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Sustainability Reports and Social Impact Evaluation for NPOs, Foundations and Public Entities: Linking SDGs and GRI

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Firma (signature)

“Start by doing what’s necessary, then do what’s possible. Suddenly you are doing the impossible.”

Francesco D’Assisi

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Abstract

Sustainability is an increasingly important concept as organizations seek to balance their social and environmental responsibilities with their financial goals. In order to truly be sustainable, entities must consider the long-term impacts of their actions and the resources they consume and strive to minimize their negative impacts on the environment and society.
There are several keyways that entities can work towards sustainability. One is by adopting environmentally friendly practices in their operations. This can involve everything from reducing energy and water consumption, to using eco-friendly products and materials, to supporting green initiatives within their communities.
Another important aspect of sustainability for entities is financial stability. This involves finding ways to generate revenue and minimize costs, while also being transparent and accountable with their financial management. Non-profits for example can seek out funding from a variety of sources, such as grants, donations, and sponsorships, and can also consider partnerships with businesses or other organizations to help support their efforts. In addition to these practical measures, entities can also work towards sustainability by promoting social responsibility and ethical values within their organization and in the communities they serve. This can include supporting diversity and inclusion, promoting education and professional development, and advocating for social justice and equality.
Overall, sustainability is a complex and multifaceted concept, and achieving it requires a holistic and long-term approach. Entities must be proactive in their efforts to reduce their environmental and social impacts, while also ensuring that they have the resources and support they need to fulfill their missions and achieve their goals. By taking a sustainable approach, entities can not only benefit the communities and causes they serve, but also position themselves for long-term success and stability.
Among the different sets of sustainability reporting standards that help organizations communicate their impact on society (not only economically, but also environmentally and socially), organizations can benefit the most from using the GRI standards in several ways as we will later discuss in this thesis. This standard provides a framework for organizations to create reports regarding their sustainability performance and to disclose information about their efforts to address social and environmental issues.

In summary, by reporting on their sustainability performance using the GRI standards, entities can:

- Demonstrate their commitment to sustainability and transparency to stakeholders.
- Communicate the impact of their work and the value they create for society.
- Identify and address areas for improvement in their sustainability performance.
- Enhance their reputation and credibility.
- Promote continuous improvement in their sustainability practices.

Using the GRI standards can also help entities to benchmark their performance against other organizations and identify best practices to adopt. By following the GRI standards, entities can contribute to the creation of a more sustainable world as we will demonstrate in Chapter III.

Chapter I: Principles and Practices of Sustainability

Corporate social responsibility (mainly referred to as CSR) and sustainable development are increasingly important concepts in today's global business environment. CSR pertains to the obligation of organizations to assess how their actions affect society and the environment, and to take action to address these impacts in a positive manner. Sustainable development, on the other hand, refers to the long-term prosperity and well-being of society and its environment, and the need for organizations to consider the environmental and social consequences of their actions.

Entities play a key role in promoting CSR and sustainable development, through their efforts to address social and environmental issues and to advocate for change. Accountability, transparency, and social impact are also important considerations in the context of CSR and sustainable development, as they ensure that organizations are held to account for their actions and that the impact of their activities is accurately communicated to stakeholders.

Environmental, social, and governance (ESG) indicators are increasingly being used as a tool for measuring and reporting on the sustainability performance of organizations. These indicators provide a comprehensive and standardized approach for assessing organizations' efforts and impact in areas such as the environment, society, and governance.

In this chapter, we will explore the concept of CSR and sustainable development, and the role of Entities in promoting these concepts. We will also examine the importance of accountability, transparency, and social impact in the context of CSR and sustainable development and introduce the concept of ESG as a tool for measuring and rating the reporting on sustainability performance.

1.1 - Contemporary Business Ethics

Nonprofit organizations can face a number of ethical issues, just like any other type of organization. The complexity of the interactions between the economic unit and the social environment is based on the creation of business ethics, or rather a set of principles that serves as a guide for business decisions (Gagliardi, 1995). Internally, business ethics provides for the development of strong ties between the firm and its employees, in which the values of both the person and the worker are acknowledged, so paving the way for the company to grow in tandem with the person who works there (Tenuta & Cambrea, 2022).

The pursuit of the corporate purpose and the production of value, as expressed in long-term goals and cost-effectiveness, cannot ignore the principles, values, and ethical norms that ensure the company's integration into the cultural and social context in which it lives and functions. This enables us to determine whether there is agreement between the firm's ideology and its operations, as well as to assess the amount of societal consensus that the organization can achieve. In reality, it enables businesses to endure through time, to expand and produce value for the future, and to maintain economic and financial equilibrium (Tenuta & Cambrea, 2022).

We've all heard of instances of power abuse by persons in positions of leadership at charity organizations; many of them entail a lack of accountability or the exploitation of corporate resources for personal gain (Zietlow, Hankin, Seidner, & O'Brien, 2018). Organizations that shift donations obtained for one purpose to another are another evident example of an ethical collapse. Some common ethical issues that nonprofit organizations may face include:

- **Potential conflicts of interest.** A conflict of interest develops when a person has a private or personal interest that seems to impact the objective performance of his or her official obligations as, say, a public official, an employee, or a professional. Such conflicts erode contributors', volunteers', and clients' faith in the organization. Members of the board may seek to direct business to their banks, insurance businesses, or legal firms. The nonprofit organization may create a for-profit subsidiary and then desire to leverage on the parent organization's tax-exempt status to help in the marketing of the for-products/services. Some claim that converting from nonprofit to for-profit status is an ethical violation (Zietlow, Hankin, Seidner, & O'Brien, 2018). Earned-income initiatives bring with them ethical problems as well as an additional money stream.
- **Misuse of funds.** Nonprofits rely on donations and grants to fund their operations, and it is important that these funds are used appropriately. Misuse of funds can include embezzlement, fraud, or using funds for purposes other than those for which they were intended. Fundraisers have an ethical duty to comprehend the donor's intentions and duties,

as well as to offer assurance that funds are utilised as and where intended, to retain the trust that comes from building and sustaining donor relationships.

- **Lack of transparency.** Nonprofits have a responsibility to be transparent about their operations and decision-making processes. This includes being open about their finances, governance, and mission.
- **Exploitation of volunteers.** Nonprofits may rely on volunteers to help achieve their goals, but it is important that these volunteers are treated ethically and not exploited for their labor.
- **Discrimination.** Nonprofits should strive to be inclusive and welcoming to all and should not discriminate against anyone on the basis of race, gender, sexual orientation, religion, or any other protected characteristic.
- **Misrepresentation.** Nonprofits should be honest and accurate in their representation of their work and mission and should not exaggerate or mislead the public or donors.

It is important for nonprofit organizations to be aware of these ethical issues and to have policies and procedures in place to prevent and address them.

Failures in accountability and ethics may inflict irreversible harm to an organization's reputation and fundraising abilities, regardless of how well its financial department is managed in areas such as budgeting, strategic decision making, cash management, investment, and risk management. Wise judgments on organizational structure, accountability framework, ethical code, and oversight limit the possibility of major issues (Zietlow, Hankin, Seidner, & O'Brien, 2018).
Also, to achieve a greater CSR, the corporation must be able to engage ethically with the challenges that develop. Therefore, they have been adopted ethical codes encompassing moral norms and values on which the corporate culture is built, as well as policies governing corporate ethics, adaptable standards of behavior, and rules of duty towards stakeholders.
In recent decades, ethics and CSR have been increasingly scrutinized factors. Academics have frequently merged corporate ethics and CSR (Ferrell, 2019). Only when the **economic, social, and environmental** components of a company's management **are integrated can it be considered ethical** (Gray, 1996).

1.2 - Corporate Social Responsibility

For many years, businesses have recognized that to be successful, they must not only have exceptional competitive economic performance, but also satisfy social goals.
Based on the CSR concept, a company must deal with several challenges in addition to earning a profit for its shareholders (Carroll, 1999). To some extents this applies to the nonprofit sector too. In fact, in the nonprofit sector, CSR can take many different forms, such as:

- **Community involvement.** Nonprofits may engage in community service projects or other initiatives that benefit the local community.
- **Environmental sustainability.** Nonprofits may focus on environmental sustainability by reducing their carbon footprint, conserving resources, and promoting environmentally friendly practices.
- **Diversity and inclusion.** Nonprofits may work to promote diversity and inclusion within their organization and in the communities they serve.
- **Ethical practices.** Nonprofits may adhere to high ethical standards in their operations, including transparent financial practices and avoiding conflicts of interest.
- **Employee well-being.** Nonprofits may prioritize the well-being and development of their employees, including offering fair compensation and benefits and promoting a positive work culture.

By engaging in CSR activities, nonprofit organizations can demonstrate their commitment to social and environmental responsibility and build trust with stakeholders.

According to the results of a survey-based experiment (Lin-Hi, Horisch, & Blumberg, 2014), **trustworthiness is severely destroyed by bad CSR performance in the nonprofit sector** but is not significantly affected by positive CSR performance. Since irresponsible behavior is what causes poor CSR performance, Lin-Hi et al. (2014) study's conclusions imply that CSR in the NPOs sector should be focused on "avoiding bad."

The debate about acting in a socially responsible manner has become much more heated in recent years. CSR is currently one of the hottest issues in management research (Lin-Hi, Horisch, & Blumberg, 2014).
The discussion around CSR includes topics like ethics but also governance, stakeholder management, accountability, and sustainability; and these ideas are indeed being discussed in the nonprofit sector (Williams & Taylor, 2013), (Wagner, 2014).
However, academics have stressed for years that the nonprofit sector has a far lower level of discussion of the above-mentioned CSR-related concerns than does the for-profit sector (Lin-Hi, Horisch, & Blumberg, 2014).
This scenario can be partially explained by the following statement "CSR is less significant in the nonprofit than in the for-profit sector because nonprofit organizations don't really need to engage in CSR as contributing to society's well-being is at the core of their mission" (Moore, 2000).
Furthermore, one can be persuaded to believe that because nonprofit businesses do not share their earnings with private persons, there are therefore no conflicts between their organizational and societal goals.
The lack of gain for gain's sake and the social nature of their operations, may mislead us into thinking that nonprofit organizations are inherently socially responsible due to their nature, but it's not always the case. In fact, some charitable groups act recklessly, and the community is increasingly acknowledging this (Cordery & Baskerville, 2011).
It is important to discuss CSR in the nonprofit sector since **it cannot be assumed that nonprofit organizations would simply act responsibly.**
According to several academics (Witesman & Fernandez, 2012), nonprofit organizations are seen as being more trustworthy than for-profit ones. This idea comes from the distinction between nonprofit and for-profit organizations' stated purposes:

- **Nonprofit** organizations' main goal is to **serve society**.
- **For-profit** corporations' main goal is, traditionally, to **meet the requirements of its shareholders** (Moore, 2000).

As a result, nonprofit organizations have a "**social objective**", whereas for-profit businesses often have a "**shareholder objective**" (Moore, 2000).
Schlesinger et al. (2004) note out that although the idea that nonprofit organizations are viewed as being more trustworthy than for-profit businesses has been extensively theorised, empirical research

on the topic is rare. In fact, the explanation for the lack of attention to CSR in the nonprofit sector has not been properly examined (Lin-Hi, Horisch, & Blumberg, 2014).

1.2.1 - Stakeholder theory

The **Stakeholder theory** is one of the primary theoretical findings that have greatly contributed to the evolution of CSR (Chirieleison, 2002). The stakeholder theory's key contribution is to conceptualize CSR as a process that drives the organization to integrate socially responsible conduct into its activities. This makes CSR more tangible, as it is related to the diverse stakeholder interests. CSR is frequently viewed as an extension of stakeholder theory, as it entails considering the demands and interests of all stakeholders when making business choices (Chirieleison, 2002). According to this perspective, CSR entails understanding and managing connections between the firm and its stakeholders in a way that is mutually beneficial. It goes beyond simply being a good corporate citizen or doing good for society.

As an illustration, a business that places a high priority on the health and development of its employees not only acts in a socially responsible manner but is also likely to reap rewards in the form of higher productivity and employee retention.

The term "stakeholder" first emerged, in management literature, in a 1963 internal document from the Stanford Research Institute (SRI) (Freeman, 1984). SRI limited its attention to shareholders whose desires were believed to be the only aims of a corporation, defining stakeholders as those parties on which the organization is dependent for its future survival. Stakeholders were then characterized by Freeman in 1984 as any group or individual who may impact (or is affected) by the fulfilment of the firm's objectives after integrating stakeholder principles into a cogent design (Freeman, 1984). This updated concept's central tenet is that organizations must satisfy a range of stakeholder expectations, even if they are broader than those of the shareholders, and that management decisions are influenced by stakeholder factors (Sen & Cowley, 2012).

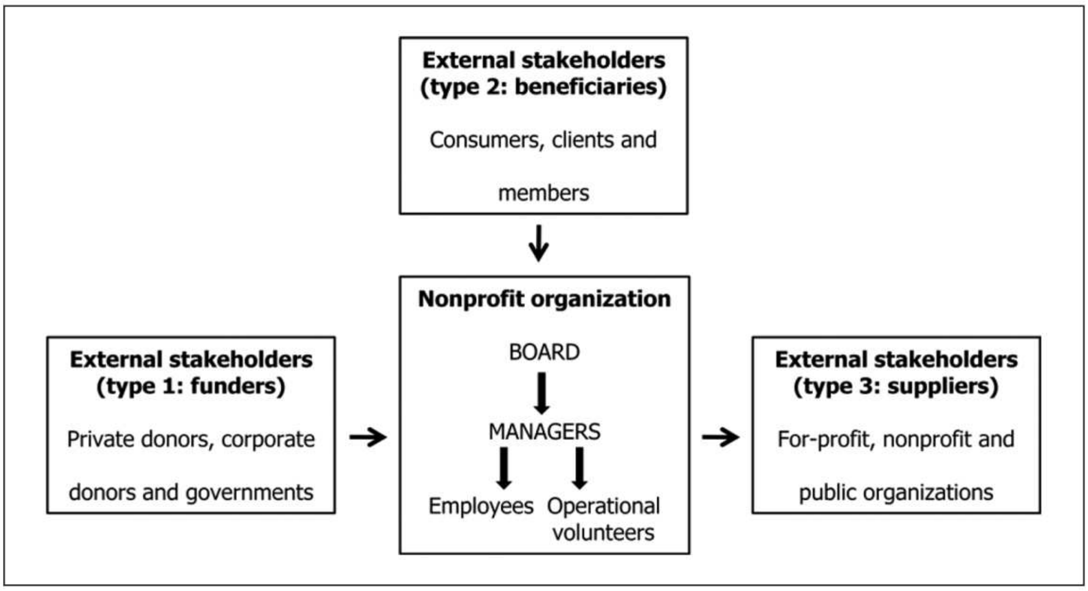
"Any individual or group that is able to make a claim on an organization's attention, resources, or output, or who may be impacted by the organization is referred to as a stakeholder" (Lewis, 2001).

An organization can categorize distinct stakeholder groups and propose management methods for them based on two dimensions: the potential for cooperation and threat (Savage, 1991). The interaction between a focal for-profit organization and several nonprofit stakeholder groups is examined using this paradigm (Abzug & Webb, 1999). They also contend that institutional interactions between a focused nonprofit organization and for-profit counterparts may contribute to the understanding of these latter firms' isomorphic behaviour (Van Puyvelde, Du Bois, & Jegers, 2012).

Hill and Jones (1992) propose that principal-agent interactions may be viewed as a subset of the more general class of stakeholder relationships and that many of the ideas and terminology from agency theory can be applied to stakeholder relationships. Many bilateral (nonprofit-for-profit) stakeholder interactions, according to Abzug and Webb (1999), can also be characterized as principal-agent relationships.

Principal-agent interactions in nonprofit organizations may be categorized into at least six key types (Van Puyvelde, Du Bois, & Jegers, 2012). It is possible to distinguish between, on the one hand, connections between external nonprofit principal-agents in which an external stakeholder assumes the role of internal nonprofit principal-agent relationships; on the other hand, refer to communications between internal stakeholders of a nonprofit organization. Operational volunteers at least have a “psychological contract with the nonprofit organization”, even though they are not necessarily bound by an explicit contractual agreement (Van Puyvelde, Du Bois, & Jegers, 2012). As a result, their collaboration with the nonprofit entity might also be interpreted as a principal-agent association. Nonetheless, as there exists neither a contractual link between these entities nor a transfer of decision-making power, the dynamics between the nonprofit organization and its competitors or other external stakeholders cannot be labeled as principal-agent associations (Van Puyvelde, Du Bois, & Jegers, 2012).

Figure 1. Nonprofit principal-agent relationships. Source: (Van Puyvelde, Du Bois, & Jegers, 2012).



The principle-agent relationship in a NPO refers to the interaction between the organization's leadership ("the principal") and its employees or volunteers ("the agents"). The principal oversees setting the overall direction and goals of the organization, while the agents are in charge of carrying out the work to achieve these goals.

As the principal may not always have direct control over the actions of the agents, managing this relationship can present several challenges. Employees or volunteers, for example, may not always follow the organization's instructions or policies, or they may have their own agendas or objectives that contradict with those of the organization. To address these challenges, nonprofit organizations may use several strategies, such as:

- **Clearly defining roles and responsibilities.** It is important for both the principal and the agents to have a clear understanding of their respective roles and responsibilities within the organization.
- **Establishing clear communication channels.** Regular communication between the principal and the agents can help to ensure that everyone is on the same page and that any issues or concerns are addressed promptly.

- **Providing training and support.** Nonprofits may offer training and support to employees and volunteers to help them understand their roles and perform their duties effectively.
- **Establishing performance evaluations.** Regular evaluations of employee and volunteer performance can help to identify areas of strength and areas for improvement and can provide an opportunity for feedback and guidance.

By effectively managing the principal-agent relationship, nonprofit organizations can ensure that their employees and volunteers are working towards the same goals and are able to make the greatest possible impact.

Organizations that are socially responsible must practice ethical and right behavior both inside and outside the organization, contributing to the organization’s progress and limiting environmental effect by going beyond regulatory compliance (Van Puyvelde, Du Bois, & Jegers, 2012). Therefore, as also stated in the European Commission's Green Paper (2001), **social responsibility has both an internal and external dimension.**

1.2.2 - CSR Internal Dimension

The "internal dimension of corporate social responsibility (CSR)" refers to **how an organization runs its operations and interacts with its employees, shareholders, and other stakeholders**. This can include how the organization treats its employees, its dedication to ethical business practices, and its efforts to reduce its environmental impact. By focusing on the internal dimension of CSR, organizations can create a positive and responsible work environment for their employees and stakeholders, which can in turn lead to increased trust, loyalty, and productivity.

I. *Human Resource Management*

   This can include providing fair compensation and benefits, promoting a positive work culture, and investing in employee development and training.

   Appropriate indicators within this framework may encompass continuous learning opportunities, fostering employee authority, enhanced dissemination of information across the organization, achieving a harmonious equilibrium between work, family, and recreational pursuits, promoting a more diverse workforce, ensuring equitable compensation and advancement avenues for women, implementing profit-sharing and stock ownership initiatives, and prioritizing both employability and job stability. Moreover, vigilant oversight and administration of employees facing incapacitation or injuries have demonstrated cost-saving benefits, as well (Commission, 2001).

Responsible recruiting methods, particularly non-discriminatory policies, may make it easier to hire persons from different minorities, old employees, women, the long-term jobless, and those with disadvantages.

II. *Health and Safety at work*

Traditionally, workplace health and safety has been addressed primarily via law and enforcement methods (Commission, 2001). The trend of outsourcing work to contractors and suppliers, on the other hand, makes organizations increasingly reliant on the safety and health performance of their contractors, particularly those operating on their own premises. Firms, governments, and sector organizations are increasingly seeking for new ways to promote health and safety, such as utilising them as a criterion in acquiring products and services from other companies and as a marketing component in promoting their own products or services. These voluntary programmes can be viewed as complementary to government regulation and control operations since they both aim to promote a preventative culture, i.e. greater levels of workplace safety and health.

III. *Adaptation to change*

According to research (Commission, 2001), less than one in every four restructuring operations meet their goals of cost reduction, increased productivity, and improved quality and customer service since they frequently undermine employee motivation, loyalty, innovation, and productivity. To be socially responsible, restructuring must balance and take into account the interests and concerns of all individuals who will be affected by the changes and choices. In fact, the method is frequently as crucial as the content when it comes to the effectiveness of restructuring. This includes soliciting the participation and engagement of people impacted through open communication and dialogue. Furthermore, restructuring must be adequately planned by identifying main risks, estimating all direct and indirect costs

connected with alternative plans and policies, and analysing all options that might lessen the need for redundancies.
Businesses have the capacity to mitigate the societal and regional impact of extensive restructuring by getting involved in regional growth and dynamic labor market strategies via participation in local collaborations for employment and/or social integration (Commission, 2001).

