\\_3KZEBc.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023__4_3KZEBc.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

## **Mission and Values**

Rana's group is known for its core values: family, quality, innovation, and transparency. The company's mission is to deliver innovative and high-quality products for lovers of good food.

## **Dimension**

Pastificio Rana<sup>241</sup> is a key producer of fresh-filled pasta worldwide, its products have reached more than 68 countries around the world. In Italy, the company owns five production infrastructures, including a research center and a logistics center, located in the province of Verona.

In Europe, it owns a production center in Nivelles, Belgium.

It also owns at least one subsidiary in the following countries: Belgium, France, Germany, the United Kingdom, Spain, Sweden, and Switzerland.

In North America, it owns in the United States two production centers, a research center, and a logistics center in Bartlett, Illinois.

Furthermore, it owns subsidiaries in both Canada and the United States.

## **Important Information**

Pastificio Rana <sup>242</sup>presented its first sustainability report in 2023, in which it presented its new sustainability strategy, "We Nourish Our Future." The strategy presents three pillars of sustainability that reflect its approach to a responsible supply chain, care for people and communities, and the culture for sustainable innovation. Rana's sustainability strategy was created from a materiality analysis under the prerequisites of GRI standards. The goal was to identify strategic social and environmental priorities in line with the Sustainable Development Goals defined by the United Nations and its sustainable strategy. No direct references to new European regulations were found. Regarding the online availability of the sustainability report, Rana has a dedicated sustainability page from which

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<sup>241</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_4\\_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023_4_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

<sup>242</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024,

available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_4\\_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023_4_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

sustainability reports can be downloaded. However, this page does not present a history of the previous sustainability report. Once the new sustainability report is ready, it replaces the previous years.

#### 4.2.1.2 *Mutti – “Low” rating ranking*

##### **Company presentation**

Mutti<sup>243</sup> is a historic Italian joint-stock company specializing in the production of tomato products. The company was founded as a family-owned farm in 1899 by brothers Marcellino and Callisto Mutti in Basilicanova, Parma, Italy.

It began as a tomato canning industry and has expanded its product range to include soups, sauces, and tomato pesto. Since 2010, Mutti<sup>244</sup> has focused on sustainability projects, culminating in the first Sustainability Report published in 2024, reflecting the company's commitment to transparency and social responsibility

##### **Mission and Values**

The Mutti family has managed the company for over 125 years and its values are founded on quality, transparency, and reliability. Mutti's mission is to promote the authenticity of Italian tomatoes while maintaining high standards of quality, innovation, and sustainability. This mission does not merely reside in Italy but aims to expand into foreign markets.

##### **Dimension**

Mutti is a leader in Italy and Europe in the tomato derivatives market and is present in more than one hundred countries worldwide. The Group's historic headquarters are in Montechiarugolo, Parma, Italy. Over time, the company's expansion has been supported by the acquisition of two more production centers in Italy. Internationally, Mutti's expansion began in 2013 through the opening of sales offices in several countries, starting in 2013 in France and continuing in the United States, Sweden, Australia, Germany, and the United Kingdom.

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<sup>243</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available at <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

<sup>244</sup> Mutti (2023). Sustainability report Mutti.

Retrieved 18 October,2024, available at

<https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

### **Important Information**

Since 2010, Mutti<sup>245</sup> has been on a journey to assess its environmental impacts, which were used internally within the company and inaccessible to external stakeholders. In 2021, it commenced publishing an annual environmental report, accessible on its website. In 2023, with the establishment of a Green Strategy, Mutti decided to produce its first sustainability report, transforming its reporting to ESG. The Sustainability Report was prepared under the “GRI Sustainability Reporting Standards” and a materiality analysis was conducted to identify relevant issues. The materiality of impacts was measured by considering their magnitude, severity/benefit, and probability of occurrence. Mutti presented its materiality analysis and a table with all its impacts. In addition, it committed to transition to a zero-carbon economy, aligning the company with the European Green Deal and the European Commission's Farm to Fork strategy. The Green Strategy is a structured plan that involves all stages of the production chain and pursues four main objectives:

- Carbon footprint reduction.
- Sustainable management of water resources;
- Promotion of Circular Economy;
- Protection of Biodiversity.

#### 4.2.1.3 Locker rating ranking “Adequate”

### **Company presentation**

Locker<sup>246</sup> is a stock company founded by Alfons Locker in 1925 as a small family bakery located in the historic center of Bolzano, Italy. This was specialized in the production of wafers, becoming famous for its “Bolzano wafer.”

Over the years, it evolved from a family bakery into a production company with a product portfolio of about 200 items, becoming world-renowned for its delicious wafers and cookies.

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<sup>245</sup> Ibidem

<sup>246</sup> Locker (2023). Sustainability report Locker.

Retrieved 20 October, 2024, available at

[https://www.locker.it/content/Report%20Sostenibilit%C3%A0/Sustainability%20Update%202024\\_IT.pdf](https://www.locker.it/content/Report%20Sostenibilit%C3%A0/Sustainability%20Update%202024_IT.pdf)

## **Mission and Values**

Loacker's mission is to create good, high-quality products that bring joy and pleasure to all parts of the world. This must be done while maintaining respect for nature and the environment. Its values are founded on quality, transparency, social responsibility, innovation, and sustainability.

## **Dimension**

Loacker<sup>247</sup> is a large company with a strong international presence.