IV. *Management of environmental impacts and natural resources*
Broadly speaking, diminishing the utilization of resources and curbing pollutant discharges and waste holds the potential to yield favorable ecological outcomes. Additionally, this practice can prove advantageous for enterprises, contributing to reductions in energy expenses, waste management charges, input expenditures, and detoxification outlays. Many individual companies have ascertained that scaling back their consumption can translate to heightened profitability and enhanced competitiveness.
These environmental undertakings are occasionally termed as "win-win" opportunities within the environmental domain, signifying that they hold dual benefits—proving advantageous for both business operations and the environment.
The business sector is also cognizant of the potential linked to elevated environmental performance and is actively endeavoring to systematically harness it (Commission, 2001).

1.2.2 - CSR External Dimension

Apart from employees and shareholders, **the scope of CSR stretches beyond the confines of the company, encompassing the neighboring community and encompassing a varied array of stakeholders.** This includes business collaborators, suppliers, customers, governmental bodies, non-profit organizations representing local populations, as well as the environment (Commission, 2001). The swift process of globalization has sparked discussions regarding the function and progression of global governance, with voluntary CSR endeavors viewed as potential contributions to this discourse. By emphasizing the external facet of CSR, organizations can showcase their dedication to exerting a positive influence on the global stage, thereby cultivating trust and garnering support from their stakeholders:

I. *Local communities*

Enterprises contribute to their communities, especially at the local level, by offering employment opportunities, wages, benefits, and contributing tax revenue. Involvement within the community context encompasses engagement in service projects, support for local initiatives and organizations, and the embodiment of responsible corporate citizenship. Numerous companies engage in community-driven initiatives, such as expanding vocational training opportunities, aiding environmental nonprofits, facilitating the integration of socially marginalized individuals, furnishing employee child-care facilities, forging partnerships with local communities, sponsoring regional cultural and sporting events, and making philanthropic contributions.

The cultivation of favorable relationships with the local community, and the subsequent formation of social capital, holds particular significance for organizations operating beyond their geographical vicinity.

Companies' knowledge with local actors, customs, and abilities is a valuable advantage on which they may capitalize.

II. *Business partners, suppliers and consumers*

Companies may decrease complexity and expenses while increasing quality by collaborating proactively with business partners. Building connections may result in fair rates, conditions, and expectations, and quality and trustworthy delivery in the long run. However, to embrace socially and ecologically responsible activities, all businesses must follow the necessary requirements of European and Local legislation (Commission, 2001).

It's crucial for companies to recognize that the conduct of their partners and suppliers throughout the supply chain could potentially influence their societal performance. Initiatives related to corporate social responsibility carry repercussions not solely for the company itself but also for its economic collaborators. This is particularly applicable to sizable enterprises that have outsourced segments of their production or services, consequently incurring heightened responsibilities towards these suppliers and their workforce. It's worth noting that the financial stability of these suppliers might be predominantly or entirely reliant on a single major corporation (Commission, 2001).

III. *Human rights*

Corporate social responsibility encompasses a substantial human rights dimension, particularly in the context of overseas operations and global supply networks. Human rights present a multifaceted challenge that gives rise to political, legal, and ethical dilemmas. While voluntary codes of conduct can serve as catalysts for advancing international labor standards, their effectiveness hinges upon their adept execution and enforcement. These codes should be embedded throughout all echelons of the organization and integrated into the entirety of the production chain. Companies must embrace full transparency by disseminating comprehensive information, even to local communities, as part of an ongoing dialogue with them.

This assessment should adhere to well-defined benchmarks and norms applicable to entities and individuals engaged in "social auditing." Vigilant monitoring, which should incorporate stakeholders such as governmental bodies, trade unions, and non-profit organizations, plays a pivotal role in upholding the credibility of these codes. A blend of internal and external validation systems could enhance cost-effectiveness, especially for small and medium-sized enterprises (SMEs). Consequently, fostering increased transparency and refining reporting protocols within codes of conduct becomes imperative (Commission, 2001).

IV. Global Environmental Concerns

Enterprises assume the role of global environmental influencers because of the cross-border impact of various environmentally pertinent issues linked to business activities, alongside their utilization of resources spanning the globe. Consequently, companies can endeavor to uphold social responsibility both on a global scale and within their domestic realm. This encompasses endeavors aimed at curtailing the organization's environmental impact, fostering sustainable methodologies, and championing initiatives for the preservation of the environment.

The discourse surrounding the involvement of businesses in safeguarding sustainable development is gaining momentum on an international level (Commission, 2001).

1.3 - Sustainable Development

As we have previously seen, t**he notion of CSR is intertwined with that of “sustainable development”**. In fact, social responsibility can be defined as nothing more than a company's contribution to sustainable development (Moon, 2007).
The interest of organizations in environmental issues dates to the early 1970s, when they began to report on the environmental effect of the activity carried out (Tenuta & Cambrea, 2022). Worth to mention is that the WCED (World Commission on Environment and Development) issued the first definition of "sustainability" only in 1987 (Brundtland, 1987). That same report established the guiding concepts for sustainable development as we know it today. According to the Brundtland Report (1987), sustainable development is described as “development that satisfies the requirements of the present without jeopardising future generations' ability to satisfy their own needs”. The report was considered at the United Nations General Assembly in 1989, which resolved to hold a UN Conference on Environment and Development. But, while this definition is useful in basic terms, it does not go into depth on the development of sustainable practices and their application to enterprises (do Prado, 2020). As a result, multiple writers' interventions have been targeted at addressing this gap through diverse definitions (Tenuta & Cambrea, 2022).
For example, according to Kurapatskie, Corporate Sustainability is the company's capacity to decrease or eliminate its environmental effect by meeting the demands of its current and future stakeholders (Kurapatskie, 2013). On the other hand, according to Kok, **Corporate Sustainability is defined as a company's capacity to balance social, economic, and environmental goals** (Kok, 2019).

Responsible business practices are a required but not sufficient requirement for long-term development; many obstacles to sustainable development are the result of regulatory failure (Moon, 2007). Simple deficiencies in governmental capability, most notably in underdeveloped nations, areas of government reliance on commercial players, and cross-border and global challenges are examples of this (Tenuta & Cambrea, 2022).
The interdisciplinary approach is clearly one of the distinguishing features of sustainable development: it integrates environmental, economic, and social issues (Seuring, 2013). The method referred to as the **triple bottom line,** formulated by the World Commission on Environment and

Development, is rooted in an evaluation of three fundamental dimensions: economic, social, and environmental. This framework shapes its perspective on sustainable development (Tenuta & Cambrea, 2022). As a result, an organization is stable not just financially, but also when it reduces its negative environmental affects and behaves with a higher sense of responsibility toward what is created, not only in economic terms, but also in ethical, environmental, and social terms (Chirieleison, 2002).

Many codes and guidelines focused on some fundamental standards, such as the Global Reporting Initiative's Sustainability Reporting Guidelines, the United Nations Global Compact and the Sustainable Development Goals, the World Resources Institute's Greenhouse Gas Protocol, and the United Nations Principles for Responsible Investment (Tenuta & Cambrea, 2022).

Clearly, **declaring oneself sustainable is insufficient.** The knowledge-behavior gap is defined as the discrepancy between sustainability discourse and sustainable conduct (Kollmuss, 2002).

Nonprofit organizations can play an important role in encouraging sustainable development by addressing social and environmental issues such as poverty, inequality, climate change, and environmental degradation. Nonprofits may work on topics directly relevant to sustainable development or on issues that contribute to sustainable development in general. Some specific ways in which nonprofit organizations can promote sustainable development include:

- **Advocating for policy change**. Nonprofits can advocate for policy changes that support sustainable development, such as laws and regulations that promote environmental protection or social justice.
- **Providing services and support.** Nonprofits may provide direct services or support to those in need, such as education, healthcare, or clean water.
- **Promoting sustainability**. Nonprofits may work to promote sustainability in various ways, such as by promoting environmentally friendly practices or supporting sustainable agriculture.
- **Engaging in research and education.** Nonprofits may engage in research and education efforts to better understand and address sustainability challenges, and to educate others about these issues.

By working to promote sustainable development, nonprofit organizations can help to create a more equitable and sustainable world for everyone.

1.4 - Introduction to NPOs

The third sector is comprised of several organizations and groups, and it is involved in numerous economic sectors, including healthcare, social services, employment, culture, and the environment. Non-profit organizations are experiencing heightened engagement in fields such as welfare, healthcare, education reform, and the facilitation of public–private partnerships. Additionally, both rural and urban planners are increasingly dependent on non-profit and community entities to contribute to local development and rejuvenation efforts (Zietlow, Hankin, Seidner, & O'Brien, 2018).
Compared to private companies, **non-profit organizations** have the following **characteristics** according to McAdam (2000):

They are value-driven, rather than profit-driven
They emphasize the local dimension in their activities
They provide and develop services based on needs that are often unrecognized by public authorities
They provide not only services for clients but also community work and/or advocacy work
They train and engage volunteers as part of the service staff; and they may have a specialization
They have "tax exemption" (1)

(1) For example Italian NPOs can benefit from the exemptions and tax incentives offered for organizations that come under the ONLUS regime such as (i) stamp duty exemptions, (ii) taxes on government concessions, (iii) inheritance and donation taxes (iv) substitution tax, (v) the tax on real estate appreciation and (vi) the relative substitute tax, as well as (vii) tax breaks (for example, income tax, charitable contributions, and value added tax).

According to Zietlow (2018), **the tax-exempt status of NPOs** has four managerial implications:

- Organizations should prioritise the mission and it's their responsibility to do so. Programs and activities must complement the organization's goal, which is to improve society and serves as the basis for its establishment and continued existence. This provision suggests that income-generating activities may be taxed if they are not directly related to the organization's principal programmes and services.
- The organization does not issue shares and is not permitted to distribute surplus income (those that exceed costs) to staff, board members, clients, or supporters. This need does not preclude the organization from making a "profit," surplus, or net revenue; It does indicate that the nonprofit's capital structure is confined to debt financing, which many charities limit or avoid totally, and the change in net assets, which can only be generated by taking in revenues above and beyond period costs. In the business sector, the cumulative gains are known as "retained earnings."
- Unlike for-profit corporations, nonprofits are not owned by their permanent capital suppliers. This provision means that outside parties, such as contributors, are not permitted to exercise direct influence over the organization's business, particularly its financial policies.
- Without shareholders as the nonprofit's stewardship focus, the primary financial goal is not to maximize profits or shareholder wealth. This requirement suggests that the business must identify and implement a separate major financial goal in its operations. We think that goal is to achieve and maintain a certain level of liquidity.

To be eligible for tax-exempt status, NPOs must meet certain criteria, which can vary depending on the country and type of organization. In general, NPOs must be organized and operated for a charitable or public service purpose and must not engage in activities that benefit the private interests of specific individuals or organizations.

Having tax-exempt status can be beneficial for NPOs, as it allows them to use their resources more efficiently and effectively to achieve their charitable or public service goals. It is important for NPOs to carefully follow the rules and regulations surrounding tax-exempt status to ensure that they continue to be eligible for these exemptions.

1.4.1 - The importance of “Mission” in NPOs

The mission of a nonprofit organization differs from that of a for-profit business. The ultimate goal of for-profit enterprises is to produce money for its owners/shareholders, which can range from a person as a lone proprietor through corporate ownership via share purchase.
A nonprofit organization lacks the notion of ownership and so has an entirely different mission (Zietlow, Hankin, Seidner, & O’Brien, 2018). **Its objective is to fulfil a large public purpose, which is inextricably linked to ownership and personal benefit** (Zietlow, Hankin, Seidner, & O’Brien, 2018).
This of course does not exclude charitable entities from generating profits. Nonprofits have the capacity to generate revenue using similar methods as for-profit enterprises. The crucial distinction lies in the **allocation of surpluses,** which must be directed towards the original public purpose for which the nonprofit organization was established, maintained as reserves, or transferred to another public-purpose entity. Thus, a fundamental aspect of all nonprofit organizations revolves around channeling profits from their endeavors to advance the organization's objectives, rather than enriching owners or investors. The spectrum of consumers for nonprofit organizations is as broad as their missions. These can encompass individuals or groups of people, historical landmarks, forests, endangered species, and sports teams. Additionally, those who contribute their time, funds, or other resources to support the cause hold an equal status as clients of the nonprofit, much like the actual recipients of the service. They pose the most challenging questions to the nonprofit, have the most understanding of the asset base, and can compare it to the activity undertaken on its behalf. The organization serves as a custodian for both its customers and its funders (Zietlow, Hankin, Seidner, & O’Brien, 2018).
A for-profit corporation has a clear objective (to create a profit) and a clear process for making decisions to achieve it. However, the public service character of a nonprofit presents a significant difficulty in terms of creating and expressing its objective, as well as developing success criteria. The mission statement must not only clarify what the company is and does, but it must also articulate these principles in such a way that its accomplishments can be assessed and evaluated.

According to Zietlow et al. (2018), a NPO confronts two additional important obstacles after creating its “mission statement”:

1. Establishing a clear understanding of its client base and revenue origins, while also delineating its donor body and gauging the extent of engagement from fund providers, is imperative for a nonprofit. Following a well-defined identification of the group it aims to assist, the nonprofit must develop an organizational framework that underscores its dedication to this target demographic.
2. Subsequently, the organization must cultivate a reputable image within the community, strategically guide potential funding channels, and naturally attract or dissuade individuals who will be recipients of the nonprofit's services.

Financial managers face unique challenges in the nonprofit sector. Multiple stakeholders, uncertainty about which financial goal to pursue, limited personnel, financing, and technological resources, and a lack of attention to cash and treasury management are all issues that contribute to the difficulties of nonprofit financial management (Zietlow, Hankin, Seidner, & O'Brien, 2018). Despite these challenges, the non-profit sector has seen expansion in the last years (Hamilton, 2022), which has been attributed to the welfare state's problems and a series of other issues (Rubino, Rija, Bronzetti, Sicoli, & Tenuta, 2016) such as:

Economic development and rising incomes, which have led to an increase in activity as a result of voluntary and charitable activities
The emergence of new needs and the different and specific services
Enhancing employment and economic growth in this industry

Today, nonprofits frequently coexist with for-profit organizations, occasionally as partners, but perhaps more frequently as rivals (Zietlow, Hankin, Seidner, & O'Brien, 2018).

While financial data serves as a crucial yardstick for assessing the efficacy of for-profit enterprises, its applicability becomes constrained when examining non-profit organizations. In this context, it becomes imperative to encompass their role in enhancing the societal well-being of specific groups or communities, as well as their influence on environmental outcomes (Zietlow, Hankin, Seidner, & O'Brien, 2018).

It could be argued that the success of non-profit organizations is unrelated to economic-financial indicators, therefore the final sum may not adequately reflect the performance levels attained (Zietlow, Hankin, Seidner, & O’Brien, 2018). A management report can attest to an organization's capacity to attain the specified conditions of equilibrium throughout the reporting period, but it says nothing about the achievement of the goals that motivate action (Zietlow, Hankin, Seidner, & O’Brien, 2018).

1.4.2 - The importance of Accountability

Accountability can be defined as the management of various stakeholder expectations on nonprofit operations (Romzek & Dubnick, 1987). It is an important aspect of nonprofit organizations, as NPOs rely on donations and grants from the public to fund their operations, and it is important that these funds are used in a responsible and transparent manner. There are several ways in which NPOs can demonstrate accountability:

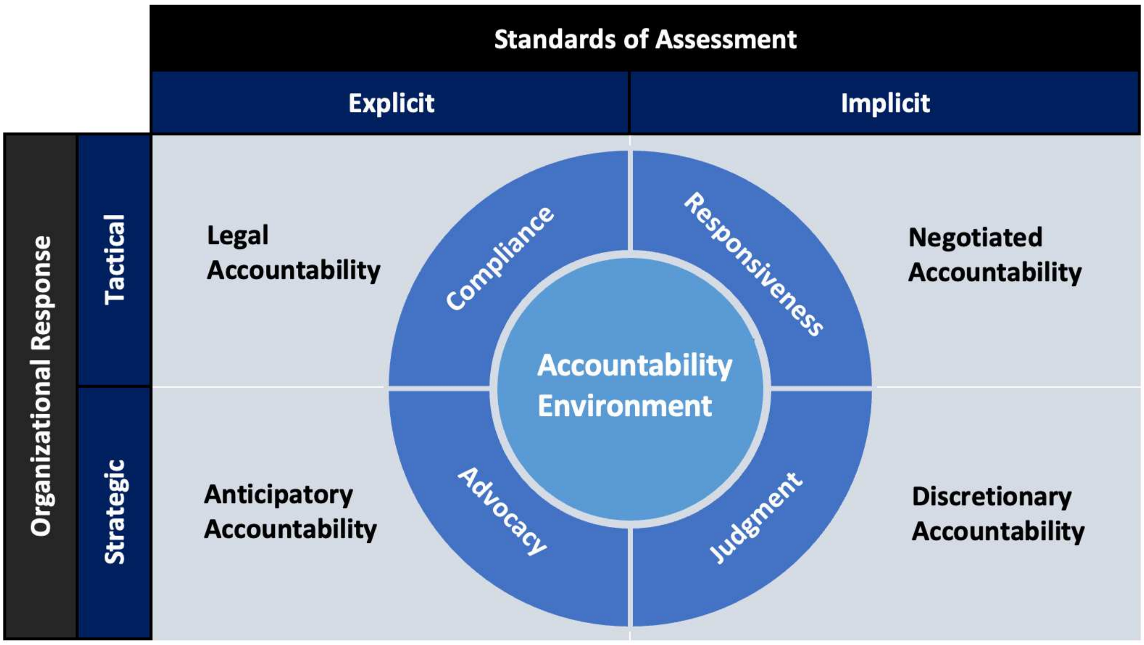
- **Financial accountability:** This involves being transparent about the organization's financial practices, such as how it raises and spends funds. This may include publicly disclosing financial information, such as annual reports and audits.
- **Governance accountability:** This involves having clear policies and procedures in place to ensure that the organization is being run effectively and in accordance with its mission. This may include having a board of directors or trustees who are responsible for overseeing the organization's operations.
- **Programmatic accountability:** This involves being accountable for the results and impact of the organization's programs and activities. This may include setting specific goals and objectives and regularly measuring and reporting on progress towards these goals.
- **Stakeholder accountability:** This involves engaging with and being responsive to the needs and concerns of the organization's stakeholders, such as donors, beneficiaries, and the local community.

Irrespective of how accountability within non-profit organizations (NPOs) is characterized, all discussions on accountability commence with two fundamental inquiries: **who they are accountable to and what they are accountable for** (Jeong & Kearns, 2014). Conventional definitions, often rooted in agency theory, have emphasized the notion of upward accountability, primarily directed towards funders and governmental bodies, while sometimes neglecting the concept of downward or "outward" accountability encompassing customers, community participants, and peer organizations (Jordan, 2005). Nevertheless, an extensive portion of research focused on NPO accountability contends that **prioritizing downward responsibility should form the crux** ((Jordan & Tuijl, 2006), (Levy, 1996)). Both the anticipations of diverse stakeholders and the responses of NPOs to these expectations revolve around the central queries (to whom and for what) at the core of the accountability discourse. Thus, a holistic perspective that links an NPO's accountability environment with the responsibilities and anticipations of all stakeholders in management and policy decisions holds more potency than a confined delineation of NPO obligations (Jeong & Kearns, 2014).

Building upon Romzek and Dubnick's (1987) definition of accountability, Kearns (1996) identified **four distinct forms of accountability:** self-imposed accountability to internally defined performance standards, negotiation concerning stakeholder expectations, adherence to established formal standards, and forward-looking accountability. This explanation of accountability may provide light on how nonprofit professionals see and understand the demands of different stakeholders (Jeong & Kearns, 2014).

When NPOs examine the accountability environment, Kearns (1996) provides a helpful conceptual framework outlining the possibilities and problems they would encounter. Kearns uses a strategic management-based approach to accountability, focusing more on applying these principles to build an accountability framework and less on monitoring or auditing accountability (Jeong & Kearns, 2014). The two axes that make up Kearns' accountability framework are organizational reactions and performance criteria (1996) pp. 66–68). **Both explicit and implicit performance requirements are recommended by the Kearns model**. Explicit standards outline the administrative, legal, and regulatory restraints that public and nonprofit organizations must adhere to to be held accountable (Jeong & Kearns, 2014). Implicit standards are rules based on societal ideals, presumptions, and ideas about the public interest and the public's trust as well as professional conventions (Jeong & Kearns, 2014). Similar to this, the accountability framework developed by Kearns ((1996), p. 68) offers two different organizational responses to accountability standards: tactical (short-term, reactive) reactions and strategic (long-term, proactive) responses.

Figure 2. Dimensions and varieties of NPO responsibility within the "Accountability environment" (Source: figure adapted from (Kearns, 1996)):



The framework incorporates a multi-stakeholder approach, recognizes institutional responsibility, and encompasses networked accountability—attributes that align with a broader comprehension of non-profit organization (NPO) accountability. **This conceptual framework aptly suits the examination of Italian NPOs' perceptions and strategies for sustainability**, as detailed in Chapter 3 of this document. These organizations are particularly fitting for this framework due to the evolving explicit and implicit criteria by which they are held accountable, a transformation that persists and evolves in an environment marked by high dynamism and occasional turbulence. Delving deeper into how NPO leaders perceive and interpret these shifts could yield substantial insights, shedding light on their perceptions of the factors shaping the nonprofit landscape in Italy.

1.4.3 - The importance of Transparency

Transparency is one of four elements of accountability, along with the capacity to promote and activate stakeholders' engagement, external and internal performance evaluation, and the ability to respond to stakeholders' complaints (Fox, 2007).

NPOs are presently faced with the difficulty of convincing society that they efficiently handle the funds they receive and are committed to completing the goals for which they were founded. **Transparency becomes a critical issue that must be brought to light.** Accounting standards (for example, financial reporting and performance management systems) are even referred to be "imperfect accountability mechanisms" (Ortega, Licerán, & Moreno, 2020). In contrast to the economic-financial information, the reality is considerably different when it comes to the disclosure of non-financial information, such as social information. Despite the significance of openness in building confidence among stakeholders and legitimizing NPOs, there is a lack of disciplinary processes (Ortega, Licerán, & Moreno, 2020). NPOs, for example, have no obligation to disclose major occurrences that may jeopardize their organization, such as fraud and theft, personal conduct, and financial loss, however it is encouraged that they do so as a transparency tool.

Third-sector organizations are worried about the expense of producing and providing non-financial information, also NPOs are under pressure from authorities and even funders to divulge non-financial information (Ortega, Licerán, & Moreno, 2020).

Despite the limitations stated above, voluntary information sharing is an excellent way for NPOs to promote public accountability and improve their reputation. Furthermore, research reveals that NPOs that are not transparent receive poorer ratings for public trust, reputation, perceived quality, and giving behavior (Moxham & Boaden, 2007).

According to Ortega et al. (2020), the conceptual rationales for not releasing information to stakeholders may be founded on:

- **a cost-management principle.** NPOs, like other organizations, seek an acceptable balance between the costs and benefits of information disclosure. Thus, the cost of collecting (and exposing) information (the difficulty of obtaining information or sensitive information) should never exceed the advantage that may be achieved (improved reputation and fundraising opportunities).
- **a lack of guidelines on how to submit the data.** Due to the lack of legal and regulatory pronouncements that specify what, when, and how information must be given, non-profits have voluntarily adopted self-regulation techniques. However, these self-regulation procedures imply a complete margin of discretion for managers, who are frequently unsure how to provide information.

As a result, non-profits must build internal control procedures that enable their stakeholders to analyze the destination of resources in line with their social goal. Transparency and good governance are required to acquire the social trust that allows an organization to continue and achieve its aims.
It is vital to research, construct, and create models that allow for the measurement of the amount of transparency required by each NPO, as well as the development of the criteria used to classify an organization as more or less transparent (Ortega, Licerán, & Moreno, 2020).

1.4.4 - Transparency in Italian NPOs

In Italy, not all stakeholders demand publicly available data for organizational monitoring now, and as a result, **it is impossible for the public to get this information and assess the social impact of any NPO** (L. Magrassi, 2022).
NPOs are formed with the intention of giving social benefit through various initiatives and activities. To finance these organizations, Italy established the so-called "8 per thousand" fund in 1985 to assist a variety of non-governmental organizations. The decision to give 8, 5 or 2 per thousand is entirely optional and not required. The taxpayer incurs no further costs since the sum of 5 per thousand is deducted from the taxes on personal income (IRPEF) debt.
Some research found out that **more accountability leads to greater openness** (L. Magrassi, 2022), which provides a variety of financial and societal benefits, making responsible and transparent organizational processes more valuable than their related costs.
The aforementioned "Third sector reform" in Italy changes the "5 per thousand" donation system, bringing about major modifications, especially in the area of financial and nonfinancial responsibility, for non-profit organizations devoted to "civic, solidarity, and social reasons".
For an NPO getting “5 per thousand”, public disclosure of financial and operational information is crucial. This kind of information sharing is essential for ongoing and long-term capital support because it helps donors make well-informed choices. It's fundamental that the public has access to NPOs' financial data since a lack of accessibility might cause the public to lose faith in the Organization (Gazzola, 2017). According to research (Gazzola P., 2019), there is a positive relationship between how frequently taxpayers include a NPO among their "expressed preferences"

and a NPO's transparency level, and a negative relationship between money received and openness level.
Also, because stakeholders use the internet as a search engine to track their donations, Gazzola's research also demonstrates how crucial it is for NPOs to present their sustainability reports online. The "5 per thousand" method places a duty on NPOs to reassure funders by demonstrating that the funds they have donated are well allocated.

According to Gazzola (2019), NPOs should adopt sustainable disclosure standards for the following reasons:

To improve their image
NPOs have an impact on the economy, society, and environment, and they have an ethical obligation to maintain and enhance that impact
There may be corporate expectations that NPOs are unwilling to meet
NPOs must be financially sustainable
Attract donors and skilled human resources
Meeting the demands of the workforce
Commit to sustainability disclosure
Integrate internal governance, morals, and risk management procedures to guarantee sustainability

1.5 - NPOs and Social Impact

Social impact could be defined as the **overall effect that a NPO has on all of its stakeholders** (Polonsky & Grau, 2011). One of the main goals of NPOs is to have a positive social impact on the communities they serve. This can take many forms, such as providing education and training, promoting health and wellness, protecting the environment, or advocating for social justice and equality. NPOs often work closely with local communities and stakeholders to identify and address pressing needs, and they seek to make a lasting difference by implementing sustainable solutions. NPOs do not want to view themselves as rivals when it comes to funding, but they do need to make sure they highlight the advantages they provide to continue attracting both current and future donors (Arvidson & Lyon, 2013). Therefore, it is crucial for NPOs to comprehend how their donors evaluate the social worth of the organization they are supporting.

It is challenging for NPOs to effectively express the value they offer since **it is unclear how the various types of contributors** (government, philanthropists etc.) **truly evaluate a NPO's social worth** (MacIndoe & Barman, 2013), (Arvidson & Lyon, 2013). NPOs generally lack the procedures and expertise required to gather the data required for performance evaluation (Polonsky, Landreth Grau, & McDonald, 2016). Each result has several financial and non-financial measurements, which creates additional challenge in terms of selecting the appropriate outcomes, indicators, and evaluations. Additionally, NPO's actions are intended to have a long-term impact, which can be challenging to measure, in addition to being tied to short-term objectives (Carman, 2007).

The “Roberts Enterprise Social Return on Investment” approach, “social accounting cost/benefit analysis” and the “Public Value Scorecard” are just a few examples of NPO evaluation measures that have been used in the literature (Polonsky, Landreth Grau, & McDonald, 2016). These, according to Polonsky and Grau (2008), might be grouped into four categories: **Operating Efficiency, Attainment of Organizational Objectives, Return on Investment and Social Outcomes**. Let's examine them:

- **Operational efficiency** focuses on the amount of money committed to the organization's operation, which reveals the proportion employed for social goals. NPOs in several nations are required to spend no more than X% of their budgets on fundraising (Polonsky, Landreth Grau, & McDonald, 2016). Although efficiency in NPOs and for-profit businesses is comparable, social performance in terms of organizational goals is regrettably not considered by efficiency indicators. Additionally, there aren't many other efficiency criteria that go beyond operational efficiency that are pushed by independent assessors.
- **Goal-or objective-based** evaluations concentrate on the accomplishment of the NPO's social objectives. However, this metric does not evaluate a NPO's relative societal worth (Polonsky, Landreth Grau, & McDonald, 2016).

- NPOs aim to monetize social activities through **return on investment and social accounting** (Arvidson & Lyon, 2013), (Arvidson, Lyon, McKay, & Moro, 2013). The procedure entails identifying outcomes, assigning monetary amounts to them, and then mapping impacts. The social return on investment (SROI) method is comparable and is based on financial proxies for social benefit (Arvidson, Lyon, McKay, & Moro, 2013), although it is disputed how to give financial value to "social" activities.
- **Social Outcomes** is the last strategy already noted in the research, where NPOs concentrate on enhancing social activities (Polonsky, Landreth Grau, & McDonald, 2016). Given the diverse societal objectives of NPOs, such metrics are very subjective, making problem comparisons difficult. It would be difficult to even establish a "standard" for assessing societal values within a given topic (Polonsky, Landreth Grau, & McDonald, 2016).

Polonsky et al. (2008) reviewed these four methods and indicated that many complex measurements are needed to capture all dimensions of social value.

To increase transparency and objectivity, one strategy could be **to have social impact evaluated by unbiased third parties** (Polonsky, Landreth Grau, & McDonald, 2016). This would enable evaluation organizations to specialize in this field and disseminate their knowledge among NPOs and funding organizations. NPOs can work with third parties to assess their social impact in many ways. One strategy could be to commission a formal evaluation from a third-party consulting firm or research institution. This may entail gathering information about the NPO's activities and programs, conducting surveys of the beneficiaries and other interested parties, and evaluating the findings to determine the NPO's effectiveness. Another choice for NPOs could be to take part in a program of accreditation or certification run by a third party, such the Global Impact Investing Rating System (GIIRS). These programs involve independent organizations evaluating NPOs based on a set of predetermined criteria, such as their impact on the community, their financial sustainability, and their governance and management practices. In addition to providing valuable insights and information for NPOs, third-party evaluations can also help to build trust and confidence with donors, volunteers, and other stakeholders, as they provide an independent assessment of the NPO's impact and effectiveness. By engaging in regular evaluations and being transparent about their results, NPOs can demonstrate their commitment to continuous improvement and accountability.

If social worth is to be measured, **there must be widespread agreement on what should be measured and the best metrics to utilize.** It's possible that these metrics will be produced worldwide rather than by national organizations using particular methodology or measurements (Polonsky, Landreth Grau, & McDonald, 2016). Given the various objectives of NPO funders, it could be challenging to come to an agreement on the significance of particular indicators (Polonsky, Landreth Grau, & McDonald, 2016).

Due to the range of NPO’s social aims and outcomes, it may be difficult to create "objective" comparisons within industries, let alone within industries, hence social measurements may need to be adjusted to allow stakeholders to compare data within a cause sector; key performance indicators for certain cause sectors may be established (Polonsky, Landreth Grau, & McDonald, 2016). In fact, this integrated method could put a lot of emphasis on how well-defined goals are fulfilled, which might prevent more complex evaluations of social effect. Any integrated method runs the danger of being evaluated based on the least significant outcomes (lowest common denominator), as they may be easier to measure. Effectively achieving social results is crucial, but it would be harmful for NPOs to become motivated by flimsy or generic social value indicators (Polonsky, Landreth Grau, & McDonald, 2016).

1.5.1 - Social Impact and external evaluations

Pressure on non-profit organizations to improve their impact assessment and reporting can come from a **variety of sources;** these include clients, other non-profit organizations, and so forth. These stakeholders, however, have different opinions about what and how activities should be monitored (Kendall, 2000). This is because donors, funders, and other stakeholders want to see evidence of the effectiveness and impact of the programs and initiatives that they support.

There are several factors that have contributed to this trend. One is the growing recognition of the importance of impact assessment and evaluation in the non-profit sector. Another is the increasing availability of data and technology tools that make it easier for organizations to measure and report on their impact.

There are also several external factors that can drive this trend. For example, government funding agencies may require organizations to demonstrate their impact as a condition of funding. In addition, the rise of impact investing and social impact bonds has also increased the demand for impact assessment and reporting.

There has been minimal study on the behavior of non-profit organizations about performance assessment, particularly the impact of resource suppliers' control and discipline (Arvidson & Lyon, 2013). To meet this demand, non-profit organizations are increasingly turning to a variety of methods and tools to assess and report on their impact. These may include surveys, focus groups, case studies, and other methods. In addition, many organizations are using data analytics and other technology tools to help them better understand and communicate their impact.
According to (Millar, 2013), social impact measures are linked to managerial capture, mission drift, and in some cases, tensions caused by ideological and cultural disagreements regarding the necessity and organizational repercussions of measuring social value. Whether these dangers are genuine or not, developing and applying performance measurements of any sort frequently includes changes that might be dangerous to an organization and result in long-term declines in actual performance (Arvidson & Lyon, 2013).

Evaluations that are controlled by external stakeholders, and come with the threat of punishment, make the groups they are controlling in **discomfort** (Arvidson & Lyon, 2013). Depending on the nature of the discomfort and the degree of flexibility the situation offers, the emotion and response to this may differ (Arvidson & Lyon, 2013). External stakeholders can benefit from transparency based on quantitative indicators and audits; however, it also compromises employee and organizational liberty, producing concern and discomfort (Levay, 2009). Discomfort can also be caused by the way assessments are structured and the contradictory ideals they may portray to organizations and their employees (Arvidson & Lyon, 2013).
While there is evidence that funders and other resource holders exercise control through assessment mandates, some argue that organizations may conceal information, manipulate the flow of information, or offer information that misrepresents activities and successes (Burger & Owens, 2010). According to Burger and Owens (2010), this strategy can be categorized as a "deflection technique" utilized by organizations to address control exerted by stakeholders harboring

impractical expectations and to navigate a competitive landscape. Empirical evidence has illustrated that evaluations and audits serve not only to comply with regulations or conventions but also to bolster the organization's social mission. Additionally, emerging reporting practices encompass a range of disclosure logics that social entrepreneurs deliberately harness with pivotal stakeholders to further their diverse mission objectives (Nicholls, 2009).

The idea of decoupling refers to the loose relationship between an organization's formal plan and its real activities, outlines a variety of tactics employed by non-profit organizations “to deal with pressure to comply with social auditing regimes” (Arvidson & Lyon, 2013).
Decoupling can be utilized to undermine resource holders' control and reveals power dynamics: it is used to satisfy stakeholders and avoid potentially destructive confrontations; organizations utilize it to influence and co-opt rather than openly resist and reject demands (Arvidson & Lyon, 2013).
When confronted with competing demands, non-profit organizations pursue various methods of avoiding and managing with possible conflicts that may emerge both internally inside the organization and in relationships with external stakeholders (Arvidson & Lyon, 2013). There is a need for research that dissects organizational techniques utilized in power imbalances and conflicting demands (Arvidson & Lyon, 2013). This area is explored using the idea of **decoupling**.
Decoupling has evolved through time, from merely pointing out a disparity between goals and actions to inquiring about the cause and motive of decoupling, as well as the various sorts of decoupling processes that may be encountered. Decoupling is defined as an action that tries to demonstrate conformity with transparency rules to an outside audience while still preventing full insight and protecting professional autonomy (Arvidson & Lyon, 2013).

1.5.2 - Social impact as a learning tool

Overall, the pressure on non-profit organizations to improve their impact assessment and reporting is a positive development, as it helps organizations to better understand and communicate the value and impact of their work, and ultimately to improve their effectiveness and efficiency.
Evaluations and social impact measurement are viewed as **vital factors in** achieving the conditions stated as directions by resource holders by organizations providing public service contracts.

In an environment where both for-profit and non-profit organizations compete for identical contracts, the importance of assessing social impact becomes crucial. It plays a pivotal role in substantiating the value of their services to resource providers and establishing credibility as a well-managed organization (Arvidson & Lyon, 2013).

Organizations often display discontentment when external stakeholders seek to exercise control, desiring insights into the organization's operational methods and accomplishments. In fact, compliance with an agenda established by outside stakeholders might result in first discomfort and resistance, followed by acceptance, according to analysis (Arvidson & Lyon, 2013).

The impact assessment and evaluation process can be utilized for goals other than reporting to funders and the internal organizational learning, for example information based on social impact evaluation could be used to attract future potential donors.

Previously, organizations employed a combination of persuasion and personal relationships to gain resources; however, impact evaluation has been found to be an increasingly essential extra instrument in this process (Arvidson & Lyon, 2013).

The assessment is no longer only a duty performed by a specialized set of employees (managers) at specified times in time, but has become an integral element of organizational operations, involving employees who work at the interface with service consumers. Organizations can alter the assessment process to achieve various objectives since there is discretion[1] in what is measured (Arvidson & Lyon, 2013). The uncertainty in assessment methodology derives from a lack of standardization or consensus on what constitutes effective social impact proof, as well as the metrics and data used to measure social effect, which are frequently exceedingly subjective. Choosing relevant indicators is particularly challenging for businesses that utilize evaluation frameworks that monetize social impact, such as Social Return on Investment (SROI), which is based on a cost-benefit analysis technique. Such evaluations rely on existing data (data that existed prior to the start of the review process) and easily quantifiable data (Arvidson & Lyon, 2013).

[1] Discretion: the ability for organizations to choose what to measure, how to assess it, and, in certain situations, what value to assign to costs and results.

However, organizations can use discretion **to be innovative** and develop their own evaluation template. They may then distribute and display findings in a manner that is comfortable for them and meets their requirements (Arvidson & Lyon, 2013).
Organizations that have been involved in social impact evaluation for a while begin to see the significance of this exercise to the organization. Managers understand how they may use it to boost staff performance and how evaluation findings cause some to reevaluate the usage of resources and strategies inside the company: there are incentives to integrate assessment processes within the organization (Arvidson & Lyon, 2013).
As highlighted earlier in this document, when non-profit organizations communicate their social impacts to stakeholders, their primary intent is typically to elicit a reciprocal response. This could encompass various outcomes, such as drawing in fresh supporters to engage in voluntary efforts for the organization or encouraging existing donors to make additional and more substantial contributions (NPBA, 2017). Maximizing these interactions involves presenting a captivating story while conveying critical facts.

1.6 - ESG

NPOs do not gain donors and investors just by publishing sustainability reports and participating in other basic ESG procedures. NPOs should incorporate their ESG activities into their strategies and operations, as research indicates should be done for for-profit organizations (Serafeim, 2020). In particular, Serafeim (Serafeim, 2020) identifies **five key areas to work with** (in for-profit companies):

- Develop initiatives that differentiate the Organization from competitors by identifying the material issues in the sector.
- Create accountability mechanisms to ensure the board's commitment.
- Instill a sense of purpose and enthusiasm for sustainability and good governance throughout the organization.
- Decentralize ESG activities throughout the Operations.
- Communicate regularly and transparently with investors about ESG matters.

These five crucial aspects could all be addressed in NPOs as well[2]. Because we lack evidence of the results of these initiatives in the non-profit sector (and have not found comparable research), we will use the research done for for-profit businesses as a scientific support, obviously only when it is compatible with the unique characteristics of the non-profit sector.
So, how do businesses select strategic ESG initiatives? As with any strategy, the first step is to decide where to play and how to win (Serafeim, 2020). “How to win” is especially important since not all ESG concerns are created equal—some are more important than others depending on the sector. Reducing Greenhouse gas emissions, for example, is becoming increasingly significant[3], influencing NPOs’ costs.
Materiality, of course, is not a static idea. The strategic challenge for organizations is to foresee and **understand the ESG issues** that are becoming important market drivers. Leaders must therefore conceptualize the various actors inside the system, their motives, and potential change-instigating activities.
According to Serafeim (2020) **an ESG issue is likely to become financially material** when:

- Management and external stakeholders may obtain a better understanding of a company's environmental or social effect (consider how technological advances now make it possible to trace the raw materials in electronic products and discern those that have been unsustainably mined).
- Media and NPOs have greater clout and politicians are more attentive to them (such scenarios have prompted the creation and enforcement of anticorruption laws and other new regulations).
- Businesses are unable to properly self-regulate (for instance, this is the case in the palm oil industry, where a misalignment of incentives for farmers leads to deforestation).
- Corporation creates a unique service or product to replace a "dirty" or unsustainable business model (think of Tesla, with its potential to disrupt the market for gasoline-powered cars).