It exports to over 110 countries worldwide and manages two production centers. The first manufacturing plant was established in 1970 in Auna di Sotto, South Tyrol, Italy, and the second in 1999 in Heinfels, East Tyrol, Austria. Additionally, it has a branch in Germany and a subsidiary in the United States. The main markets in terms of sales include five countries: Italy, Saudi Arabia, Israel, the United States, and China.

## **Important Information**

The 2024 sustainability report<sup>248</sup> presented by Loacker focuses on updating its sustainability strategy presented in the 2021 sustainability report and that will accompany the company until 2030. The document is divided into the 5 pillars of sustainability strategy:

1. Sustainable supply chain;
2. Climate neutrality;
3. Sustainable packaging;
4. Consumer welfare.
5. Welfare of workers

The first sustainability report was produced in 2019, I obtained this information from the 2020<sup>249</sup> sustainability report, which is reported as the second sustainability report. The 2020 rapport was found through a Google search, as the company does not keep a history of previous sustainability reports on its website.

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<sup>247</sup> Ibidem

<sup>248</sup> Loacker (2024). Sustainability report 2024 Loacker. Retrieved 20 October,2024, available at [https://www.loacker.it/content/Report%20Sostenibilit%C3%A0/Sustainability%20Update%202024\\_IT.pdf](https://www.loacker.it/content/Report%20Sostenibilit%C3%A0/Sustainability%20Update%202024_IT.pdf)

<sup>249</sup> Loacker (2020). Sustainability report 2020 Loacker. Retrieved 20 October,2024, available at [https://www.loacker.com/mediaObject/02\\_About-us/Sustainability/Loacker\\_Report\\_sulla\\_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf](https://www.loacker.com/mediaObject/02_About-us/Sustainability/Loacker_Report_sulla_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf)

This indicates that each year's report replaces the previous one.

The 2024 sustainability report does not fully comply with ESG criteria, as it lacks a governance section and does not specify the standards it follows. Additionally, there is no direct reference to the CSRD or CSDD.

#### 4.2.1.4 Illycaffè "Strong" rating ranking

##### **Company presentation**

Illycaffè<sup>250</sup> is a family business founded in Trieste in 1933 by Francesco Illy.

The company made significant progress in the late 1940s thanks to a strong drive for scientific and technological innovation. Since its establishment, Illy has always sought to orient its strategies toward a sustainable business model, integrating economic-financial objectives with social and environmental aspects.

In 2019, it adopted the status of a Benefit Company, this means that in addition to generating financial profit it also aims to provide a positive impact on society and the environment. In 2021, it became the first company in the coffee sector in Italy to obtain B Corp® certification, which recognizes its commitment to adopting high social and environmental standards.

##### **Mission and Values**

Illycaffè recognizes itself in the following values: Quality, sustainability, respect for human rights, and transparency. Its Mission is to “delight everyone in the world with the best coffee nature has to offer, enhanced by the best sustainable technologies and practices as well as the beauty of art”<sup>251</sup>.

##### **Dimension**

Illycaffè is globally renowned in the premium coffee market, selling its products in 138 countries. Illycaffè S.p.A. is the group head for several entities and brands distributed globally.

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<sup>250</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October,2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)

<sup>251</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October,2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)

The company owns three production centers: two in Italy and one in Spain. It has five branches, four in Europe and one in Asia, and eight commercial and distribution companies. Additionally, Illy has three companies under its control.

### **Important Information**

Illycaffè presented a sustainability report from 2012 to 2020 called the Sustainable Value Report. I obtained this information from the 2020 sustainability report<sup>252</sup>.

Another important aspect to underline is that Illy has submitted all its sustainability reports to verification by an external body since at least 2015, as demonstrated by the 2015 Sustainable Value Report<sup>253</sup>.

Since 2021 Illy has become a benefit company, it publishes an annual report that integrates three documents: the management report, the consolidated financial statements, and the impact report. The management report corresponds to the sustainability report and as a matter of compliance, I have chosen not to analyze the data presented in the impact report on the environmental and social aspects.

The Management Report<sup>254</sup> has been prepared following the GRI 2021 Standards and European Sustainability Reporting Standards (ESRS) guidelines for double materiality analysis; to approach the sustainability requirements of the Corporate Sustainability Reporting Directive before it becomes mandatory for the company. In addition, the document presents a table linking indicators with SASB standards, given its increasing relevance. Illy does not present a history of previous sustainability reports on its site; once the current year's report is published, it replaces the old one on the website.

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<sup>252</sup> Illycaffè (2020). Social Environmental Economic Development Sustainability 2020 Illycaffè. Retrieved 20 October,2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/value-report/ita/Sustainable-value-report-illy-2020-ITA\\_low%20res.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/value-report/ita/Sustainable-value-report-illy-2020-ITA_low%20res.pdf)

<sup>253</sup> Illycaffè (2015). Sustainable Value Report 2015. Illycaffè. Retrieved 20 October,2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/value-report/ita/isvr\\_IT\\_2015.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/value-report/ita/isvr_IT_2015.pdf)

<sup>254</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October,2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)



## 4.2.2 ESG analysis

### 4.2.2.1 Governance analysis

#### **Governance Aspects of Pastificio Rana**

The governance section of Pastificio Rana<sup>255</sup> provides an overview of the company's corporate governance structure, outlining the roles and functions of the corporate bodies. However, it lacks detailed data regarding the composition of these bodies, such as gender or age diversity. The stakeholder engagement section provides a visual representation of Rana's stakeholder relationships.

The only specific data provided in the governance section relates to anti-corruption efforts, which indicates no reports of corruption cases from 2020 to 2023.

#### **Governance Aspects of Mutti**

Mutti's governance<sup>256</sup> section provides an overview of corporate governance, outlining the roles and functions of the corporate bodies. It includes specific data on the composition of the board of directors by role, gender, and age. All positions are held by men, except for one director, who is a woman. Additionally, in 2023, no cases of corruption or legal actions related to anticompetitive behavior were reported. The report also presents Mutti's sustainability governance, outlining the roles and functions of the bodies. It also highlights a 2023 amendment to its Articles of Incorporation to align with zero-emission goals. Mutti has adopted a risk management model, a comprehensive mapping of potential risks; it is stated that 14 priority risks have been identified, including concerning ESG issues, but no data are listed or presented in this regard.

#### **Governance Aspects Loacker**

The 2024 sustainability report of Loacker<sup>257</sup> does not include any dedicated section or data on governance-related matters.

#### **Governance Aspects Illy**

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<sup>255</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_\\_4\\_3KZEBc.pdf?xseo=&response-](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023__4_3KZEBc.pdf?xseo=&response-)

<sup>256</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available at <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

<sup>257</sup> Loacker (2020). Sustainability report 2020 Loacker. Retrieved 20 October,2024, available at [https://www.loacker.com/mediaObject/02\\_About-us/Sustainability/Loacker\\_Report\\_sulla\\_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf](https://www.loacker.com/mediaObject/02_About-us/Sustainability/Loacker_Report_sulla_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf)

Illy's governance<sup>258</sup> section provides an overview of corporate governance, outlining the roles and functions of the corporate bodies. It includes specific data on the composition of the board of directors by role, gender, participation rate, and skills. At the gender level, the Board of Directors is composed of 45 percent women and 55 percent men. The Board of Directors comprises 45 percent women and 55 percent men. The CEO position is held by a woman, highlighting the participation of women in high roles in the company. At the level of skills, no data is presented on where these skills come from, such as a training course or a university degree. The report also presents Illy's sustainability governance, outlining the roles and functions of the bodies. It includes specific data on the composition of bodies by roles and gender. This indicates that there is near gender parity, as the bodies are made up of 3 members and at least 1 person is of the opposite gender. However, the position of chairman remains predominantly male, with only one exception. In addition, in 2023 Illy established a new committee dedicated to pursuing goals of inclusiveness, equality, and gender equality. The company also reported no compliance issues or corruption incidents and has strengthened its enterprise risk management by integrating ESG risks into its overall framework.

**Overall analysis of governance aspects:**

At the governance level, Illycaffè demonstrates a well-structured and defined governance framework. This is followed by Mutti which has a good governance structure, but, compared to Illy has gaps in specific and measurable data, making it more difficult to assess the genuineness of ESG claims. A recurring issue in the sustainability reports of Pastificio Rana, Loacker, and Mutti is that information that should be included in the governance section is used as examples in other sessions or is vague without going into detail. For instance, Pastificio Rana's report mentions that 34 percent of senior and middle managers are women but do not provide absolute figures. The same example applies to Loacker, which presents the gender composition of managers in percentages in the session devoted to the social aspect. While for Mutti an example can be related to certifications that are not presented in a general table in the part dedicated to governance but are included as examples or

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<sup>258</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October, 2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)

In the paragraphs that refer to the scope of certification, making it difficult to create a general picture. Although there is concrete data regarding governance, much information seems to focus on image and communication rather than clear measurements and concrete strategies for corporate governance.

This is perceived by the fact that aspects required by regulations are presented as if they are doing something extra, such as concerning tax policy compliance.

#### 4.2.2.2 Social analysis

##### **Social Aspects of Pastificio Rana**

The social section of Pastificio Rana<sup>259</sup> contains paragraphs dedicated to employees, health and safety, diversity and community relations. It does not present paragraphs dedicated to training. The section dedicated to employees presents data on the total workforce, number of new hires, average tenure, turnover rate, and the percentage of employees in Italy, the U.S., and the EU. However, it lacks details regarding the roles of employees and the total number of seasonal workers in 2023. In the diversity section, the report highlights that the company is multicultural, with over 30 nationalities represented. However, it does not provide any details regarding multiculturalism. The representation of women within the group is reported at 40%, signaling progress toward gender equality, but no specific data is provided on the roles these women occupy or the exact number of female managers. Pastificio Rana<sup>260</sup> highlights its commitment to ensuring that vendors share its values of diversity and inclusion, requiring USA suppliers to complete a Vendor Diversity Questionnaire. However, it does not present if similar practices are implemented in other regions where the group operates. Additionally, there is no data provided regarding the inclusion of people with disabilities within the group's workforce. Regarding safety, Rana has implemented a workplace safety app called “SicuRana”, designed to allow

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<sup>259</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_\\_4\\_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023__4_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

<sup>260</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_\\_4\\_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023__4_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

employees to report any anomalies related to safety and health at their workplaces. It also highlights that there have been no accidents leading to fatalities over the past three years, and the rate of workplace accidents has improved in the short term. The section on community relations is well-developed, introducing the Rana Foundation and categorizing its involvement in projects focused on social inclusion, health, and culture. Each project is briefly described, detailing specific actions taken by Rana to support these initiatives.

### **Social Aspects of Mutti**

The social section of Mutti<sup>261</sup> contains paragraphs dedicated to employees, health and safety, training, diversity and community relations.

The section dedicated to employees presents data on the total number of employees divided by headquarters, gender, type of contract and type of employment. It presents the number of new hires, the average length of employment, the turnover rate. The section on health and safety details the hours dedicated to safety training, injury rates, the most common types of injuries, and the total number of injuries by production center for 2022 and 2023. Furthermore, there were no fatalities or serious injuries recorded in 2023. The section on training highlights that in 2023, Mutti doubled its commitment to employee training compared to 2022.