Significant operational and strategic adjustments are required to implement an ESG strategy.

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[2] It would be important to do additional research because at the moment we lack clear evidence of the positive effects of such activities on NPOs.
[3] As demonstrated by the analysis conducted in Chapter III of this document.

The management should oversee making sure that ESG factors are considered effectively and that they are adequately tracked and disclosed as part of the audit committee's duties.
A top-down approach to sustainability and good governance is ineffective unless it is supported from the bottom up by an ESG-focused culture (Serafeim, 2020). Many strategic initiatives fail because those in higher management positions don't believe there is a sincere commitment to ESG objectives or because there is a lack of clear direction for achieving them. Such initiatives are neglected or carried out inconsistently throughout divisions and departments because of mistrust or even skepticism.
Companies must establish Organizational goals and create a culture around it to overcome this issue (Serafeim, 2020). Clarity regarding a feeling of purpose decreases when one progresses from top management to middle management and subsequently to lower-level personnel.

Decentralization requires effective support structures. As the ESG sector evolves, donors may be looking at how businesses are set up to carry out their stated purposes. Successful businesses will make sure that the people in charge of the most important factors affecting ESG performance have the skills and resources they need to succeed.

Sometimes misconceptions cloud judgements about what to measure and how to advise donors. The majority of NPOS emphasize short-term information in their donors' interactions. That should change; direct communication with long-term donors should be prioritized.
Impact-weighted accounting is already being tested by several for profit companies (Serafeim, 2020). This system aims to quantify the company's environmental and social consequences (both positive and bad), translate them into financial terms, and then include them in financial statements. Although the science to accomplish this has not yet been created, a system like this has three extremely **positive potentials** (Serafeim, 2020):

- It would enable the use of financial and business analysis tools to take those impacts into consideration.
- It would also allow for the aggregation and comparison of analyses across various types of impact, which would not be possible without standardized units of measurement.

- Impacts would be translated into units of measurement that business managers and donors could understand[4].

A more accurate image of actual corporate success could be obtained by valuing a company's social and environmental benefits and incorporating them into conventional financial analyses.

Recent developments have highlighted the need of measuring, representing, and monitoring sustainability through sets of indicators designed to aid decision-making processes (Bell & Morse, 2008). But, according to Bell, **the validity of sustainability indicators still must be proven**, specifically their capacity to condense complicated processes into a few metrics that ends up with results that are not always exact.

According to the OECD (Organization for Economic Co-operation and Development), an indicator is "a parameter, or a value derived from parameters, that points to, provides information about and/or describes the state of the environment, and has a significance extending beyond that directly associated with any given parametric value" (OECD, 1997). This means that only Indicators that are similar/comparable throughout time and space should be employed.

Although the value of using indicators is widely acknowledged, according to (Tenuta & Cambrea, 2022) many open problems remain:

- The identification of appropriate criteria for selecting indicators.
- The establishment of major reference values and/or objectives.
- The link between the indicators and the geographical, environmental, cultural, and social context of the activity.
- Data collecting and processing.

It is difficult to define objectives, threshold values, or reference levels that allow for an assessment of the relevance or trend toward sustainability. There are recognized threshold values in certain

[4] For example, employment impact affects employee expenses on the income statement; and environmental impact affects cost of goods sold. Positive product effect, for example, might result in more revenue and possibly better growth for a firm. Positive employment effect (measured, for example, by resources spent on staff training) would provide a strong signal to donors that management considers personnel expenditures as investments that contribute to future social value rather than just expenses. The negative environmental impact may increase the cost of items supplied by prompting additional and stringent laws (Serafeim, 2020).

circumstances; in others, it is important to evaluate the context in which one functions as well as the specific objectives to be reached (Tenuta & Cambrea, 2022).

1.6.1 - ESG Performance Rating

As we've seen in the previous paragraphs, there are no universal rules for reporting ESG data, and many environmental and social implications are difficult to quantify. ESG data inputs are inherently less organized, less comprehensive, and of worse quality than financial data, which businesses are compelled to report in standardized form and have audited by accountants. The lack of regulations and solid measures complicates the job.

Normally, two factors are considered to perform an ESG rating, **what risks the organizations are exposed to and how successfully they manage them** (MacMahon, 2020).

The company's specifics are then examined to establish its risk exposure; a large deal of the process involves determining the degree of ESG risk that companies must deal with (MacMahon, 2020).

How successfully a firm controls its risk exposure is the next step in the evaluation process. This requires looking into the company's rules, management practices, and willingness to eliminate or reduce specific risks. Companies that have effective risk-management procedures in place should disclose their actions to make sure that these procedures are considered.

Publishing a sustainability report that complies with the Global Reporting Initiative's Sustainability Reporting Standards is the **best way to increase openness** (MacMahon, 2020).

According to MacMahon (2020), the most critical stage of the process of ESG rating is when organizations examine their business and business strategy to determine which concerns are most relevant in terms of ESG risk. Reduced risk exposure or improved risk management often results in the highest advantages for the organization and its stakeholders (investor or donors), as well as the environment and society (MacMahon, 2020).

Positively, **there has been a huge increase in the analytical rigor that goes into ESG evaluations.** Investors are paying attention as these ratings are more important and noticeable than ever. A poor rating makes a company more scrutinized, but a high grade attracts more investment. Businesses must assess their sustainability performance using both economic and non-economic (environmental, social, and governance) variables as part of the multifaceted ESG Rating Sustainability concept (Liern, 2018).

ESG rating firms, which employ their own methods to evaluate corporate sustainability performance, have grown in importance because of this trend and are now a valuable resource for academics, corporations, and the financial markets. Due to these factors, ESG rating agencies are held accountable for decisions that have an impact on society outside of financial markets (Tenuta & Cambrea, 2022).

According to PwC, in the for-profit sector, trillions of dollars are being invested on ESG based (also) on ESG ratings, a practice that has escalated in the aftermath of the COVID-19 epidemic (PwC, 2022). As a result, ESG evaluations can impact financial decisions, with far-reaching ramifications. We believe ESG valuations can undoubtedly benefit non-profit organizations greatly in terms of investments and donations[5].

Rating agencies assess company outcomes across the three ESG dimensions to produce both individual ratings for each component and an aggregate score, which is often calculated by arithmetic mean. The main sustainability indexes are based on companies' ESG scores and aim to identify those that are most concerned with the long-term impact of their activities, in which to invest (Liern, 2018).

There is typically little homogeneity across the various ESG ratings (Christensen, 2022), that implies that different agencies could assign different ratings to the same company. Tenuta (2022) attributes this lack of convergence to the difficulties of accurately and reliably quantifying societies' contributions to sustainable development. Investors that neglect these issues and rely their strategy on the findings of a single rating agency may end up with a portfolio of firms that are only "subjectively" sustainable (Rzeźnik, 2021).

There is a chance that ESG data does not accurately and consistently reflect organizational reality, therefore nullifying the contribution of sustainable investments to sustainable growth (Tenuta & Cambrea, 2022).

[5] It would be important to do additional research because we lack evidence of the positive effects of ESG Rating on NPOs.

1.6.2 - ESG Performance Rating agencies

Many ESG rating agencies were created in the late 1990s because of acquisitions and mergers, which resulted in many agencies changing their names and others disappearing, frequently taken over by a rival (Tenuta & Cambrea, 2022). Each agency has its own approach for determining the ESG grade. Traditional rating agencies have begun to consider the ESG data required to evaluate corporate performance. Numerous rating agencies give ESG-based company performance metrics for profit companies:

- **MSCI (Morgan Stanley Capital International) ESG Research** is a renowned ESG rating organization that examines the environmental, social, and governance activities of thousands of firms throughout the world. MSCI was formed by the purchase of numerous ESG research firms. MSCI was able to gather the expertise, skills, procedures, and clientele of the two industry-leading rating agencies through these purchases in prior decades. These purchases have enabled MSCI to expand its business by combining big data delivery with ESG data (Tenuta & Cambrea, 2022). Their ESG ratings vary from top (AAA, AA) through middle (A, BBB, BB) to worst (B, CCC).
- **Vigeo Eiris Moody's ESG Solutions** Group was formed because of many acquisitions. VE assigns an ESG rating to each company based on a weighted average of individual scores that assess how well companies consider and manage environmental, social, and governance factors (Business Behavior (BB); Corporate Governance (CG); Community Involvement (CIN); Environment (ENV); Human Resources (HR); Human Rights (HRT)). Its ESG ratings range from 0 and 100.
- Since 1999, **SAM and S&P Dow Jones Index** have worked together to include the CSA as a performance indicator in the Dow Jones Sustainability Index (DJSI) and the new family of S&P ESG indexes, which includes the S&P 500 ESG and the S&P Global 1200 ESG. Its ESG ratings range from 0 and 100.

In the context of non-profit organizations (NPOs), ESG rating is not as common practice in the for-profit sector. However, ESG performance ratings can be still used to assess the organization's impact on these issues and to inform decisions about funding or support.
There are several organizations that provide ESG performance ratings for NPOs, including:

- **Charity Navigator.** This organization provides ratings and evaluations of NPOs based on their financial health, accountability, and transparency. Charity Navigator bases its ratings on publicly available financial data as well as data submitted by charity organizations themselves. It considers several aspects, such as the organization's financial stability, fundraising and administrative expenses, as well as transparency and accountability.
  Charity Navigator, in addition to its ratings, gives in-depth biographies of each organization it reviews, including information on the group's mission, programs, and finances. This can help donors and other stakeholders understand the organization's activities and how it uses its resources.
- **Global Impact Investing Network (GIIN).** The GIIN provides ratings for NPOs based on their impact on social and environmental issues. The GIIN derives its ratings from a variety of data sources, including information provided by NPOs and third-party data sources. It rates non-profits on a variety of criteria, including their influence on the issues they address, organizational capability, transparency, and accountability.
  The GIIN ratings are meant to offer information about the impact of NPOs to investors and other stakeholders, allowing them to make educated decisions about which organizations to support. The GIIN's ratings are intended to be fair and neutral, and it receives no fees or other remuneration for its ratings.
- **Sustainalytics.** This organization provides ESG ratings for companies and organizations, including NPOs, based on their impact on environmental and social issues. The organization's ratings are designed to be objective and unbiased, and it does not receive any fees or other compensation for its ratings. To determine its ratings, Sustainalytics uses a variety of data sources, including information provided by the companies and organizations themselves and third-party data sources. It assesses companies and organizations on a range of ESG factors, including their environmental performance, their social impact, and their governance practices.
- **B Corp.** B Corp is a certification program for businesses that meet high standards of social and environmental performance, transparency, and accountability. The program is administered by the nonprofit organization B Lab, and businesses that meet the B Corp certification standards are recognized as "Benefit Corporations."

> To become a certified B Corp, a business must complete a comprehensive assessment of its social and environmental impact, as well as its governance practices. The assessment is designed to evaluate the business's impact on all of its stakeholders, including employees, customers, suppliers, and the environment.

ESG performance ratings can be an important tool for NPOs to demonstrate their commitment to environmental and social issues, and for funders and other stakeholders to understand the impact of their work. It is important for NPOs to be transparent and accountable in their ESG reporting and to continually strive to improve their performance in these areas.

Although there are more ESG raters now, it is possible to argue that accuracy has not improved (Serafeim, 2020). Structural measurement and reporting issues exist since the data is freely given, often unaudited, and incomplete. Researchers at MIT's Sloan School of Management recently performed a survey of six leading ESG rating agencies, concluding that "ratings from various suppliers contradict significantly; the correlations between the evaluations range from 0.38 to 0.71 on average (Serafeim, 2020). This means that the information provided by ESG rating firms to decision-makers is generally noisy. Furthermore, raters frequently appear to be oblivious of what is going on within firms. Before their separate controversies (VW's deceit about diesel car emissions and boohoo's mistreatment of factory employees), both Volkswagen and boohoo, the U.K. fast-fashion shop, received good grades from ESG rating agencies (Serafeim, 2020).
Also, now comparing organizations based on ESG performance is practically impossible (Serafeim, 2020). Individual oil and gas companies, for example, report on sustainability in a variety of ways. According to academics at the University of Perugia (Cardoni, Kiseleva, & Terzani, 2019), just four of the 51 important GRI indicators show in more than three-quarters of the enterprises' GRI reports. Even comparing the performance of a single firm from year to year can be challenging due to changes in methodology or decisions to use various metrics or standards to assess the same thing.

Chapter II: Reporting on Non-Financial Performance

In recent years, there has been an increasing focus on the role of organizations in addressing sustainability and social issues. As such, there is a growing need for organizations to report on their non-financial performance, including their efforts and impact in these areas.
To address this need, organizations have turned to tools such as sustainability reports and social reports, which provide detailed information on their efforts and impact in areas such as the environment, society, and governance.

One of the **leading frameworks** for sustainability reporting is the **Global Reporting Initiative (GRI)**, which provides a structured and consistent approach for organizations to report on a wide range of sustainability issues. The GRI framework is closely aligned with the Sustainable Development Goals (SDGs), which provide a global agenda for addressing sustainability issues.

In addition to the GRI framework, there is also a growing body of legislation at the European and Italian level that requires certain organizations to report on their sustainability performance. This legislation aims to promote transparency and accountability in sustainability reporting and to encourage organizations to consider the impact of their activities on sustainability. Any policy is perceived if and to the degree that its outcomes can be assessed and conveyed. Communication aids in the construction of corporate identity and bridges the gap between the company's true image and that perceived by the outside world. A large set of ethical, social, and environmental certifications have been developed for corporate management in order to clearly demonstrate the organization's ethical and social commitment (Tenuta & Cambrea, 2022). The issue is frequently referred to in a varied and continually developing manner in the literature as "business social accounts," "social accounting," "social and environmental interaction," and "social and environmental accounting" (Eugénio, Costa Lourenço, & Morais, 2010).
The growing need to exchange and compare outcomes, with the goal of influencing sustainable growth, has led in the need to improve management and communication systems (Tenuta & Cambrea, 2022).

Financial reporting does not give an all-encompassing picture of an organization's actions and impacts. As a result, **companies of all sizes mix traditional forms of financial statements and reporting with new documents** that try to reflect the company's overall performance while also demonstrating how the value produced was generated and what consequences it had.

In this chapter, we will explore the concept of reporting on non-financial performance and the role of tools such as sustainability reports and social reports in communicating organizations' efforts and impact in this area. We will also examine the Global Reporting Initiative (GRI) and the Sustainable Development Goals (SDGs) as frameworks for sustainability reporting and the legislation regarding sustainable reporting at the European and Italian levels.

2.1 - Sustainability Report

Environmental, economic, and social issues are all intertwined. The sustainability report is a document that displays the organization's attempts to reference the implications that its actions have on the economic, social, and environmental spheres of reference (Tenuta & Cambrea, 2022). Sustainability reports are typically published annually and can be used by organizations to demonstrate their commitment to sustainability and to provide transparency about their environmental and social impact.
The sustainability report is described as the **voluntary integration of firms' social and ecological concerns** in their commercial activities and in their contacts with interested parties (Commission, 2001).
While the social and environmental reports focus on the effects of firm management on social elements and the ecosystem, respectively, the sustainability report is a synthesis of economic, social, and environmental factors. It enables the inclusion of many elements arising from company action, particularly financial, economic, social, and environmental factors, in a single document. As a result, we refer to triple bottom line reporting (Tenuta & Cambrea, 2022).
According to Tenuta (2022), the utility of this sort of instrument is:

- An Enhancement of governance processes, allowing for the management of conflict between the three social, economic, and environmental elements.

- An enhancement of sectoral policy integration processes.
- An examination of the components of conflict between environmental, social, and economic policies, as well as a description of the attained equilibrium point.
- Enhanced openness in reporting and increased stakeholder and internal employee interaction.

2.2 - Social Report

Social reporting is the first kind of non-financial reporting, dating back to the early 1970s (Tenuta & Cambrea, 2022). The term "social report" refers to a document that, while not having the same technical characteristics as financial statements, has several points in common with them, beginning with the information function and the fact that they are both final documents that are generally of interest to stakeholders (Tenuta & Cambrea, 2022). Social reports may be published annually and can be used by organizations to demonstrate their commitment to social responsibility and to provide transparency about their social impact.

The Social Report is used to communicate the company's social and ethical commitment to stakeholders. It describes the company's identity, the values system it has implemented, the methods of interacting with the environment, and how these are translated into selection criteria, management behaviors and results. It also describes the improvement objectives that the company is committed to pursuing, including the added value created and how it is distributed (Tenuta & Cambrea, 2022).

Social responsibility **must be part of the company's objective,** and it must adhere to this approach in all aspects of its operations (Tenuta & Cambrea, 2022). It is also preferable that the firm develops its policy in collaboration with stakeholders, who may help organizations identify the strengths and flaws of their image.

As a result, every corporation should clearly disclose its social responsibility commitments and results. The lack of communication causes distance with stakeholders, who are unaware of a key aspect of the firm, and, most importantly, prevents the establishment of an ethical corporate culture (Rubino F. , 2007).

The social report is the ideal tool for assessing and conveying a non-profit organization's social usefulness (Bagnoli, 2005). The outcomes obtained from a social standpoint are measured and then analyzed using this type of "extended" reporting. The economic-financial component, objective, and target of the ordinary budget, becomes a limitation to be respected in achieving social goals.
On the one hand, it is a crucial method of communicating the outcomes accomplished to the necessary stakeholders. The only feasible "balance" for third-sector players is the construction of a systematic, comprehensive, periodic, and understandable social reporting system (Bagnoli, 2005).
Paying attention to social outcomes, on the other hand, entails questioning one's own performance criteria. In fact, the reporting entity is re-reading the mission and reviewing the link between it, the actions carried out, and the techniques for recognizing and assessing the results obtained.
The social report is founded on the idea that interactions with stakeholders are not just the result of economic ties and cannot be quantified solely in terms of economic-financial magnitudes.
According to Tenuta et al. (2022), the social report should:

Allow for an understanding of the organization's involvement in civil society
Be a tool capable of delivering information on the attainment of the defined social goals
Emphasize that the company's goal is not simply to make a profit, but also to offer value to the community
Be a time for reflection on one's commitment within the business to enhance product and service quality, consumer relationships, worker safety, environmental stewardship, and so on.

The social report was an important step in bringing the organization closer to its stakeholders by establishing an open and successful communication process focused on the concepts of “Accountability and Transparency” (Tenuta & Cambrea, 2022). The social report was created primarily to respond to the needs of transparency and social responsibility, but it is now critical to state that it must become the primary tool for expressing the objectives and mission of our non-profit organizations, as well as measuring their results and impacts in relation to the specific needs of the various stakeholders and the specific social interest activities that the various entities carry out (Tenuta & Cambrea, 2022).

The social report has surely been a beneficial experience, as it is a component capable of generating stages of change and providing critical support for strategic-management, communication, and stakeholder engagement processes (Tenuta & Cambrea, 2022).

The most well-known social reporting methodologies, such as AA1000 and the GRI standards, may seem overly complicated, expensive, and more appropriate for large corporate settings than for smaller values-based businesses. Generally speaking, it has been suggested that the CSR agenda for large organizations may not always be appropriate or readily transferrable to a SME (Spence, 2004) or a community enterprise environment, whose impacts may entail externalities that are naturally challenging to evaluate.

Understanding (in terms of social, environmental, and economic dimensions) the difference an organization's operations make in the world and communicating that value to the organization itself and to its stakeholders are the goals of social valuation and impact measurement in the third sector (Gibbon & Colin, 2011). A variety of alternative tools have been created and made accessible to social enterprise organizations during the past 20 years because of the hunt for assessment methodologies appropriate for values-based organizations (Gibbon & Colin, 2011). Although this diversity may be advantageous, it has now led to a scenario where the best practices for social enterprise reporting and the underlying justifications for such reporting are still under some debate.

Starting with the planning process, each non-profit organization should identify and use specific qualitative and quantitative indicators of the results achieved. Over time, it is preferable that proof of any deviations from the initial projections, analysis of the underlying motives, and future pledges to improve its efficacy and realization be made visible in relation to the established strategic planning.

Process standards[6] are non-mandatory rules and tools that focus on the process of generating sustainability reports, outlining what the concepts underpinning their development. Also:

- Are evaluated by a certifying body or other third party who awards them and certifies that the actions taken, and the paths taken comply with the requirements necessary for the issuance of the "label".