The report<sup>262</sup> details the total number of courses conducted and the catalog of courses available for employees.

It also provided a table showing the average training hours by professional category and gender. In 2023 Mutti<sup>263</sup> begins to monitor various diversity indicators.

The only measurable data presented is the percentage of the staff belonging to protected categories. Mutti highlights the collaboration with the UNHCR for employment opportunities for refugees and political asylum seekers but does not present measurable data. In terms of community relations, Mutti does not specify actions taken, or the results achieved, but only which project it is part of. A

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<sup>261</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available At <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

<sup>262</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available at <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

<sup>263</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available At <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

description in more detail would enhance the perception of the company's commitment and provide a clearer understanding of its social impact.

### **Loacker social Aspects**

In the pillar dedicated to social, Loacker<sup>264</sup> presents aspects dedicated to employees, diversity, and training. It does not present paragraphs about health and safety or community relations. The section dedicated to employees presents data that refers only to 2023, it presents the absolute number of employees and percentage composition by gender, professional category, and type of employment. From the data obtained, production and administration are closer to equal opportunity than managerial. Loacker reports total training hours per employee and notes its sustainability training initiative, which began in 2019. The only data on diversity is that in 2023 the Austrian office received an award for model companies in the employment of people with disabilities.

### **Illy social Aspects**

The social section of Illy<sup>265</sup> includes sections on employees, health and safety, training, and community relations, but it does not have a dedicated section on diversity. The employee section presents detailed data on total staff, broken down by contract type, gender, geographic area, age group, professional category, hires, terminations, and gender pay ratio. In the section dedicated to training, Illy outlines the types of courses available and reports the total number of training hours globally in 2023, along with the average hours of training per employee.

The section on health and safety is well-developed, briefly outlining the company's health and safety management system. Illy provides the hours dedicated to health and safety training and injury data. The report also emphasizes that employees have access to supplemental health insurance. All 2023 data is compared with the previous year and commented on positive and negative aspects of the results. The section on community relations in Illy's Sustainability Report 2024 is well-

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<sup>264</sup> Loacker (2020). Sustainability report 2020 Loacker. Retrieved 20 October,2024, available at [https://www.loacker.com/mediaObject/02\\_About-us/Sustainability/Loacker\\_Report\\_sulla\\_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf](https://www.loacker.com/mediaObject/02_About-us/Sustainability/Loacker_Report_sulla_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf)

<sup>265</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October,2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)

presented. It details all the projects supported by Illycaffè in collaboration with the Ernesto Illy Foundation. Each project is presented with a brief description, and measurable impacts for 2023 are included where available. Additionally, projects exclusively undertaken by Illycaffè are reported with the Impact Report, which focuses on the results achieved in 2023 and outlines targets for 2024.

#### **Overall analysis of social aspects:**

At the social level, Illy's sustainability report stands out for its well-structured, comprehensive, and transparent presentation. An interesting aspect that I noticed is that from what I analyzed it may seem that Loacker is less socially responsible compared to Mutti or Pastificio Rana due to the organization of its 2024 report, which places socially relevant information as examples in the supply chain section rather than in the dedicated social pillar. More broadly, certain social aspects, such as employee diversity beyond gender, are underexplored.

During the analysis, I noticed that companies use certifications and awards as sufficient data without explaining or detailing what they do, specifically in health and safety efforts.

#### 4.2.2.3 Environment analysis

##### **Pastificio Rana environmental aspects**

The Environment section of Pastificio Rana<sup>266</sup> presents sessions dedicated to energy consumption, emissions, water resources, packaging, and waste. However, it does not present sessions dedicated to logistics, biodiversity protection, and circular economy in its structure. Pastificio Rana emphasizes its commitment to energy efficiency in 2023, sourcing 100% renewable electricity and installing a photovoltaic system at its logistics center. The report presents absolute emission data for Scope 1 and Scope 2 but does not present Scope 3 calculations. Water usage details include sources for global production, as well as data on withdrawals, discharges, and consumption. Waste management is covered briefly, noting volumes and types of waste. It also outlines how organic waste is reused. Pastificio

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<sup>266</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_\\_4\\_3KZEBc.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023__4_3KZEBc.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

Rana provided historical data for 2021 and 2022 for all information regarding environmental aspects.

### **Environmental aspects Mutti**

Mutti's 2024 sustainability report<sup>267</sup> includes sections on energy consumption, emissions, logistics, water resources, biodiversity, circular economy, packaging, and waste. The section on energy consumption provides data on energy use and intensity per production center. The document reports direct, indirect, and total emissions. In 2023 Mutti's begins to monitor Scope 3 presenting emissions in percentages. The section on water resources details the renewed partnership with WWF for the water footprint along the supply chain. It also reports measurable data on the water collection point, the destination discharge, and the water consumption index. The section on biodiversity protection reports tangible data on its efforts to preserve biodiversity, but specific results are not yet available. The section on waste reports waste production and categorizes it by type. Furthermore, measurable data are presented on the recycling of tomato by-products and the start of a pilot project with TomaPaint to create bio-paints.

### **Loacker environmental aspects**

Loacker's<sup>268</sup> environmental data is divided into climate neutrality and sustainable packaging pillars. The neutrality pillar is focused on energy, emissions, and logistics. The document does not report values or percentage values on emissions or energy consumption. However, it reports the percentage of CO2 and electricity savings and highlights that Loacker uses 100% renewable energy. The section on logistics reports measures to reduce emissions at the transport level, such as using natural gas-powered trucks. However, it does not report measurable data. The sustainable packaging pillar mentions that by the end of 2023, all paper and cardboard used will be Forest Stewardship Council certified. It also reports three main goals for the coming years: improving packaging's recallability, testing the use of recycled plastic, and avoiding unnecessary packaging. However, it does not report measurable data.

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<sup>267</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available at <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

<sup>268</sup> Loacker (2020). Sustainability report 2020 Loacker. Retrieved 20 October,2024, available

### **Illy environmental aspects**

In Illy's 2024 sustainability report<sup>269</sup>, sections focus on emissions, energy consumption, water resources, waste, biodiversity protection, and the circular economy. It does not present paragraphs on logistics and packaging.

Illycaffè reports its carbon footprint, detailing Scope 1, 2, and 3 emissions in absolute values and percentages. The report also provides overall energy consumption figures, the types of energy used, and renewable versus non-renewable energy shares. In the section dedicated to water resources, Illy presents its water consumption, and the amount withdrawn, and highlights its work to map water stress areas. It also highlights its collaboration with its green coffee suppliers for the best use and recovery of processed water in plantations, including through field training initiatives. For biodiversity protection, Illycaffè<sup>270</sup> has implemented regenerative agricultural practices monitored and measured by the Coffee Procurement team. The section dedicated to waste reports the amount of waste produced, its categories, and its disposal method. Illy highlights that almost 100% of its waste is recyclable. The session dedicated to the circular economy does not present measurable data, only extols its importance.

#### **Overall analysis of environmental aspects:**

On an environmental level, Mutti's sustainability report has the most defined structure. However, the lack of specific and measurable data often makes it difficult to assess the genuineness of ESG statements. At the level of data presentation in general, many reported statements aim to present a strong sustainability image. This is evident as negative data or data that do not demonstrate a net improvement are not commented on or are only presented in tables without further explanation. Additionally, the presentation of data from multiple periods in some sections, contrasted with only 2023 data in others, makes the document less homogeneous.

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<sup>269</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October, 2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)

<sup>270</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October, 2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)



#### 4.2.2.4 Supply Chain analysis

##### **Pastificio Rana Supply Chain Aspects**

The session dedicated to the supply chain of Pastificio Rana's 2024 sustainable report<sup>271</sup> focuses on highlighting product quality and food safety.

The only information related to the supply chain is that supplier selection is rigorous, requiring thorough evaluations, and that all suppliers must adhere to the Supplier Code of Conduct. It is not specified what types of inspections are done on suppliers.

##### **Mutti Supply Chain Aspects**

Mutti<sup>272</sup> briefly mentions that suppliers must complete self-assessment questionnaires and sign the Supplier Code of Conduct, introduced in 2023. Responses to the questionnaires are turned into Key Performance Indicators, which guide supplier selection and evaluation. Mutti also conducts regular audits at supplier sites to ensure compliance with standards. Starting in 2024, it will utilize EcoVadis to enhance its performance evaluation regarding social responsibility.

##### **Loacker Supply Chain Aspects**

Loacker<sup>273</sup> emphasizes the importance of transparency in supplier selection, particularly for non-European raw materials like cocoa and vanilla. Further, Loacker to ensure quality and sustainability, directly manages part of its production through sustainable farming programs and uses a database to trace materials and assess ecological risks. It also uses tools such as the Sustainability Evaluation Tool, created in collaboration with the University of Padua, to help evaluate suppliers against defined social and environmental criteria through a detailed questionnaire. Additionally, Loacker collaborates with organizations like the Italian Agency for Development Cooperation to implement projects that support

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<sup>271</sup> Pastificio Rana. (2023). Sustainability report Giovanni Rana. Retrieved 18 October ,2024, available at [https://rana-cdn.thron.com/static/UNLITU\\_RANA\\_RapportoDiSostenibilita\\_2023\\_\\_4\\_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22](https://rana-cdn.thron.com/static/UNLITU_RANA_RapportoDiSostenibilita_2023__4_3KZEBC.pdf?xseo=&response-content-disposition=inline%3Bfilename%3D%22sostenibilita-2022.pdf%22)

<sup>272</sup> Mutti (2023). Sustainability report Mutti. Retrieved 18 October,2024, available at <https://mutti-parma.com/app/uploads/sites/7/2024/07/bilancio-sostenibilita-2023-d.pdf>

<sup>273</sup> Loacker (2020). Sustainability report 2020 Loacker. Retrieved 20 October,2024, available at [https://www.loacker.com/mediaObject/02\\_About-us/Sustainability/Loacker\\_Report\\_sulla\\_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf](https://www.loacker.com/mediaObject/02_About-us/Sustainability/Loacker_Report_sulla_sostenibilit%C3%A0-2020/original/Loacker+report+sulla+sostenibilit%C3%A0++2020.pdf)

local economic development in the regions where raw materials are sourced, accompanied by measurable data showing their impact

### **Illy Supply Chain Aspects**

Illy<sup>274</sup> stands out for its detailed approach to ESG impacts along its supply chain. The 2024 report on sustainability presents an analysis of the values and pillars that guide its green coffee sourcing strategy. From 2020, it monitored the supply chain with a focus on human rights, providing concrete and measurable data related to 2023, such as the number of actors involved in audits and instances of non-compliance with its minimum requirements. A relevant element is the commitment to correct nonconformities, including working with local authorities for continuous improvements. In addition, the company promotes economic development in the countries of origin of raw materials through diversified projects, accompanied by measurable data showing their impact.