[6] For example AA1000, AccountAbility 1000, is a Standard for third-party verification of corporate sustainability reporting

- Allow for the adoption of a framework within which to define responsible strategic behaviors attentive to social needs.
- Allow organizations to "display a seal of quality," increasing visibility and consensus among stakeholders.

The "content standards," on the other hand, propose an actual report structure along with a methodology for precisely drafting the same. **The most known content standards are**:

- The publications of the G.B.S. Association's research program.
- GRI (Global Reporting Initiative) – GRI Standards - G4 (2016)
- Integrated Reporting – IIRC (International Integrated Reporting Council) (2013)

Table 1. Comparison between the main measurement standards. Adapted from (AOI, 2022)

Report	Social	Sustainability	Integrated
Focus	Triple bottom	Triple bottom	Triple bottom
Temporal Focus	Past with future orientation	Past – Present - Future	Past – Present - Future
Main Targets	Stakeholders	Stakeholders	Providers of financial capital
Standard	GBS	GRI	IIRC
Function	- Communication - Strategic	- Communication - Strategic - Internal	- Communication - Strategic - Internal
Relationship with financial and economic accounting	Complementary	Complementary	It incorporates: - Economic and financial report - Sustainability report - Corporate governance notes
Latest update	2013	2021	2013
Strengths	- Application is easy also for small organisations - Compatible with GRI - More derived from the accounting records - Built focusing on the characteristics of Italian companies	- Useful internal monitoring tool - Widespread Standard - Conceived for different levels and types of reporting - Compatible with IR - Application is easy also for small organisations	- Ability to synthesize - Simplicity of language - Compatible with new data presentation models and web oriented communication - Promotes internal cooperation and helps finding the most effective solutions - Favors teamwork as well as internal knowledge sharing
Weaknesses	- Exclusively distributed in Italy - It risks being overtaken by an integrated approach between GRI and IR - Non-immediate communication - Non-modular Structure - Static approach	- Static approach - Non-immediate communication	- Application is difficult for small organisations - Lack of a clear distinction between the integrated reporting "process" and the document that contains the information that is later made public
Difficulty of application by small companies	Medium	Easy	Hard

Beyond the capabilities and goals of each organization, the GRI standard in its most recent iteration (G4) appears more suited to the peculiarities that define the Third Sector. The GRI standard makes it feasible to address the communication effort to a larger audience and more easily fulfill the communication demands of international partners and stakeholders because it is the **most widely used strategy.**

Additionally, in contrast to the GBS standard, the GRI guidelines appears to practical in responding to the objective strategic planning and internal monitoring because they are based on a balanced approach in the reporting process (the Report must reflect both positive and negative aspects of the performance and avoid omissions).

The great advantage of the GRI standard is that it was designed with a **flexible logic** that allows for different degrees of depth in its adoption and allows you to more easily respond to the different reporting needs of the various organizations called upon to comply with regulatory requirements, even though the IIRC approach appears to be the most innovative from a communicative point of view and the most suitable for promoting a dynamic approach in the management of the organization. Please refer to the next paragraph for further details on the GRI standard.

2.2.1 - Legislation regarding Social Report (Bilancio Sociale) in Italy - Ministerial Decree 4 July 2019

The Decree of the Minister of Labor and Social Policies of 4 July 2019[7] was published in the "Gazzetta Ufficiale" n. 186 of 9 August 2019 (Ministero del Lavoro e delle Politiche Sociali, 2022). According to the Ministerial Decree, the following entities are required to prepare the social report are:

- Third Sector entities other than social enterprises if they have annual revenues or revenues exceeding one million euros.
- All Social enterprises, including social cooperatives and their consortia, regardless of economic size. Groups of social enterprises are required to draw up the social report in consolidated form, i.e. highlighting the social outcomes of each single entity, as well as of the group as a whole.

[7] including the instructions for the adoption of the Guidelines for the production of the social report of Third Sector businesses.

- the Service Centers for Volunteering, regardless of their economic size.

The provisions of the Decree of 4 July 2019 apply starting from the drafting of the social report relating to the first financial year following the one in progress at the date of publication.

For more details about the principles for drafting social reports (required structure and content, as well as the process of approval of the document, the publication etc.), please refer to the Ministerial Decree 4 July 2019.

2.3 - Global Reporting Initiative (GRI)

The Global Reporting Initiative (known as GRI) was founded in Boston in 1997 by environmental associations, institutional investors, socially responsible investors, and religious organizations in collaboration with the United Nations Environment Program (UNEP), whose **mission** is to create a **credible and reliable system for sustainability reporting**.

Table 2. The principles underlying the GRI standards sustainability report. Source: adapted from (AOI, 2022)

The principles underlying the GRI standards sustainability report	
Principles for defining the content of the Report	- **Stakeholder inclusion:** the company must recognize its social interlocutors and articulate how it has catered to their legitimate expectations and interests. - **Sustainability context**: the report must highlight the organization's accomplishments in light of the bigger sustainability question. - **Materiality:** the information must make reference to the subjects and metrics that show the substantial economic, environmental, and social implications or that may have an impact on how stakeholders evaluate or make decisions. - **Completeness:** the discussion of pertinent issues and metrics, as well as the boundary's definition, must be sufficient to capture the important impacts on the economy, the environment, and society while still enabling stakeholders to assess how the organization performed during the reporting period.
Principles for defining the quality of the Report	- **Balance**: the Report must accurately portray both the good and the bad elements of the business' performance, and it must also avoid omissions. - **Comparability**: data must be presented in a way that enables stakeholders to examine how the organization's performance has changed over time and to make comparisons with data from other businesses. - **Accuracy**: the details of the information must be sufficient. - **Timeliness**: stakeholders must be quickly notified and reporting must occur on a regular basis. - **Clarity**: all stakeholders using the Sustainability Report must be able to comprehend and obtain the information. - **Reliability**: the business must gather, record, assemble, evaluate, and convey the information and reporting techniques employed so that they may be analyzed and the information's quality and materiality determined.

The GRI Guidelines (G1) were initially released in 2000 and established the first worldwide framework for sustainability reporting. The initial update to the guidelines (G2) was released in 2002, and it was then expanded and refined in 2006, 2011, and 2013 with the G3, G3.1, and G4. These guidelines were intended to be applicable to any form of company, including the public sector (Tenuta & Cambrea, 2022). Furthermore, a separate supplement called Sector supplement for public agencies was established to properly reflect the Public Administration sector. In this type of model, in addition to the three standard sections that were modified and integrated to meet the needs of local governments, regions, and the state, a new one called "public policies and measurement systems" was added, which illustrated public policies, the degree of importance, and measurement methods.

GRI established guidelines in 2016 to set the first worldwide standards for sustainability reporting (Tenuta & Cambrea, 2022). In fact, especially in the last few years GRI has become the dominant global standard for sustainability reporting (KPMG, 2020) and the use of sustainability reporting guidelines and standards is increasingly widespread. According to research from KPMG (2020), a significant majority of reporting companies used some kind of guidance or framework to support their sustainability reporting and GRI remains the most used reporting standard or framework. When it comes to other guidelines and standards, the Sustainability Accounting Standard Board (SASB) framework and International Standards Organization (ISO) standards are the most used for sustainability reporting (KPMG, 2020).

The GRI standards include a modular and interrelated structure that allows for the finest economic, social, and environmental reports. **The GRI Standards currently include three series**:

1. **Universal Standards** were amended in 2021 and will go into effect on January 1, 2023, incorporating human rights and environmental due diligence reports. As a result, GRI Standards 2016 can be utilized with sustainability reports and data with a data cut-off date of January 1, 2022. The Universal Standards outline the reporting standards and concepts that

must be followed by all businesses to be compliant with the GRI Standards[8]. They apply to all organizations (GRI, 2022) and consists of: GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, and GRI 3: Material Topics 2021.

- GRI 1 outlines the GRI Standards' scope and framework, as well as the essential ideas for sustainability reporting. It also describes the reporting requirements and principles that must be followed by the organization to be compliant with the GRI Standards.
- GRI 2 comprises information that the business utilizes to highlight its reporting processes as well as other organizational governance elements. This data allows the organization's profile and influence to be emphasized.
- GRI 3 gives recommendations on defining materials subjects, the method of determining them, and how to manage each one.

Compared to the previous version (GRI 2016), the way the GRI Standards are presented has not changed. This indicates that current GRI Standards users can and will be able to properly understand what a requirement is (information that must be reported). This is crucial because if someone has been trained how to use the GRI Standards 2016, they will easily be able to locate the requirements they need to satisfy. The changes made are all clearly shown in a mapping document that can be downloaded from the GRI website.

2. **The new Sector Standards** enables a more uniform reporting of impacts for 40 sectors, boosting the quality, completeness, and consistency of organizations. Each Sector Standard begins with an assessment of the sector's features and the most significant consequences on the economy, the environment, and people (GRI, 2022). Main changes from GRI 2016:
    - Materiality. Now materiality is displayed in a single place (GRI 3 2021). The concept of double materiality is precisely stated in GRI 2021, which is one of the

[8] The Universal Standards are now reflected in authoritative intergovernmental instruments such as the United Nations (UN) Guiding Principles on Business and Human Rights, the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct, the International Labor Standards, and the International Corporate Governance Network (GRI, 2022).

most crucial components of materiality. A business must pay attention to all of its significant impacts, whether or not they have an impact on business success, in line with GRI Standards 2016.

- Human rights are among the relevant subjects. By highlighting human rights implications in the definition of relevant issues, organizations are better able to report on how they uphold their obligation to respect human rights.

3. **Topic Standards,** which have been updated for use with new Universal Standards, provide material pertinent to a certain topic. Because the 2021 update made no changes to the content, the numbering and release year remain the same. Each standard includes an overview as well as thorough information on the issue and how firms manage their affects. There are now 31 Topic Standards following the removal of three standards because they were included into the updated Universal Standards.
    - Management approach: To align the requirements with the expectation of due diligence contained in important instruments, disclosures 103-1, 103-2, and 103-3 from GRI 103: Management Approach 2016 have been consolidated into a single disclosure and adjusted. Refer to GRI 3: Material Topics 2021, Disclosure 3-3.

The GRI standard offers **three options of reporting**, two of which are "**in accordance**" and one of which is "**GRI-referenced":**

- **Core Option (In accordance).** This option includes just the essential elements of a sustainability report (see **Table 3**). It gives the basic minimum of information necessary to understand the organization's purpose, main issues, consequences, and management of those issues.
- **Comprehensive Option (In accordance).** This option expands upon the Core option but necessitates more details regarding the governance, strategy, and ethics of the company. The organisation must also give further information about its consequences, as well as all disclosure requirements for each identified concern.
- **GRI-referenced claim.** Organizations might choose to use just particular GRI Standards (or individual sections of them). The organisation referencing the GRI Standards, or its material must be accurate about how it has been used for the report to be considered GRI-referenced.

Compared to GRI 2016, there are fewer general disclosures to be "in accordance" with the GRI Standards (30 total). In fact, the entity is required to provide data to address 30 disclosures in GRI 2: General Disclosures 2021; In contrast to the 2016 GRI Standards, when reporters could only choose between the GRI Core (33 disclosures) and GRI Comprehensive options (56 disclosures).

Table 3. List of the nine requirements that must be met by the organization wanting to report in "accordance" with the GRI Standards. Adapted from (Tenuta & Cambrea, 2022):

Requirements to report "in accordance" with the GRI Standards	
Requirement 1	Apply the reporting principles
Requirement 2	Report the disclosures in GRI 2: General Disclosures 2021
Requirement 3	Determine material topics
Requirement 4	Report the disclosures in GRI 3: Material Topics 2021
Requirement 5	Report disclosures from the GRI Topic Standards for each material topic
Requirement 6	Provide reasons for omission for discosures and requirements that the organization cannot comply with
Requirement 7	Publish a GRI content index
Requirement 8	Provide a statement of use
Requirement 9	Notify GRI

If a company does not achieve all nine conditions, it will not create a document "in accordance" with the GRI Standards. In this instance, the company can claim that it prepared the report "with reference" if it meets certain requirements. (for more information please visit https://www.globalreporting.org/).

2.4 - The Sustainability Disclosure Standards (ISSB Standards)

The modification of general regulations and corporate reporting standards is being addressed not only by the European Commission, which submitted the aforementioned directive on sustainability, but also by the International Financial Reporting Standards Foundation.
The IFRS Foundation announced the **formation of the International Sustainability Standards Board (ISSB)** in November 2021. The ISSB's goal is to create standards for firms to use when

communicating their performance to investors. The International Sustainability Rules Board (ISSB) will do for sustainability reporting what the International Accounting Standards Board (IASB) does for financial reporting: it will set standards for corporations to disclose their performance to investors (Eccles, 2022).

The establishment of the ISSB is part of a great commitment to bring together sustainability reporting and disclosure standards from the CDP, Climate Disclosure Standard Board (CDSB), Global Reporting Initiative (GRI), and Value Reporting Foundation (VRF) (Tenuta & Cambrea, 2022).

The ISSB published the draught exposures of the first two IFRS Sustainability Disclosure Standards (ISSB Standards) for public feedback on March 31, 2022. (Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft IFRS S2 Climate-related Disclosures). The ISSB has said that once completed, **the whole set of ISSB standards would provide a comprehensive worldwide baseline of sustainability information for investors to assess the value of enterprises** (Tenuta & Cambrea, 2022).

2.5 - Sustainable Development Goals and Sustainability reporting

The UN Sustainable Development Goals (SDGs) were introduced in 2015 as a component of Agenda 2030, a global initiative to promote peace and prosperity in the present and the future.

It is a global action plan with 169 sub-goals and 17 sustainable development goals (SDGs) that aims to ensure peace and prosperity for people today and in the future. The objective is to advance the world economy while upholding social fairness and the planet's natural boundaries.

Each SDG contains five to twelve targets (UN General Assembly, 2015). The Inter-Agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs) has created an indicator system, with the 2016 edition including 241 indicators, to track the progress of these goals. Although certain indicators are replicated for other objectives, there are 230 overall indicators (IAEG- SDGs 2016).

Countries have pledged to observe the implementation of the 2030 Agenda at the national and regional levels and to conduct an annual systematic evaluation (United Nations Economic Council , 2016). The High-level Group for Cooperation, Coordination, and Capacity Building of the 2030 Agenda, which is made up of 23 national statistics offices, was founded to promote partnership and statistical capacity building.

KPMG's (2020) international survey suggests the United Nations Sustainable Development Goals (UN SDGs) have resonated strongly with business since their launch in 2015.

The increased demand for transparency from businesses by stakeholders, including investors and colleagues, regarding matters like supply chain effects, labor norms, and inclusivity, might have played a role in prompting this surge in disclosure. It is also likely that more companies now have a better understanding of the SDGs and feel more comfortable in addressing them in their sustainability reports. The 17 SDGs were introduced by the UN as a blueprint to achieve a better and more sustainable future for all by addressing global challenges including poverty, inequality, climate change, environmental degradation, peace, and justice. Many companies have since adopted the SDGs as a guide for their sustainability programs.

Entities must take multiple steps to fulfil the Sustainable Development Goals. The measurement of it and the submission of related data are also quite important. While from the standpoint of businesses it offers the opportunity to analyze if the conducted operations constitute the reflection of significant economic, environmental, and social repercussions, it also allows for the reduction of information asymmetry on the market.

As mentioned earlier, the act of engaging in sustainability reporting allows organizations to furnish details about their sustainability accomplishments. Naturally, this encompasses their endeavors towards advancing the Sustainable Development Goals (SDGs). When organizations align their sustainability reporting with the SDGs, they showcase their dedication to participating in the worldwide initiative aimed at establishing a fairer and more sustainable planet. This, in turn, fosters confidence among stakeholders and aids organizations in recognizing areas where they can enhance their sustainability initiatives. However, **SDG reporting is mostly unbalanced and often disconnected from business goals**. In fact, research from KPMG (2020) suggests that corporate reporting on the SDGs **focuses almost exclusively on the positive contributions** companies make towards achieving the goals and **lacks transparency of their negative impacts**. A significant majority of the surveyed companies (more than 85%) reported a one-sided view focused only on their positive SDG impacts and approximately half the companies report performance targets related to the SDGs.

Also, reporting is not a reliable indicator of progress (Pucker, 2021). For decades, progressive thinkers have claimed that if firms routinely monitored and reported on their environmental, social, and governance (ESG) performance, a more sustainable form of capitalism would emerge. However, even though such reporting has become more common and that some businesses gain from it, environmental degradation and socioeconomic inequality continue to worsen (Pucker, 2021).

In the last two decades, the number of corporations filing CSR reports using the GRI standards— the most comprehensive available— has surged a hundredfold. Meanwhile, the Global Sustainable Investing Alliance estimates that socially responsible investment now accounts for more than $30 trillion, or one-third of all professionally managed assets (Pucker, 2021).

A deeper examination of the facts, however, reveals that the influence of the measuring and reporting movement has been overstated. Carbon emissions have continued to climb, and environmental harm has risen throughout the same 20-year period of increasing reporting and sustainable spending (Pucker, 2021). Social disparity is also on the rise. In the United States, for example, the disparity between median CEO remuneration and median worker pay has grown, even though public businesses are now forced to report that ratio (Pucker, 2021).

Carbon emissions have not been reduced despite a huge rise in corporate reporting on social and environmental performance (Pucker, 2021). It seems that reporting is not a reliable indicator of progress. **Measurement is frequently nonstandard, inadequate, inaccurate, and deceptive**. Although some academics have discovered a link between ESG performance and financial returns, they have only demonstrated a connection thus far (Pucker, 2021), we don't know whether superior ESG performance leads to higher returns or whether both are a result of good management.

2.6 - Legislation regarding Sustainable reporting

Paying attention to tangible ESG concerns may help individual organizations achieve better social, environmental, and financial results. However, till this day, corporate sustainability measures have not made a significant change in society or the environment. Furthermore, the reporting itself, as we have seen, has **numerous serious flaws** (Pucker, 2021). Most businesses have total control over which standards-setting organization they choose and what information they include in their sustainability reports (Pucker, 2021). Furthermore, while 90% of the world's major corporations now publish CSR reports, **only a handful of them are evaluated by third parties** (Pucker, 2021). As a result, most of the supplied data is inaccurate and incomplete. Audits have sometimes failed to prevent social and environmental violations. Measurement is frequently nonstandard, inadequate, inaccurate, and deceptive (Pucker, 2021).

On the other hand, **financial reporting relies on agreed-upon standards, and compliance is monitored by law, it should be the same for Sustainable reporting**.

According to Ioannou and Serafeim (2017) there is still a significant distinction between financial accounting and sustainable accounting for the following reasons:

- Specific financial accounting requirements must be followed, which entails the possibility of penalty. In contrast to financial reporting, **the potential penalties for not disclosing sustainability information remain uncertain**. Furthermore, the methods of enforcement and monitoring that could encourage companies to enhance their disclosure of Environmental, Social, and Governance (ESG) aspects are also not clearly defined.
- **There is no clear advice in sustainable accounting** on the measurements and transparency that a corporation must quantify and disclose. Furthermore, organizations who have previously disclosed some ESG information may claim that their current disclosure patterns are adequate and that they will not adjust their degree of disclosure.

While businesses within the domain of financial reporting generally have limited flexibility to stray from the standard practice of reporting in line with local regulations, the realm of sustainability reporting permits experimentation to ascertain whether companies actively pursue these attributes, thus enhancing comparability levels even in an unregulated environment. As a result, delivering a similar set of ESG and sustainability information is, on the one hand, more complex due to the nature of the information and the regulatory procedure in financial accounting (Ioannou & Serafeim, 2017). On the other side, it may be more valuable since it demonstrates their dedication to preserving openness and their readiness to be responsible and accountable.

Decades ago, it was broadly accepted in the literature, with regard to obligatory adoption, that only legislation could improve the quality and comparability of non-financial information disclosure (Deegan, 2002). Several European nations[9] introduced the requirement for businesses to report on environmental and social concerns over the years (Venturelli, Caputo, Cosma, & Leopizzi, 2017). Research suggests that **disclosure is of a higher standard in countries with regulations, like France, than it is in those without regulations, like the United States** (Crawford & Williams, 2010).