### **Overall supply chain analysis**

Illy stands out from the other companies analyzed for ESG reporting of impacts along its supply chain, followed by Loacker, which has implemented a well-defined corporate sustainability strategy. This will be most evident when Loacker submits a sustainability report that includes reporting based on ESG criteria. The supply chain section allowed me to identify the most sustainable companies as presented in the Ethics Standards Benchmark. In addition, it can be assumed that CSRD regulations are already influencing companies that are not yet fully sustainable. Indeed, these companies have begun to include sections dedicated to supply chain monitoring in their sustainability reports, although they do not yet have hard data to present.

## **4.2.3 Final overall analysis**

After analyzing the four sustainability reports, it is clear that the presence of voluntary guidelines does not prevent companies from using marketing-driven communication to amplify their actions. Additionally, companies can interpret the

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<sup>274</sup> Illycaffè (2024). Sustainability report 2024 Illycaffè. Retrieved 20 October, 2024, available at [https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy\\_Annual%20Report\\_2023\\_v2.pdf](https://www.illy.com/content/dam/channels/website/consumer/global/pdf/who-we-are/2024/illy_Annual%20Report_2023_v2.pdf)

guidelines flexibly, making it harder to compare sustainability reports. Even though all the companies selected had used the same guidelines, I noticed that companies that were not fully sustainable as presented by the Standard Ethics benchmark seemed more sustainable than Loacker, the lowest-rated sustainable company. This perception stems from Loacker's strategic choice for the 2024 sustainability report, which was more an update of its sustainability strategy, divided into pillars and presenting hard data only to 2023 without an ESG logic. The choice by Loacker gives the impression that it is doing less than it is doing. Mutti, for example, adopted a more linear structure with the sustainability report model used by Illy, the top-rated sustainable company. Mutti intended to communicate a more solid image at the sustainability level, as the 2024 sustainability report is its first ESG report. When comparing Mutti and Illy's sustainability reports, it is clear that the structure is similar. However, Mutti's report lacks measurable data and analysis of negative aspects compared with Illy's. Sustainable companies, unlike those that are not fully sustainable, not only present some negative data but also explain why and provide both goals and a plan to address them. Illy, for example, presented that in 2023 female managers due to a series of closures have decreased, but explains what it is doing to achieve equal opportunities in the company and where it operates. Loacker also presented negative aspects that need to be corrected, although in a smaller amount than Illy due to its concise document compared to other sustainability reports. A concrete example is the one on sustainable packaging, as it has not yet managed to adapt it to its product guaranteeing the same quality as always; however, it presents specific targets, by when they have to be achieved and what it does to achieve it.

Reporting regulations are needed to ensure greater transparency and comparability of data presented by companies. It should be noted that the introduction of new regulations will not eliminate marketing-driven communication from companies in sustainability reports because marketing is an essential tool for companies. Nonetheless, sustainability reporting regulations will push companies to provide more transparent and measurable data, making it easier to assess their actual sustainability efforts. Without such regulations, all companies may appear sustainable, even if they are not. Based on the report analysis, it seems that CSRD

is already influencing companies that are not yet fully sustainable. This is evident as they are starting to have sessions dedicated to the impacts of their suppliers, even if they do not yet have measurable data and have adopted supplier codes of conduct. The main challenge for the European legislators will be to ensure that sustainability standards are well-defined and understandable, even for those without technical expertise. This is important because companies aim to retain their customers, and if the information does not reach all stakeholders, it will not lead to an effective transformation of companies. The analysis of sustainability reports also allowed me to identify best practices that should be considered for future sustainability reports. It is a good practice to create a summary table that covers at least two years of timelines because it provides stakeholders with a broader perspective beyond just knowing data of the current fiscal year. It allows them to draw their conclusions independently and understand whether the company has adopted a long-term strategy or is focused only on short-term goals. Without a defined, sustainable strategy, a company cannot maintain stable results. It is also beneficial to measure aspects related to company values. For example, Rana presented the return rates of parental leave as family is one of the company's core values. Data like this can help strengthen relationships with stakeholders. Another best practice I particularly liked is to create one's materiality matrix graphically, as it allows one to understand the most important aspects of a company's sustainability strategy in a simplified way.

## Conclusions

This dissertation investigates how the Corporate Sustainability Reporting Directive (CSRD)<sup>275</sup> can improve and guarantee respect for human rights. To provide a concrete response, it was essential to establish the context in which this was idealized. The CSRD was born in the context of a climate crisis; rising temperatures and extreme events threaten human existence. The first chapter of this dissertation, as well as developing the history of international climate conferences and the concept of sustainable development, highlighted the central role that economics plays in the fight against climate change. The economy has proven fundamental in the fight against climate change, in the main regarding the transition from a linear economic model marked by waste and high environmental impacts to a sustainable economic model. To minimize environmental damage, it is essential to direct available resources toward sustainable businesses and investments that respect human rights. Another aspect emphasized in the first chapter is that the growth in the importance of environmental causes has resulted in companies wanting to demonstrate their sustainability and social responsibility through an annual report that communicates directly to its stakeholders. This initiative was intended to increase corporate transparency, but the lack of binding international regulations directed at regulating sustainability reports has prevented the creation of a uniform and internationally comparable sustainability report. This is an essential aspect if it is considered that the world is increasingly globalized and interconnected.

The absence of shared binding regulations has given rise to the phenomenon of greenwashing. This, as analyzed in the first chapter, involves using marketing-driven communication that magnifies corporate sustainability, trying to make the company seem more sustainable than it is. From the need to identify which company or investment is sustainable and to target available resources, ESG (Environmental, Social, and Governance) criteria were created.

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<sup>275</sup> European Union (2022). Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD). Official Journal of the European Union, L 322/15. Retrieved 02 October 2024, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>

These aim to measure environmental, social, and governance impacts and have gained global recognition. However, the lack of binding international standards is not resolved by ESG criteria, as these are also regulated at the national level, depending on the will of individual states. The CRSD is not an international standard, it is a European Union directive. The European Union, in seeking a solution to the issue of climate change and compliance with binding international environmental commitments, has adopted the European Green Deal. As presented in the second chapter of this thesis, the Green Deal is a growth strategy that aims to guide the EU toward climate neutrality. To achieve climate neutrality, it becomes necessary to integrate ESG logic into European policies and legal frameworks. Consequently, regulations adopted to implement the Green Deal incorporate ESG principles, pushing companies to embrace sustainable and socially responsible practices. The Corporate Sustainability Reporting Directive and other regulations analyzed in the second chapter confirm this practice. The third chapter introduces the food system concept, as the sustainability reports analyzed in the case study chapter are from companies in the food sector. The global food system is reported to be responsible for one-third of greenhouse gas emissions<sup>276</sup> and significant production of air pollutants. These result in “about 22.4 percent of global mortality due to poor air quality and 1.4 percent of global agricultural production losses<sup>277</sup>”. This highlights the close connection between the food system and human rights, not only concerning the right to food, but also the right to a healthy environment, and human rights violations that occur within the food system. The data emphasizes the need to transform the food system into a sustainable<sup>278</sup> key to counter its environmental and social impacts, ensuring food security for all.

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<sup>276</sup> Crippa, M., Solazzo, E., Guizzardi, D., Monforti-Ferrario, F., Tubiello, F. N., & Leip, A. (2021). Food systems are responsible for a third of global anthropogenic GHG emissions. *Nature Food*, 2, 198-209. Retrieved 02 september,2024, available at <https://doi.org/10.1038/s43016-021-00225-9>

<sup>277</sup> Crippa, M., Solazzo, E., Guizzardi, D., Van Dingenen, R., & Leip, A. (2022). Air pollutant emissions from global food systems are responsible for environmental impacts, crop losses and mortality. *Nature Food*, 3, 942-956. Retrieved 02 October 2024, available at <https://doi.org/10.1038/s43016-022-00615-7>

<sup>278</sup> Nguyen H. (Value Chain Development Consultant of the Sustainable Markets, Agribusiness and Rural Transformations Team, FAO) (2018). Sustainable Food Systems – Concept and Framework. FAO. Retrieved 10, September 2024. Available at <https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/1160811/>

A paragraph is devoted to the world hunger situation and how the various international crises have moved countries away from the second goal of the 2030 Agenda<sup>279</sup>. In 2024 The State of Food Security and Nutrition in the World (SOFI)<sup>280</sup> revealed that countries, instead of eradicating hunger, ended up regressing by 15 years. A paragraph it is also dedicated to the European Union regarding the analysis of the Farm to Fork strategy<sup>281</sup>, constituted by action plans and objectives that involve all actors in the food chain. The strategy<sup>282</sup> aims to accelerate the transition to a sustainable food system. Furthermore, through this new strategy, the EU aims to enhance its international influence by becoming an exemplar for sustainable food system transformation. It proposes the creation of new multilateral standards to encourage other countries to achieve these goals as well. In addition, “through its external policies, including international cooperation and trade policy, the EU will pursue the development of Green Alliances on sustainable food systems with all its partners in bilateral, regional and multilateral fora<sup>283</sup>”.

A crucial point to emphasize is that while analyzing the CRSD, I realized that this is not the first sustainability reporting directive. The first initiative was in 2014 with the adoption of the Non-financial Reporting Directive<sup>284</sup>.

This directive was one of the Commission's big ambitions to improve the transparency of non-financial information in Europe, and it envisioned the publication of the first sustainability report in 2018.

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<sup>279</sup> Schwindenhammer, S., & Partzsch, L. (2023). "7: SDG 2 and the Dominance of Food Security in the Global Agri-food Norm Cluster". In *The Environment in Global Sustainability Governance*. Bristol, UK: Bristol University Press. Retrieved Oct 28, 2024. Available at <https://doi.org/10.51952/9781529228021.ch012>

<sup>280</sup> FAO, IFAD, & WFP. (2024). *The State of Food Insecurity in the World 2024 Financing to end hunger, food insecurity and malnutrition in all its forms* Retrieved 15, October 2024 Available at <https://openknowledge.fao.org/items/09ed8fec-480e-4432-832c-5b56c672ed92>

<sup>281</sup> European Commission. (2020). *A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system*. EUR-Lex. Retrieved 20, September 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

<sup>282</sup> European Commission. (n.d.). *Farm to Fork Strategy*. Retrieved Oct 28, 2024. Available at

[https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy\\_en?prefLang=es](https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy_en?prefLang=es)

<sup>283</sup> European Commission. (2020). *A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system*. EUR-Lex. Retrieved 20 September 2024.

Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

<sup>284</sup> European Union. (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 (NFRD)*. Official Journal of the European Union, L 330/1. Retrieved 20 October 2024. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

If compare the NFRD and CRSD, it is possible to conclude that the NFRD has not resulted in a real change in identifying sustainable companies or safeguarding human rights. Although the directive stipulated that subject companies had to report on human rights, including information on policies adopted to prevent human rights violations and mechanisms in place to address them.