Further studies have found that mandatory reporting, which would arise from the adoption of specific requirements by Member States, would have a short-term consistency of practice due to its coercive nature (Husted & de Jesus Salazar, 2006, 43). But it’s worth to mention that the employment of a uniform framework would probably discourage the use of company (and sector-specific) indicators and information, so the quantitative rise would not be followed by a qualitative increase (Brown, de Jongand, & Levy, 2009, 17).

Let's now examine the main sustainable reporting law in Europe (Directive 2014/95/EU and Proposal for the Directive CSRD 2021/0104) and moving on to the recent Third Sector reform in Italy.

2.6.1 Directive 2014/95/EU and Proposal for the Directive CSRD 2021/0104

The Directive 2014/95/EU established the European legislation for disclosure of non-financial and diversity information “the Non-financial Reporting Directive (NFRD)". This regulation mandates that, beginning in 2017, significant firms in the EU publish a set of social, environmental, and governance disclosures. It was adopted by the Italian legislature on December 30, 2016, by Legislative Decree 254, and became effective on January 25, 2017.

[9] including Spain, France, Finland, Sweden, and Denmark

Non-financial information disclosure (NFI) was now mandatory for large enterprises (with more than 500 workers), but voluntary for small and medium enterprises. The first critic to the Directive is that large organizations are not the only ones who should produce sustainability reports (Tenuta & Cambrea, 2022), because, for example, any NPO should engage in public disclosure of its sustainable programs and initiatives, regardless of size, strategic objective, or funding structure. According to the Directive, non-financial information may be built on current standards and allows organizations to evaluate, monitor, and manage their performance as well as their influence on society. The aim is to create a document that explains to stakeholders the company's sustainability initiatives adopted over the reference period.

Non-financial information that enterprises must publish includes a minimum substance that aids consistency and comparability, according to Directive 2014/95/EU. This information must be correct to emphasize the company's performance, results, and business effect. In particular, it is necessary to report:

- A brief description of the company's business model and policies.
- The outcome of these policies.
- The main risks associated with these aspects related to the company's activities, and the important non-financial key performance indicators for the specific activity of the company.

There are critiques of the non-financial information in the literature stemming from stakeholders' lack of confidence in the information presented (Venturelli, Caputo, Cosma, & Leopizzi, 2017). Furthermore, the authors point out that the European discussion has exposed the directive's shortcomings, which, by relating primarily to large corporations, restrict its implementation and therefore its efficacy (Tenuta & Cambrea, 2022).

In December 2019, the European Commission announced in its communication on the European Green Deal its intention to review the Non-financial Reporting Directive in order to consolidate the foundations for sustainable investments, citing these reasons and, more broadly, the lack of comparability, reliability, and relevance of the non-financial information provided (Commision, 2019).

The Commission submitted its proposal for the Corporate Sustainability Reporting Directive (CSRD) 2021/0104 on April 21, 2021, with the ultimate objective of elevating sustainability reporting to the same level as financial reporting through the tightening of existing standards

(Tenuta & Cambrea, 2022). The plan broadens the scope to include all major corporations and corporations listed on regulated marketplaces. This would result in around 50,000 EU enterprises adhering to detailed sustainability reporting criteria, up from 11,000 currently (Tenuta & Cambrea, 2022). The Commission's proposal intends to improve the flow of information on corporate sustainability across the financial system by setting specific standards for SMEs. As a result, businesses are expected to offer trustworthy and comparable information that is essential to investors and other stakeholders. The proposal to update the present regulation also focuses on reporting simplification, allowing businesses to adopt several sustainability reporting standards and frameworks. The reporting innovations presented are based on giving the firm with a unique "one-stop-shop" solution. Furthermore, the European Commission is focusing on Taxonomy to overcome the uncertainty of reporting systems and identify economic activities that may be regarded as sustainable.

2.6.2 - Italy's Third Sector Reform

The non-profit sector is expanding in Italy. A universe that includes associations, foundations, and social cooperatives, totaling 375,000 organizations overall, a 25% rise from ten years ago. According to CNEL (2021), 1 in 5 Italians over the age of 14 are among the 10.5 million who participate in association activities. 80 billion euros is the Estimated output value for 2021, or around 5% of the country's GDP. Non-governmental organizations (NGOs) constitute the majority of non-profit organizations (NPOs) in Italy. In Italy, the word is rarely used regularly because there are many more parallels than distinctions between NGOs and non-profit organizations (NPOs) (Ivanenko, 2015; Willetts, 2010). Despite receiving '5 per thousand' tax-free money from numerous investors, most of these NGOs use a variety of techniques in their sustainability reporting. Donors have the option of supporting charities, social-promotion organizations, formally recognized groups, institutions dedicated to scientific research and healthcare, universities, local social services, and other non-profit organizations (L. Magrassi, 2022).

The Third Sector Reform, which was a major reform of the non-profit sector in Italy, was introduced in the early 2000s and included several measures to improve the legal, financial, and regulatory framework for non-profit organizations (NPOs) in Italy. Since the introduction of the

Third Sector Reform, there have been several additional developments and changes to the legal and regulatory framework for the third sector in Italy. For example, in 2017, the Italian government introduced a new law (Law n.179/2017) that aimed to simplify and streamline the legal framework for NPOs in Italy. The law introduced several measures to reduce the administrative burden on NPOs, including the simplification of the registration process and the introduction of new rules on the dissolution of NPOs. In addition to these legislative developments, there have also been several initiatives at the regional and local level to support the development of the third sector in Italy. For example, many regions and local authorities have established programs and initiatives to support the growth and development of the third sector, including through the provision of funding and other resources.

Anyway, what is presently and commonly referred to in Italy as the "Third Sector Reform", is the recent collection of norms that have redisciplined non-profit and social entrepreneurial organizations operating in Italy. The massive reform has not yet been concluded; in fact, legislative intervention has not been completed since not all the acts required by the legislative decrees implementing the Enabling law n.106 of 2016 have been enacted (Camera dei deputati, 29/09/2022).

According to the Enabling law's recommendations, the government has implemented so far (Ministero del Lavoro e delle Politiche Sociali, 2022):

- Related to the "Universal public service": Legislative Decree No. 40 of 6 March 2017 contains "Institution and regulation of the universal civil service, pursuant to article 8 of Law No. 106 of 6 June 2016".
- Related to the "5 per thousand" tax scheme: Legislative Decree 3 July 2017, n. 111, comprising "Discipline of the Institute of 5 per thousand of the tax on the income of physical people subject to article 9, paragraph 1, letters c) and d) of Law No. 106 of 6 June 2016".
- Related to "Social enterprise": Legislative Decree No. 112 of 3 July 2017 contained "Revision of the regulations on social enterprise, in accordance with Art. 2, Paragraph 2 of Law No. 106".

- Regarding the General reform of Third Sector Entity legislation, registers, tax treatment, and Third Sector Entity supervision: Legislative Decree 3 July 2017 n. 117 containing the "Third Sector Code, pursuant to Article 1, paragraph 2, letter b) of Law no. 106 of 6 June 2016".

The Enabling Law 106 of 6 June 2016 also made possible the issuing of supplementary and corrective provisions of legislative decrees within one year of their entrance into force. As a result, the following directives have been issued:

- Legislative Decree No. 43 of 13 April 2018, including extra and corrective measures to Legislative Decree No. 40 of 6 March 2017.
- Legislative Decree No. 95 of 20 July 2018, including extra and corrective measures to Legislative Decree No. 112 of 3 July 2017.
- Legislative Decree 3 August 2018, n. 105, amending and supplementing Legislative Decree 3 July 2017, n. 117.

The Third Sector is defined by the enabling law 106/2016 as a complex of private entities established with civic, solidarity, and social utility purposes that promote and carry out activities of general interest on a non-profit basis, through forms of voluntary and free or mutuality or production and exchange of goods and services, in accordance with the purposes established in the respective statutes or articles of association[10].

The plans of the additional and corrective decrees of the Third Sector Code and the Social Enterprise Revision Decree were studied by the relevant parliamentary commissions at the start of the XVIII Legislature. Following that, a set of regulatory acts implementing the Third Sector Reform were adopted, which include:

[10] More specifically, the Third Sector excludes political formations and associations, trade unions, and professional associations of economic categories; the provisions of the enabling law and the implementing decrees derived from it do not apply to banking foundations; the sectors of general interest are rationalized through the compilation of a single list, in an attempt to unify the legislation previously envisaged for tax and civil purposes.

- The establishment of the Single National Register of the Third Sector (RUNTS), (partly functional from November 23, 2021). When fully operational, RUNTS will replace the current registers of the Associations of Social Promotion - APS, of Voluntary Organizations - ODV, and of the ONLUS registry, as originally intended by previous sector regulations. (Camera dei deputati, 29/09/2022).
- Concerning the ONLUS (which are the entities registered in the appropriate Registry held by the Revenue Agency), it should be noted that with the Third Sector Reform the legislation on ONLUS will be definitively annulled beginning with the tax period following the European Commission's favorable opinion on the tax rules introduced by the Third Sector Code and ending with the tax period following. Until then, the tax provisions outlined in Legislative Decree No. 460 of 1997 will suffice to allow the ONLUS to become a member of the Third Sector organizations (Camera dei deputati, 29/09/2022).
- New Tax System. One of the most significant changes in the reform is a new tax system focused on the objectives and management of third-party entities. It is a dedicated system that will go live after the European Commission clears the way. The distinction is between commercial and non-commercial activities. If one prevails over the other, the fiscal system under which the third sector operates changes. The most convenient "forfettario" applies to non-commercial entities. Specific guidelines for the sale of goods and the provision of services are required for volunteer organizations and social promotion organizations, as well as for the distribution of food and beverages and access to a series of exemptions from the value-added tax (Iva). Concessions for all ETS (Enti del terzo settore) are also envisaged for indirect taxes and local taxes.
- The establishment of the "Tertiary Sector Entity" (ETS) qualification. In order to be a member, you have to:
    - Be an associations, foundations, or other private entity.
    - Not pursue a monetary goal.
    - Be added in the national registry of the fourth sector (RUNTS).
    - Pursue civic, humanitarian, and social goals.
    - Participate in one or more activities of wide interest.

Different types of businesses in the third sector has also been considered[11].

- Creation of a new "**Social enterprise**": new third sector entity with entirely unique characteristics that are completely different from previous legislation. It is a qualification that can be obtained by associations, foundations, or corporations (with or without capital) and is subject to specific rules, ranging from general-interest activities such as asset management (with limited access to asset redistribution) to business transformation, fusion, dissolution, and cession. All social enterprises must produce and deposit accounting records, financial and patrimonial statements, and a comprehensive note, all of which are quite like those required of businesses. There is also a social budget, which documents the commitment to the pursuit of general interest. Because social enterprises have a commercial nature, it is impossible for non-retributive personnel to prevail within the organization. In addition, a system of controls and sanctions against certain fiscal measures, as well as support and development tools, is planned.

[11] Such as volunteer organizations (Odv), Social promotion organizations (Aps), Philanthropic entities, Social enterprises, cooperatives etc.

Chapter III: Analysis of the relationship between the GRI Standards and the UN SDGs

At this point we all understand that Non-profit organizations (NPOs) play a vital role in addressing social and environmental issues, and as such, it is important to understand the impact and effectiveness of their programs and initiatives. We identified that non-profit organizations (NPOs) employ a method to convey this information by utilizing non-financial reporting. This type of reporting furnishes details about the social and environmental performance and effects of the organization. The Global Reporting Initiative (GRI) is a widely recognized framework for non-financial reporting that provides guidelines and standards for organizations to follow in order to report on their economic, environmental, and social performance. Many Entities in Italy have adopted the GRI Standards for their non-financial reporting. The main goal of the GRI Standards is to encourage organizations to submit accurate data by offering clear and uniform guidelines for producing reports on sustainable development. It is important to emphasize that the reports created in line with the GRI Standards are not just a compilation of the activities' outcomes. They also comprise the strategy and conditionings that have been established, as well as the objectives of sustainable development.

In this chapter, we employed traditional research techniques and content analysis to examine the non-financial reports released by Italian Entities such as NPOs, Foundations and Public entities that have been created in compliance with the GRI Standards. Our main goal is to **understand the content and quality of the information** being reported by these organizations, and to identify any trends or patterns in their reporting practices. In particular, this analysis has two objectives:

- Determine whether Entities' contributions to sustainability can be efficiently measured using GRI criteria[12].
- Demonstrate the depth and breadth of reporting on Sustainable Development Goals, utilizing Italian Entities reports prepared according to the GRI Standards.

[12] Not whether the GRI is a suitable global measurement instrument for operationalizing UN SDGS.

The results of this study could be of interest to a range of stakeholders, including donors, funders, and other supporters of NPOs, Foundations and Public entities.

3.1 - Introduction to the analysis

According to research on the SDGs and its relationship to GRI reporting, organizations can monitor their efforts towards the global targets by reporting on the SDGs, and the GRI standards contain activities that help businesses accomplish the SDGs (Rosati & Faria, 2019), (Michalczuk & Konarzewska, 2018).
The Global Reporting Initiative's actions include not just creating the most well-regarded reporting criteria, but also taking proactive steps to assist businesses in reaching and reporting on the Sustainable Development Goals (Michalczuk & Konarzewska, 2018). The primary premise of the GRI-compliant report is the supply of appropriately balanced information on the organization's success with regard to sustainable development, both in the positive and negative side (Michalczuk & Konarzewska, 2018).
There is a strong linkage between the GRI Indicators and the SDGs. Many of the GRI Indicators are directly aligned with specific SDGs, and organizations can use the GRI Indicators to report on their progress towards achieving the SDGs.
Companies who choose to report in accordance with the GRI Standards must use an index table to cross-reference the specific GRI reporting requirements against the specifics of the information supplied. For a variety of reasons, using GRI Index tables resulted in a larger data set for this work, and it has allowed to compare different Entities (NPOs, Foundations and Public entities) thanks to three main characteristics of the GRI Standard:

- Even though firms themselves develop sustainability reports, the GRI specifies the information that they are obligated to disclose for each indicator in a uniform manner.
- Even though GRI does not mandate inspection of reports, external verification is more popular.
- GRI offers standardized and comprehensive reporting criteria, so any disclosure made in accordance with a GRI subcategory is less likely to be subject to the interpretation of a particular company and so has greater face validity.

This analysis was also made feasible by the publication of the document "*Linking the SDGs and the GRI Standards"* (GRI, 2022), which contains a list of the existing disclosures in the GRI Standards mapped against the 17 UN Sustainable Development Goals at the target level. It guarantees, among other things, the sets of appropriate indicators that detail the role in the accomplishment of the Sustainable Development Goals.

The motivation for linking the information requests from the GRI Standards to the SDGs is the desire to assess the sustainability performance of Italian entities such as NPOs, Foundations and Public entities in a comprehensive and consistent manner. The GRI framework provides a clear and structured approach to reporting on a wide range of issues related to the SDGs, making it an ideal tool for evaluating the extent to which organizations are addressing these issues.

The analysis of the links between the GRI Standards and the SDGs was conducted using the documentation provided by GRI, including the "Linking the SDGs and the GRI Standards" and the "Consolidated Set of the GRI Standards." This information was then integrated with the work of Michalczuk and Konarzewska (2018) to provide a more in-depth understanding of the relationship between the two frameworks.

Overall, the use of the GRI framework as a tool for evaluating sustainability performance allowed for a more thorough and consistent assessment of the extent to which organizations are addressing the issues covered by the SDGs. By linking the GRI Standards to the SDGs, the analysis was able to identify areas where organizations may need to improve their performance and make a positive impact on sustainability.

Table 4. List of the Entities and the specific documentation utilized for the analysis:

	Foundations	Report
1	Lega del Filo d'Oro - Fondazione Onlus	Bilancio Sociale 2021
2	Fondazione ENPAM	Bilancio Sociale 2021
3	Fondazione Deloitte	Bilancio Sociale 2021
4	Fondazione Umberto Veronesi	Bilancio Sociale 2021
5	Fondazione Intesa Sanpaolo Onlus	Bilancio Sociale 2021
	Public Entities	**Report**
6	Università Ca' Foscari di Venezia	Bilancio Sostenibilità 2021
7	Università di Bologna	Bilancio Sociale 2021
8	Università degli Studi di Padova	Rapporto di Sostenibilità 2021
	NPOs	**Report**
9	Medici Senza Frontiere Italia Onlus	Bilancio Sociale 2021
10	Associazione Amici di Cometa Onlus	Bilancio Sociale 2021
11	Greenpeace Italia Onlus	Bilancio Sociale 2021

There are several reasons that lead to choosing these specific 11 Entities. First of all, for our analysis it was important to use a list of non-profit organizations (NPOs), Foundations and Public entities that produced their reports according to the GRI Standards reporting and while it is true that many Italian NPOs produce their own social report, the number of Entities that produce a social report according to the Global Reporting Initiative (GRI) standard is very limited. In fact, while the GRI standard is widely used in the corporate sector, it is less commonly used by Entities in Italy. This may be due to a variety of factors, such as the cost and time required to prepare a report according to the GRI standard, or the lack of awareness about the benefits of following this standard.

Using a list, and not focusing the analysis on a single entity, allowed us to make a comprehensive and objective assessment of the socially driven organizations operating in Italy. By considering a wide range of entities and using specific documentation to support the analysis, it was possible to make informed decisions about which organizations are making the greatest impact.

Also, by identifying the best practices and approaches being used by successful entites, it is possible to share this knowledge and expertise with other organizations, helping to drive positive change and impact in the community.

GRI Indicators and UN Sustainable Development Goals

It should be noted that the links between the information requests from the GRI Standards to the SDGs is the result of the assessment of the author, using the documentation provided by GRI (Linking the SDGs and the GRI Standards, 2022), (Consolidated Set of the GRI Standards, 2022), integrated (in dark green) with the work of Michalczuk and Konarzewska (2018) to provide a more in-depth understanding of the relationship between the two frameworks.
The GRI Indicators associated with the new "GRI Universal Standards 2021" were not utilized, as they fell beyond the scope of the 2021 Social reports and had not yet been adopted by the organizations at the time of the analysis (but they will have to be used for future analysis of 2022 reports onwards).

Table 5. Linkage between GRI Indicators and each UN Sustainable Development Goals:

SDG	GRI Indicator	Description (Source: GRI)
1. No Poverty	202-1	Ratios of standard entry level wage by gender compared to local minimum wage
	203-2	Significant indirect economic impacts
	207-1	A description of the approach to tax
	207-2	A description of the tax governance, control framework and risk management
	207-3	A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax
	207-4	Country-by-country reporting on financial, economic, and tax-related information for each jurisdiction in which the organization operates
	413-2	Operations with significant actual and potential negative impacts on local communities
	8	**Number of indicators**

2. Zero hunger	**201-1**	Direct economic value generated and distributed
	203-1	Infrastructure investments and services supported
	203-2	Significant idirect economic impacts
	411-1	Indicents of violations involving rights of indigenous peoples
	413-2	Operations with significant actual and potential negative impacts on local communities
	5	**Number of indicators**

3. Good health and well-being	203-2	Significant indirect economic impacts
	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-6	Emissions of ozone depleting substances (ODS)
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other insignificant air emissions
	306-1	Water discharge by quality and destination
	306-2	Waste by type and disposal method
	306-3	Significant spills
	306-4	Transport of hazardous waste
	306-5	Total weight of hazardous waste directed to disposal in metric tons, non-hazardous waste etc.
	401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees
	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities
	403-3	Workers with high incidence or high risk of diseases related to their occupation
	403-6	A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks
	403-9	Information for all employees about the number and rate of fatalities; work-related hazards that pose a risk of high-consequence injury etc
	403-10	Various data about Occupational Health and Safety
	17	**Number of indicators**

4. Quality education	**102-27**	Collective knowledge of the highest governance body
	404-1	Average hours of training per year, per employee
	2	**Number of indicators**

5. Gender equality	**102-22**	Composition of the highest governance body and its committees
	102-24	Nominating and selecting the highest governance body
	201-1	Direct economic value generated and distributed
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage
	203-1	Infrastructure investments and services supported
	401-1	New employee hires and employee turnover
	401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.
	401-3	Parental leave
	404-1	Average hours of training per year, per employee
	404-3	Percentage of employees receiving regular performance and career development reviews
	405-1	Diversity of governance bodies and employees
	405-2	Ratio of basic salary and remuneration of women to men
	406-1	Incidents of discrimination and corrective actions taken
	408-1	Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work.
	409-1	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor
	414-1	New suppliers that were screened using social criteria
	414-2	Negative social impacts in the supply chain and actions taken
	18	**Number of indicators**

6. Clean water and sanitation	303-1	Water withdrawal by source
	303-2	Water sources significantly affected by withdrawal of water
	303-3	Water recycled and reused
	303-5	Report the total water consumption from all areas in megaliters.
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	304-2	Significant impacts of activities, products and services on biodiversity
	304-3	Habitats protected or restored
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations
	306-1	Water discharge by quality and destination
	306-2	Waste by type and disposal method
	306-3	Significant spills
	306-5	Water bodies affected by water discharges and/or runoff
	13	**Number of indicators**

7. Affordable and clean energy	302-1	Energy consumption within the organization
	302-2	Energy consumption outside the organization
	302-3	Energy intensity
	302-4	Reduction of energy consumption
	302-5	Reductions in energy requirements of products and services
	7	**Number of indicators**

8. Decent work and economic growth	**102-8**	Information on employees and other workers
	102-41	Collective bargaining agreements
	201-1	Direct economic value generated and distributed
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage
	202-2	Proportion of senior management hired from the local community
	203-2	Significant indirect economic impacts
	204-1	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation
	301-1	Materials used by weight or volume
	301-2	Recycled input materials used
	301-3	Reclaimed products and their packaging materials
	302-1	Energy consumption within the organization
	302-2	Energy consumption outside the organization
	302-3	Energy intensity
	302-4	Reduction of energy consumption
	302-5	Reductions in energy requirements of products and services
	303-3	Water recycled and reused
	306-2	Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain,
	401-1	New employee hires and employee turnover
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave
	402-1	Minimum notice periods regarding operational changes
	403-1	Worker's representation in formal joint management-worker health and safety committees
	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities
	403-3	Workers with high incidence or high risk of diseases related to their occupation
	403-4	Health and safety topics covered in formal agreements with trade unions
	403-5	A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations
	403-7	A description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.