This is due to three main critical issues, which are:

1. A narrow scope, aimed mainly at large enterprises and public interest entities;
2. The lack of a clear and precise reporting structure;
3. The lack of common reporting standards; enterprises were free to choose one of the international reporting standards.

As a result of these issues, companies have significant discretion regarding what to include or exclude in their sustainability reports. This variability has compromised the ability to create homogeneous and comparable reports, making it difficult to determine which companies are sustainable. Without using the Standard Ethics benchmark<sup>285</sup> as a reference, it would seem that all companies are sustainable, even though their sustainability levels may differ. These points were emphasized in the analysis of the sustainability reports discussed in the fourth chapter of this dissertation. Another aspect to underline was that the NFRD did not include reporting on indirect impacts along the supply chain, a key aspect for understanding companies' actual impacts at the social level and possible human rights violations. The supply chain part in the case study showed little measurable data and more of the product quality aspect was highlighted except for Illy and Loacker. This is mainly because reporting only the direct aspects does not showcase suppliers violating human rights. Making the NFRD even more flexible was the lack of control of information reported by companies by an external audit, allowing companies to magnify their sustainability.

The Corporate Sustainability Reporting Directive provides increased transparency and consistency, addressing all the previously mentioned inefficiencies.

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<sup>285</sup> Standard Ethics. (2022). Food&Beverage Sustainability Italian Benchmark Retrieved 10 October 2024. available at <https://www.standardethics.eu/media-en/research-methodology/standard-ethics-publishes-the-food-beverage-sustainability-italian-benchmark/viewdocument/650>



The directive extends the reporting requirement to all large companies, listed SMEs, and subsidiaries and branches of non-EU companies with a significant presence in the EU market. In the case of small companies, these do not have to submit a mandatory document. These have the option of completing a voluntary document that supports them in answering ESG requests on the value chain and certifying that they can continue trading with large companies, incentivizing them to be more transparent. The paragraph on CRSD is presented when each subject category starts reporting. The first category is large companies that were subject to NFRD start publishing the sustainable report in 2025 and these have to publish it within six months of the end of the fiscal year.

Before the Corporate Sustainability Reporting Directive it was not defined the month, it just needed to be published by the end of the fiscal year. In fact, during the case study analysis, I pointed out that it was a criterion I used to choose companies because some in late September had not yet published the report on their website. The directive introduces general standards alongside specific sector standards, with detailed and uniform criteria outlined in the second chapter. Sector standards are still under development and as I write, the European Financial Reporting Advisory Group has until the end of 2026<sup>286</sup> to release them. It also requires companies to provide more quantitative and qualitative information in detail on ESG themes such as human rights and climate change than the Non-Financial Reporting Directive. The CSRD extends the scope of supply chain analysis by requiring companies to report direct and indirect impacts along the supply chain and the long-term impacts of their operations on local communities. Additionally, it mandates independent auditors to ensure the truthfulness of the information reported in sustainability reports.

The Sustainability Reporting Directive introduces new requirements, such as the integration of sustainability reporting with corporate risk management, and the alignment of EU reporting with global standards and international sustainability goals.

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<sup>286</sup> European Commission. (2024) Commission welcomes agreement on postponing adoption deadlines for certain European Sustainability Reporting Standards. Retrieved 12 October 2024 available at [https://ec.europa.eu/commission/presscorner/detail/en/mex\\_24\\_707](https://ec.europa.eu/commission/presscorner/detail/en/mex_24_707)

This allows companies that submit reports following certain international guidelines, such as the Global Reporting Initiative (GRI), to deliver two entirely different reports. At the human rights level, the CSRD does not require companies to take concrete steps to safeguard human rights because that was not the purpose for which this was drafted. It serves as the legal basis for sustainability reporting in the EU. The Corporate Sustainability Due Diligence Directive<sup>287</sup> (CSDDD) is the legislation that focuses on the development of tangible measures to prevent and mitigate human rights violations in supply chains.

The CSDDD complements CSRD by adding a more conceptual level, while CSRD is more interpretive. When formulating this dissertation, my objective was to conduct a comprehensive examination of the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive.

I had in mind to start from the more theoretical aspects and progress to those that yield more tangible measures. However, one major limitation was the lack of reliable data, particularly since the CSDDD has not yet been fully implemented. Faced with these issues, it is necessary to divide the research question into two questions:

1. Does CSRD ensure respect for human rights?
2. Does CSRD improve respect for human rights?

To the first question, the answer is no, due to its nature, CSRD cannot guarantee respect for human rights. To answer the second point, it is important to remember that the CSRD introduces human rights reporting requirements that complement the S of ESG criteria. The information that must be presented is announced in Article 19a and Article 29b. Specifically, companies must transparently report how they monitor, identify, and mitigate risks of human rights violations at all stages of their activities, including those in the supply chain. At the interpretive level, CSRD represents an improvement in human rights compliance through increased transparency and stricter reporting requirements. However, at the practical level, many ambiguities persist. It will be necessary to wait for the publication of the first

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<sup>287</sup> European Union. (2022). Proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence (CSDDD). COM (2022) 71 final. Retrieved 20 October 2024. available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A71%3AFIN>

sustainability reports under the Corporate Sustainability Reporting Directive to actually evaluate the effectiveness of these measures in improving human rights compliance. In sum, there are still patches of ambiguity to give a concrete answer to this research question.

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