8. Decent work and economic growth	403-8	If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines:
	403-9	Various Occupational Health and Safety info
	403-10	Various Occupational Health and Safety info
	404-1	Average hours of training per year, per employee
	404-2	Programs for upgrading employee skills and transition assistance programs
	404-3	Percentage of employees receiving regular performance and career development reviews
	405-1	Diversity of governance bodies and employees
	405-2	Ratio of basic salary and remuneration of women to men
	406-1	Incidents of discrimination and corrective actions taken
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
	408-1	Operations and suppliers at significant risk for incidents of child labor
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor
	414-1	New suppliers that were screened using social criteria
	414-2	Negative social impacts in the supply chain and actions taken
	42	**Number of indicators**

9. Industry, innovation and infrastructure	201-1	Direct economic value generated and distributed
	203-1	Infrastructure investments and services supported
	2	**Number of indicators**

10. Reduced inequalities	**203-2**	Significant indirect economic impacts
	207-1	A description of the approach to tax
	207-2	A description of the tax governance, control framework and risk management
	207-3	A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax
	207-4	Country-by-country reporting on financial, economic, and tax-related information for each jurisdiction in which the organization operates
	401-1	Total number and rate of new employee hires during the reporting period, by age group, gender, and region etc.
	404-1	Average hours of training that the organization’s employees have undertaken during the reporting period
	404-3	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period
	405-2	Ratio of basic salary and remuneration of women to men
	9	**Number of indicators**

11. Sustainable cities and communities	203-1	Infrastructure investments and services supported
	306-1	Organization’s significant actual and potential waste-related impacts
	306-2	Actions, including circularity measures, taken to prevent waste generation in the organization’s own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated etc.
	306-3	Total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste etc.
	306-4	Total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste etc.
	306-5	Total weight of waste directed to disposal in metric tons, and a breakdown of this total by composition of the waste etc.
	11	**Number of indicators**

12. Responsible consumption and production	**204-1**	Proportion of spending on local suppliers
	301-1	Materials used by weight or volume
	301-2	Recycled input materials used
	301-3	Reclaimed products and their packaging materials
	302-1	Energy consumption within the organization
	302-2	Energy consumption outside the organization
	302-3	Energy intensity
	302-4	Reduction of energy consumption
	302-5	Reductions in energy requirements of products and services
	303-1	A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts caused or contributed to, or directly linked to the organization’s activities, products, or services by a business relationship
	303-3	Water recycled and reused
	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-6	Emissions of ozone depleting substances (ODS)
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other insignificant air emissions
	306-1	Water discharge by quality and destination
	306-2	Waste by type and disposal method
	306-3	Significant spills
	306-4	Transport of hazardous waste
	306-5	Total weight of waste directed to disposal in metric tons, and a breakdown of this total by composition of the waste
	417-1	Requirements for product and service information and labeling
	22	**Number of indicators**

13. Climate action	201-2	Financial implications and other risks and opportunities due to climate change
	302-1	Energy consumption within the organization
	302-2	Energy consumption outside the organization
	302-3	Energy intensity
	302-4	Reduction of energy consumption
	302-5	Reductions in energy requirements of products and services
	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-4	GHG emissions intensity
	305-5	Reduction of GHG emissions
	305-6	Emissions of ozone depleting substances (ODS)
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other insignificant air emissions
	13	**Number of indicators**

14. Life below water	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	304-2	Significant impacts of activities, products, and services on biodiversity
	304-3	Habitats protected or restored
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations
	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-4	GHG emissions intensity
	305-5	Reduction of GHG emissions
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other insignificant air emissions
	306-1	Water discharge by quality and destination
	306-3	Significant spills
	12	**Number of indicators**

15. Life on land	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	304-2	Significant impacts of activities, products, and services on biodiversity
	304-3	Habitats protected or restored
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations
	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-4	GHG emissions intensity
	305-5	Reduction of GHG emissions
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other insignificant air emissions
	306-3	Significant spills
	306-5	Water bodies affected by water discharges and/or runoff
	12	**Number of indicators**

16. Peace, justice and strong institutions	**102-16**	Values, principles, standards, and norms of behavior
	102-17	Mechanisms for advice and concerns about ethics
	102-21	Consulting stakeholders on economic, environmental, and social topics
	102-22	Composition of the highest governance body and its committees
	102-23	Chair of the highest governance body
	102-24	Nominating and selecting the highest governance body
	102-25	Conflicts of interest
	102-29	Identifying and managing economic, environmental, and social impacts
	102-37	Stakeholders' involvement in remuneration
	205-1	Operations assessed for risks related to corruption
	205-2	Communication and training about anti-corruption policies and procedures
	205-3	Total number and nature of confirmed incidents of corruption etc.
	206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices
	307-1	Non-compliance with environmental laws and regulations
	403-4	A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers etc.
	403-9	Various information about all employees and non employess that should be reported
	403-10	More information about all employees, workers etc. related to fatalities, work related ill health etc.
	406-1	Incidents of discrimination and corrective actions taken
	408-1	Operations and suppliers at significant risk for incidents of child labor
	410-1	Security personnel trained in human rights policies or procedures
	414-1	New suppliers that were screened using social criteria
	414-2	Negative social impacts in the supply chain and actions taken
	415-1	Political contributions
	416-2	Incidence of non-compliance concerning the health and safety impacts of products and services
	417-1	Requirements for product and service information and labeling
	417-2	Incidents of non-compliance concerning product and service information and labeling
	417-3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship etc.
	418-1	Substantiated complaints concerning breaches of consumer privacy and losses of consumer data
	419-1	Non-compliance with laws and regulations in the social and economic area
	30	**Number of indicators**

17. Partnerships for the goals	**203-2**	Significant indirect economic impacts
	207-1	A description of the approach to tax
	207-2	A description of the tax governance, control framework and risk management
	207-3	A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax
	207-4	Country-by-country reporting on financial, economic, and tax-related information for each jurisdiction in which the organization operates
	5	**Number of indicators**
	217	**Total number of GRI Indicators considered**

3.2 - Findings

It is worth to note that analyzing the substance of the reports does not give anyone the right to draw broader generalizations about how well reporting firms are achieving the Sustainable Development Goals using the GRI Standards. Nevertheless, we can still **observe the basic trends in this area**. The produced analyses below were based on how well the reported contents adhered to the framework reporting guidelines outlined in the GRI Standards. The use of Excel as a tool for this analysis allowed for efficient and organized data management, making it easier to track and compare the results for each GRI indicator and SDG[13]. It also allowed for the creation of visual representations of the data, such as charts and graphs, which can be useful for understanding the overall trends and patterns in the data.

Overall, the analysis of GRI standard reports and the linking of each indicator to a specific SDG provided **valuable insights into the sustainability performance of organizations** and allowed for a more comprehensive assessment of their efforts to address the issues covered by the SDGs as we will demonstrate in the following pages.

In terms of aggregate data, we observed a significant difference in the use of SDG related GRI indicators (see **Table 5**).

The analysis has shown wide disparity in terms or reporting quality related to SDGs, and somehow a pattern in SDGs most and least prioritized by the Italian Entities, including the SDGs that the organizations prioritize as a focus for their Social Mission.

[13] The Excel tool has been created by the author and can be shared with anyone interested in using it.

Figure 3. Average number of GRI Indicators reported related to SDGs

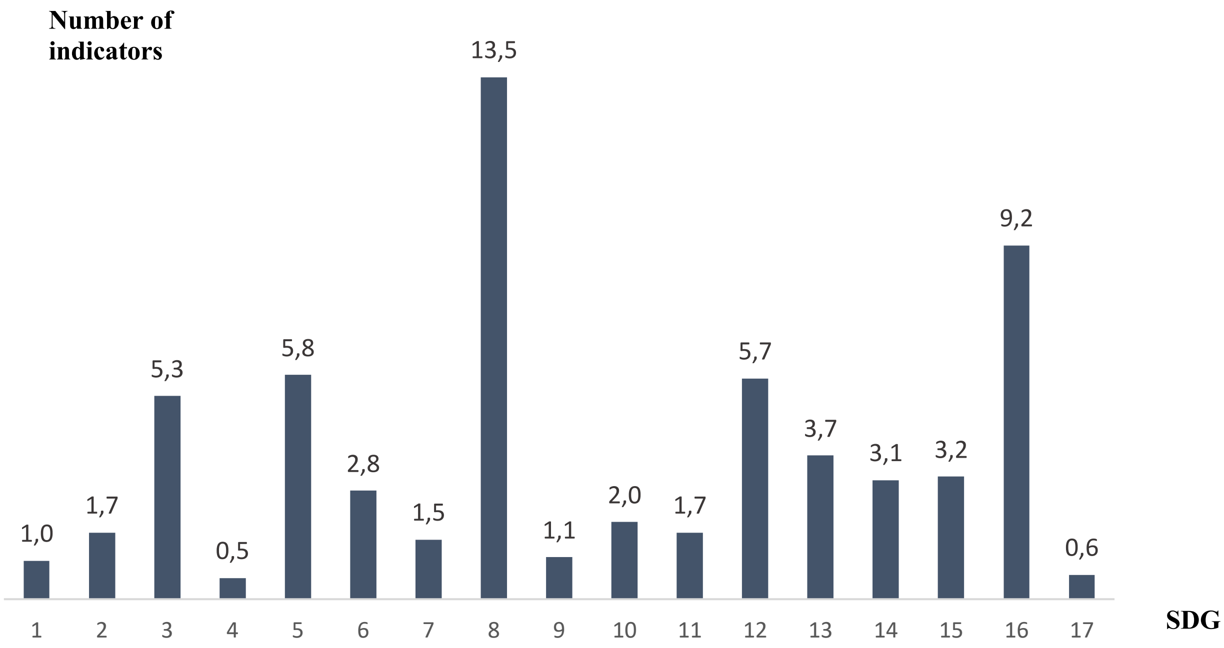


Figure 3 Highlights that the average number of GRI indicators reported related to the SDGs is very diverse across the different Entities analyzed. This can be due to a variety of factors, such as the size and nature of the organization, the specific issues they focus on, and their overall sustainability performance. In substance, it relies also on the particulars of the nonprofit activity being engaged in. Another explanation might be that these organizations have not yet developed internal procedures that would allow for the identification, measurement, and reporting of all the Sustainable Development Goals-related features.

For example, larger Entities may have a greater impact on the environment and society, and therefore may have a higher number of GRI indicators related to the SDGs. On the other hand, smaller Entities may have a lower number of GRI indicators related to the SDGs due to their smaller scale of operations.

Additionally, the specific issues that Entities focus on can also impact the number of GRI indicators reported related to the SDGs. Some Entities may work on issues that are more closely aligned with certain SDGs, leading to a higher number of reported indicators related to those SDGs. Other

Entities may work on issues that are less closely aligned with the SDGs, leading to a lower number of reported indicators.
We can improve our comparative analysis in two ways now that we found out the average number of GRI Indicators reported that are relevant to the SDGs. First, we can rank the GRI Indicators utilizing the average usage made by the Entities (**Figure 4**). Then it is possible to identify the average percentage of usage of the SDGs-related GRI Indicators (**Figure 5**).

According to the analysis conducted, Italian Entities seems to focus more on growth, work conditions, peace and gender equality but largely ignore[14] Innovation, fighting Poverty, Partnerships, Education as we can see in **Figure 4.**
It is true that not every SDG is of equal relevance to every Entity. Each Entity operates in a specific context and serves a specific purpose, and as a result, some SDGs may be more relevant to their operations, geographies, and sectors than others.
For example, an NPO that works on environmental conservation issues may be more focused on SDGs related to climate action, life below water, and life on land, while a public entity that focuses on education and literacy may be more focused on SDGs related to quality education and reduced inequalities.
It is important for Entities to carefully consider which SDGs are most relevant to their operations and to align their activities and goals accordingly. This can help them to make the greatest possible impact and contribute to the overall achievement of the SDGs.

It is also crucial for an Entity to focus on the SDGs on which they have, or could have, a material impact whether positive or negative. In my view, many Entities report on too many SDGs, which prevents them from concentrating on producing higher-quality and more focused reporting on specific and core SDGs related to their activity.

[14] From a Reporting perspective.

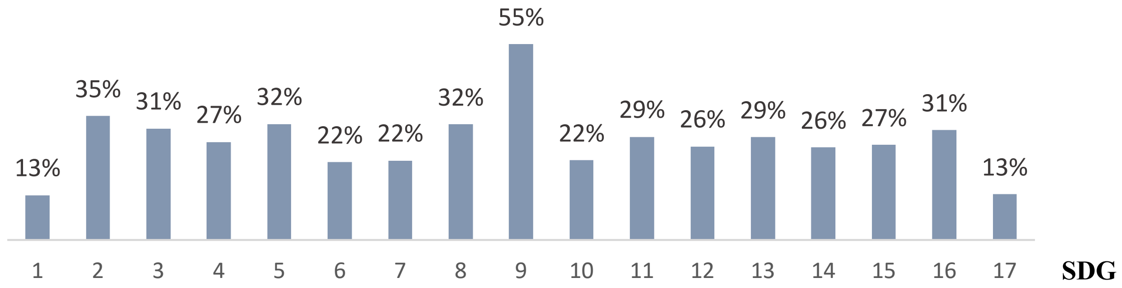
Figure 4. GRI Indicators per SDG (Average) - SDGs most and least prioritized by the Entities analyzed:

Most prioritized (>=5)		Moderately prioritized (>=2 and <5)		Least prioritized (<2)	
8 DECENT WORK AND ECONOMIC GROWTH	13,55	13 CLIMATE ACTION	3,73	2 ZERO HUNGER	1,73
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	9,18	15 LIFE ON LAND	3,18	11 SUSTAINABLE CITIES AND COMMUNITIES	1,73
5 GENDER EQUALITY	5,82	14 LIFE BELOW WATER	3,09	7 AFFORDABLE AND CLEAN ENERGY	1,55
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	5,73	6 CLEAN WATER AND SANITATION	2,82	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	1,09
3 GOOD HEALTH AND WELL-BEING	5,27	10 REDUCED INEQUALITIES	2,00	1 NO POVERTY	1,00
				17 PARTNERSHIPS FOR THE GOALS	0,64
				4 QUALITY EDUCATION	0,55

It is concerning that given recent and persistent warnings about general lack of Innovation and Quality Education in Italy, the SDGs 9 and 4 are very poorly prioritized by most Entities in terms of reporting. It is also surprising that such a small minority of companies see potential to make a material contribution towards combating poverty and hunger.

An in-depth examination of the most (and least) used GRI indicators will be carried out on the following pages of this document.

Figure 5. Total average usage (in percentage) of the SDGs-related GRI Indicators



Looking at **Figure 5**, we can observe, on average, that (with the exception of SDG 9, which is at 55%), Entities have made use of less than 35% of the SDGs-related GRI indicators available, with a minimum of 13% for SDGs 1 and 17. It should be noted that the corporations submitting their reports are not required to provide all the metrics that are related to the Sustainable Development Goals. The quantity of GRI indicators that certain firms submitted mirrored this fact as we can see in **Table 6**[15]. The data that emerges is particularly significant, over 60% of the Entities analyzed have reported less than 20% of the available SDGs-related GRI Indicators. On the other hand, the great effort made by Lega del Filo d'Oro and Università di Bologna should be highlighted, given that both have reported more than 90% of the available SDGs-related GRI Indicators.

In **Table 6** we can observe the detail per Entity about which SDGs are more or less prioritized.

[15] For example it's the case of Medici Senza Frontiere, Associazione Amici di Cometa Onlus and Fondazione Intesa Sanpaolo.

Table 6. Part 1 – Percentage of the SDG-related GRI Indicators available used per Entity:

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH
1. Lega del Filo d'Oro - Fondazione Onlus - Bilancio Sociale 2021								
GRI Indicators used	6	4	17	2	15	13	4	37
% of the indicators available used	75%	80%	100%	100%	83%	100%	57%	88%
2. Fondazione ENPAM - Bilancio Sociale 2021								
GRI Indicators used	1	3	5	1	3	0	1	13
% of the indicators available used	13%	60%	29%	50%	17%	0%	14%	31%
3. Fondazione Deloitte - Bilancio Sociale 2021								
GRI Indicators used	1	1	1	0	2	0	0	4
% of the indicators available used	13%	20%	6%	0%	11%	0%	0%	10%
4. Fondazione Umberto Veronesi - Bilancio Sociale 2021								
GRI Indicators used	0	1	0	0	4	0	0	6
% of the indicators available used	0%	20%	0%	0%	22%	0%	0%	14%
5. Fondazione Intesa Sanpaolo Onlus - Bilancio Sociale 2021								
GRI Indicators used	0	0	0	0	1	0	0	1
% of the indicators available used	0%	0%	0%	0%	6%	0%	0%	2%
6. Università "Ca' Foscari" Venezia - Bilancio Sostenibilità 2021								
GRI Indicators used	0	2	5	1	7	2	2	12
% of the indicators available used	0%	40%	29%	50%	39%	15%	29%	29%
7. Università di Bologna - Bilancio Sociale 2021								
GRI Indicators used	3	5	17	2	17	13	5	41
% of the indicators available used	38%	100%	100%	100%	94%	100%	71%	98%
8. Università degli Studi di Padova - Rapporto di Sostenibilità 2021								
GRI Indicators used	0	2	9	0	7	3	4	13
% of the indicators available used	0%	40%	53%	0%	39%	23%	57%	31%
9. Medici senza frontiere Italia Onlus - Bilancio Sociale 2021								
GRI Indicators used	0	0	0	0	2	0	0	4
% of the indicators available used	0%	0%	0%	0%	11%	0%	0%	10%
10. Associazione Amici di Cometa Onlus - Bilancio Sociale 2021								
GRI Indicators used	0	0	0	0	1	0	0	3
% of the indicators available used	0%	0%	0%	0%	6%	0%	0%	7%
11. Greenpeace Italia Onlus - Bilancio Sociale 2021								
GRI Indicators used	0	1	4	0	5	0	1	15
% of the indicators available used	0%	20%	24%	0%	28%	0%	14%	36%

Table 6. Part 2 – Percentage of the SDG-related GRI Indicators available used per Entity:

	9 Industry, Innovation and Infrastructure	10 Reduced Inequalities	11 Sustainable Cities and Communities	12 Responsible Consumption and Production	13 Climate Action	14 Life Below Water	15 Life on Land	16 Peace, Justice and Strong Institutions	17 Partnerships for the Goals
1. Lega del Filo d'Oro - Fondazione Onlus - Bilancio Sociale 2021									
GRI Indicators used	2	8	6	21	12	12	12	27	4
% of the indicators available used	*100%*	*89%*	*100%*	*95%*	*92%*	*100%*	*100%*	*90%*	*80%*
2. Fondazione ENPAM - Bilancio Sociale 2021									
GRI Indicators used	2	2	1	1	1	0	0	8	1
% of the indicators available used	*100%*	*22%*	*17%*	*5%*	*8%*	*0%*	*0%*	*27%*	*20%*
3. Fondazione Deloitte - Bilancio Sociale 2021									
GRI Indicators used	0	1	0	0	0	0	0	7	1
% of the indicators available used	*0%*	*11%*	*0%*	*0%*	*0%*	*0%*	*0%*	*23%*	*20%*
4. Fondazione Umberto Veronesi - Bilancio Sociale 2021									
GRI Indicators used	1	1	0	0	0	0	0	4	0
% of the indicators available used	*50%*	*11%*	*0%*	*0%*	*0%*	*0%*	*0%*	*13%*	*0%*
5. Fondazione Intesa Sanpaolo Onlus - Bilancio Sociale 2021									
GRI Indicators used	0	0	0	0	0	0	0	5	0
% of the indicators available used	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*17%*	*0%*
6. Università "Ca' Foscari" Venezia - Bilancio Sostenibilità 2021									
GRI Indicators used	2	3	2	7	6	4	4	5	0
% of the indicators available used	*100%*	*33%*	*33%*	*32%*	*46%*	*33%*	*33%*	*17%*	*0%*
7. Università di Bologna - Bilancio Sociale 2021									
GRI Indicators used	2	5	6	22	12	12	12	29	1
% of the indicators available used	*100%*	*56%*	*100%*	*100%*	*92%*	*100%*	*100%*	*97%*	*20%*
8. Università degli Studi di Padova - Rapporto di Sostenibilità 2021									
GRI Indicators used	2	0	4	11	9	6	7	6	0
% of the indicators available used	*100%*	*0%*	*67%*	*50%*	*69%*	*50%*	*58%*	*20%*	*0%*
9. Medici senza frontiere Italia Onlus - Bilancio Sociale 2021									
GRI Indicators used	0	1	0	0	0	0	0	0	0
% of the indicators available used	*0%*	*11%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
10. Associazione Amici di Cometa Onlus - Bilancio Sociale 2021									
GRI Indicators used	0	0	0	0	0	0	0	4	0
% of the indicators available used	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*13%*	*0%*
11. Greenpeace Italia Onlus - Bilancio Sociale 2021									
GRI Indicators used	1	1	0	1	1	0	0	6	0
% of the indicators available used	*50%*	*11%*	*0%*	*5%*	*8%*	*0%*	*0%*	*20%*	*0%*

Table 6. Part 3 –Total Percentage of the SDG-related GRI Indicators available used per Entity:

1. Lega del Filo d'Oro - Fondazione Onlus - Bilancio Sociale 2021	
GRI Indicators used	202
% of the indicators available used	*93%*
2. Fondazione ENPAM - Bilancio Sociale 2021	
GRI Indicators used	43
% of the indicators available used	*20%*
3. Fondazione Deloitte - Bilancio Sociale 2021	
GRI Indicators used	18
% of the indicators available used	*8%*
4. Fondazione Umberto Veronesi - Bilancio Sociale 2021	
GRI Indicators used	17
% of the indicators available used	*8%*
5. Fondazione Intesa Sanpaolo Onlus - Bilancio Sociale 2021	
GRI Indicators used	7
% of the indicators available used	*3%*
6. Università "Ca' Foscari" Venezia - Bilancio Sostenibilità 2021	
GRI Indicators used	64
% of the indicators available used	*29%*
7. Università di Bologna - Bilancio Sociale 2021	
GRI Indicators used	204
% of the indicators available used	*94%*
8. Università degli Studi di Padova - Rapporto di Sostenibilità 2021	
GRI Indicators used	83
% of the indicators available used	*38%*
9. Medici senza frontiere Italia Onlus - Bilancio Sociale 2021	
GRI Indicators used	7
% of the indicators available used	*3%*
10. Associazione Amici di Cometa Onlus - Bilancio Sociale 2021	
GRI Indicators used	8
% of the indicators available used	*4%*
11. Greenpeace Italia Onlus - Bilancio Sociale 2021	
GRI Indicators used	36
% of the indicators available used	*17%*

It is not uncommon for organizations, including non-profit organizations (NPOs), to report on a subset of available indicators, rather than reporting on all of them. This may be due to a variety of reasons, including a lack of data, resource constraints, or a focus on specific areas of operation.

Considering that over 60% of the Entities analyzed have reported less than 20% of the available SDGs-related Global Reporting Initiative (GRI) Indicators, it may be worth considering why this is the case. It could be that these Entities are not collecting data on a wide range of indicators, or that they are choosing to focus their reporting on a limited number of indicators that are most relevant to their operations.

Regardless of the reason, it is important for these Entities to carefully consider which indicators they choose to report on, and to ensure that their reporting is accurate, transparent, and meaningful. This can help to provide a clear and comprehensive picture of the organization's performance and impact and can support efforts to achieve the Sustainable Development Goals (SDGs).

Below there is a list of the GRI indicators revealed by our analysis to be reported the most (**Table 7**) and the least (**Table 8**). The GRI Indicators identified are provided with an Indicator Summary, the information about the connected SDG and the number of reportings. Additionally, a thorough explanation is provided for each of the GRI Indicators marked in blue (which the author believes to be the most significative ones, so more worthy of a thorough examination).

Table 7. Some of the most frequently reported GRI indicators connected with SDGs:

SDG	GRI Indicator	Number of reportings	GRI Indicator Summary
5, 8	**405-1**	**6**	**Diversity of governance bodies and employees**
8	**102-41**	**6**	**Collective bargaining agreements**
5, 16	102-22	5	Composition of the highest governance body and its committees
16	**419-1**	**5**	**Non-compliance with laws and regulations in the social and economic area**
2, 5, 7, 8, 9	**201-1**	**4**	**Direct economic value generated and distributed**
2, 5, 7, 9, 11	203-1	4	Infrastructure investments and services supported
3, 12, 13, 14, 15	**305-1**	**4**	**Direct (Scope 1) GHG emissions**

3, 12, 13, 14, 15	**305-2**	**4**	**Energy indirect (Scope 2) GHG emissions**
3, 12, 13, 14, 15	**305-3**	**4**	**Other indirect (Scope 3) GHG emissions**
3	403-6	4	A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks
5, 8, 10	401-1	4	New employee hires and employee turnover
6	303-5	4	Report the total water consumption from all areas in megaliters.
7, 8, 12, 13	**302-1**	**4**	**Energy consumption within the organization**
7, 8, 12, 13	**302-4**	**4**	**Reduction of energy consumption**
8	102-8	4	Information on employees and other workers
8, 12	204-1	4	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation
13, 14, 15	**305-5**	**4**	**Reduction of GHG emissions**
16	102-16	4	Values, principles, standards, and norms of behavior
16	102-17	4	Mechanisms for advice and concerns about ethics
16	102-23	4	Chair of the highest governance body

Focus on the highlighted GRI indicators:

GRI 102-41: "Collective bargaining agreements" (SDG 8)

"Collective bargaining" pertains to all arrangements involving one or more employers or employers' associations and one or more workers' organizations (trade unions). These agreements aim to establish employment terms, working conditions, or regulate interactions between employers and employees (GRI, 2016).

By its very nature, collective bargaining agreements constitute commitments that the organization has entered into, often carrying legal obligations. Collective agreements can be formulated at varying levels to encompass different categories and segments of workers (GRI, 2016). In many cases, Entities provides details of the type of contracts applied, or they specify that the employment contracts have an economic treatment that is no less than the reference collective agreements[16]. In other cases, it is specified that the Entity has no employees at all at a given time[17].

There are several reasons why "collective bargaining" agreements may be one of the most frequently reported Global Reporting Initiative (GRI) indicators by Italian Entities:

- **Stakeholder interest.** Investors, consumers, and other stakeholders might be concerned about whether an organization has established "collective bargaining" agreements. This could serve as an indicator of the organization's dedication to equitable and ethical labor practices.
- **Competitive advantage.** Reporting on "collective bargaining" agreements can help to demonstrate an organization's commitment to responsible labor practices, which can be a competitive advantage in a marketplace where consumers are increasingly concerned about social and environmental issues.
- **Improved performance.** Implementing collective bargaining agreements can contribute to enhanced performance and productivity. When employees perceive their rights as being upheld, they tend to be more motivated and involved. Consequently, reporting on collective bargaining agreements can serve as a means for organizations to showcase the favorable influence of these agreements on their activities.

GRI 405-1: "Diversity of governance bodies and employees" (SDG 5, 8)

When coupled with sectoral or local norms, this disclosure provides a measurable evaluation of diversity within a company. Contrasts between the diversity of the management team and the entire workforce offer insights into equal opportunity (GRI, 2016). The information provided in this disclosure also aids in determining which concerns could be especially important to certain groups of governing bodies or workers.

In some cases, Entities provide very useful summary tables[18]; in others, in addition to the precise indication, an annual "Gender Report" is also prepared[19].

[16] Like in the Example of La Lega del filo d'Oro.
[17] Like in the Example of Fondazione Deloitte.
[18] Like in the Example of Medici Senza Frontiere.
[19] Like in the Example of Università di Bologna.

The diversity present in both governance bodies and the employee base holds considerable significance, as it can profoundly influence an organization's performance, decision-making processes, and overall culture. An assortment of individuals with varied backgrounds brings a plethora of viewpoints, experiences, and abilities to discussions, resulting in improved decision-making and the potential for more inventive solutions.
There are several reasons why "diversity of governance bodies and employees "may be one of the most frequently reported Global Reporting Initiative (GRI) indicators by Italian Entities:

- **Stakeholder interest.** Investors, consumers, and other stakeholders may be interested in whether an organization is committed to diversity and inclusion, as it can be an indicator that summarizes the organization's values and culture.
- **Competitive advantage.** Reporting on diversity can help to demonstrate an organization's commitment to inclusivity and equality, which can be a competitive advantage in a marketplace where consumers are increasingly concerned about social and environmental issues.
- **Improved performance.** Research has shown that diverse and inclusive organizations tend to outperform their less diverse counterparts, as they are able to attract and retain top talent, foster innovation, and better serve their diverse customer base. As a result, reporting on diversity can be a way for organizations to highlight the positive impact of diversity on their operations.

GRI 419-1: "Non-compliance with laws and regulations in the social and economic area" (SDG 16)

In an organization, non-compliance can be a sign of management's capacity to make sure that operations follow specified performance guidelines. In some cases, non-compliance might result in significant liabilities such as remedial duties (GRI, 2016). An organization's capacity to grow operations or get permits may be impacted by how well-received its compliance record is.
In the reports examined the indicator is exclusively disclosed in the positive scenario for the entity, confirming that no major pecuniary or other fines were levied on the entity during the fiscal year for non-compliance with laws and regulations in the social and economic spheres.
There are several possible explanations for why an organization may not have received any major fines for non-compliance:

- The organization has established efficient mechanisms to ensure conformity with laws and regulations: This could include policies, procedures, training, and internal controls designed to help the organization meet its compliance obligations.
- The organization has a strong culture of compliance: This could involve a commitment to acting ethically and transparently, as well as a focus on continuous improvement and learning from past mistakes.
- The organization functions within a low-risk setting: Depending on the sector of operation and the specific legal and regulatory frameworks governing it, the probability of incurring substantial penalties due to non-compliance might be comparatively minimal.

Regardless of the reason, it is important for organizations to be transparent about their compliance record and to take steps to ensure that they are meeting their legal and regulatory obligations. This can help to build trust with stakeholders and demonstrate the organization's commitment to responsible practices.

GRI 201-1: "Direct economic value generated and distributed" (SDG 2, 5, 7, 8, 9)

Information concerning the creation and dispersion of economic value offers a foundational gauge of how an organization has generated returns for its stakeholders. Several components within the economic value generated and distributed (EVG&D) framework additionally contribute to the organization's economic characterization, aiding in the refinement of other performance measures. If presented at a country-specific level, EVG&D can paint a beneficial portrait of the precise financial worth contributed to local economies.

Most Entities[20] focus on the presentation of the difference in the generated value between distributed and retained, as well as the breakdown of the value generated by stakeholders and other types of repartitions, which is quite useful for the readers, but it does require a significant amount of effort and a structured economic balance sheet to begin with. This is because Entities often have a complex array of stakeholders, and accurately tracking the value generated for each of these stakeholders can be a challenging task.

[20] Like in the example of Università di Padova, Lega del Filo d'Oro, Università Ca' Foscari, Fondazione ENPAM etc.

To ensure that their reporting is accurate and meaningful, Entities may need to invest in robust systems and processes for tracking and reporting on the value generated for different stakeholders. This can include developing clear definitions of what is included in the value generated, establishing robust financial tracking and reporting systems, and engaging with stakeholders to ensure that their needs and expectations are understood and taken into account. It is therefore not surprising that only the largest and most structured Entities[21] have managed to provide this kind of information.

GHG Emissions indicators (SDG 3, 12, 13, 14, 15)

- *GRI 305-1: "Direct (Scope 1) GHG emissions"*
- *GRI 305-2: "Energy indirect (Scope 2) GHG emissions"*
- *GRI 305-3: "Other indirect (Scope 3) GHG emissions"*
- *Also, GRI 305-5: "Reduction of GHG emissions" (SDG 13, 14, 15)*

Technological advancements (artificial intelligence, satellites, sensors etc.) have provided businesses with new tools for assessing and monitoring their environmental effect. However, there are still significant gaps in reporting on critical sustainability criteria, for example in CO_2 measurements. According to the GreenHouse Gas Protocol (GHG), to get a complete picture of its carbon footprint, a company must measure three types of emissions:

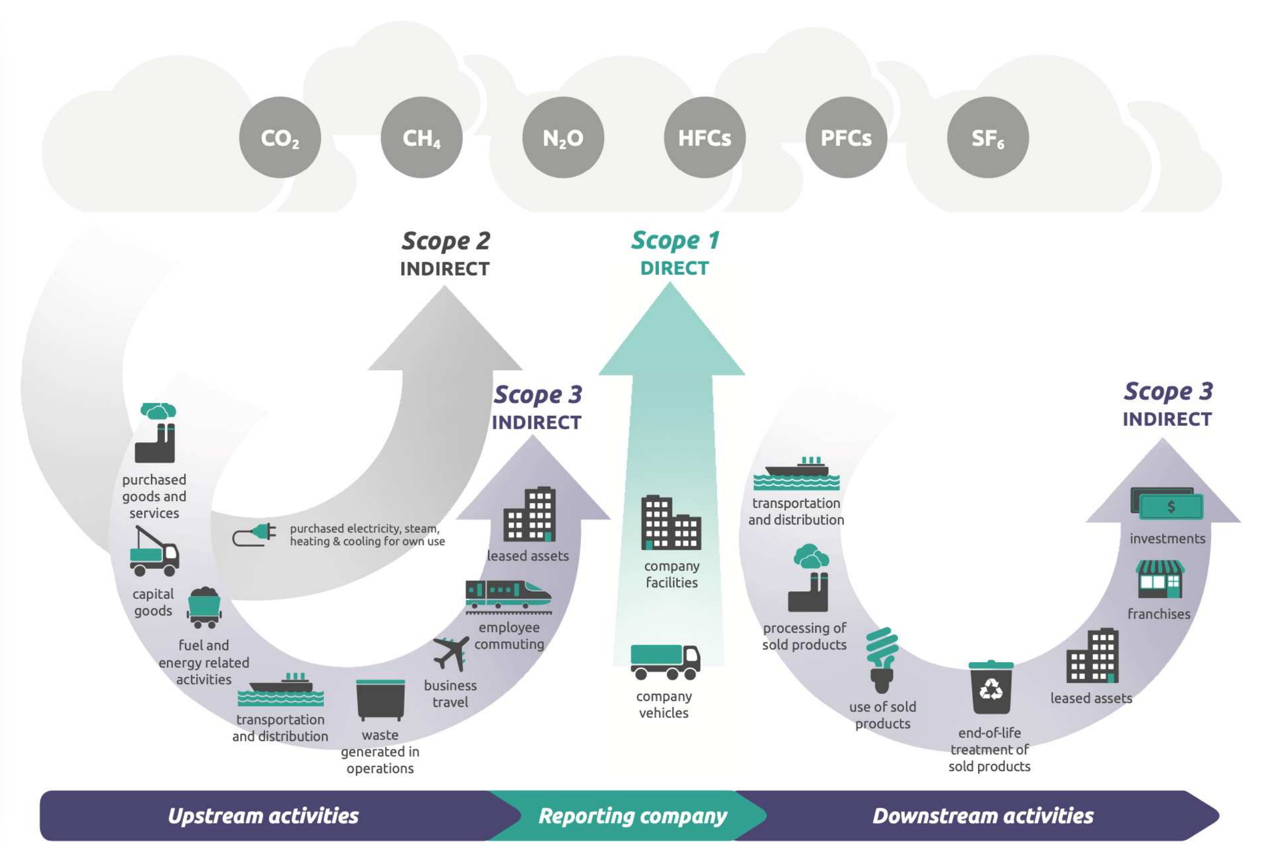
- **Scope 1:** Encompass emissions that directly enter the atmosphere due to the organization's operations[22]. These emissions fall within the organization's direct oversight and are usually linked to energy utilization, transportation, as well as the creation and utilization of goods and services.
- **Scope 2:** Are emissions that result from the generation of electricity, heat, or steam that the organization consumes[23]. These emissions are considered to be indirect because they are not

[21] Among the ones analyzed in this thesis.
[22] Examples of direct GHG emissions include emissions from the use of fossil fuels to power buildings and equipment, emissions from company-owned vehicles, and emissions from the manufacture and use of products.
[23] Examples of energy-indirect GHG emissions include emissions from the generation of electricity that is purchased by the organization, emissions from the production of steam that is used by the organization, and emissions from the generation of heat that is used by the organization.

released directly by the organization, but rather by the external source that produces the energy that the organization consumes.

- **Scope 3:** Encompass emissions that stem from the organization's operations but are not directly discharged by the organization itself and do not result from energy consumption[24]. These emissions are categorized as indirect because they originate from external sources associated with the organization's activities, rather than being directly released by the organization.

Figure 6. Overview of GHG Protocol scopes and emissions across the value chain (source: www.GHGprotocol.org)



[24] Examples of other indirect GHG emissions include emissions from the transportation of goods and materials, emissions from the use of products and services by the organization's customers, and emissions from the disposal of waste generated by the organization.

The measurement and disclosure of direct greenhouse gas (GHG) emissions can constitute a significant component of an organization's sustainability endeavors. This practice empowers the organization to comprehend the origins of its emissions and discover avenues for their reduction, because:

- **Scope 1:** aids the organization in lessening its environmental footprint and participating in worldwide initiatives aimed at combating climate change.
- **Scope 2:** can be particularly useful for organizations that do not have direct control over the sources of their energy, as it allows them to identify and address indirect emissions that may be within their influence. Reducing energy indirect GHG emissions can help the organization to reduce its environmental impact and participating in worldwide initiatives aimed at combating climate change.
- **Scope 3:** can be particularly useful for organizations that have significant indirect emissions, as it allows them to identify and address these emissions that may be within their influence. Reducing other indirect GHG emissions can help the organization to reduce its environmental impact and participating in worldwide initiatives aimed at combating climate change.

According to CDP (the world's main aggregator of corporate carbon emissions data[25]), only around half of the firms (for profit) that publish carbon emissions data track and report on scope 3 emissions. That's very important, because generally, when compared to their direct (Scope 1) or indirect (Scope 2) GHG emissions, some organizations may have much higher GHG emissions due to energy consumption outside of the company (Scope 3). This can be because Scope 3 emissions often represent a significant portion of a company's overall GHG emissions, particularly for organizations that have significant indirect emissions[26].

[25] CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. For more information: www.Cdp.net

[26] Examples of activities that may contribute to high Scope 3 GHG emissions include the transportation of goods and materials, the use of products and services by the organization's customers, and the disposal of waste generated by the organization.

Efforts to curtail GHG emissions could involve the following measures (GRI, 2016):

- Revamping processes;
- Updating and modifying equipment;
- Transitioning to alternative fuels;
- Altering behavioral patterns;
- Utilizing offsets.

Quantifying the entity's environmental impact and then orienting and evaluating the effectiveness of the actions undertaken to reduce and contain emissions year after year is an activity that requires a lot of effort. Complexity, a lack of instruments, and a lack of measurement by upstream suppliers and downstream consumers make accessing the data required to construct a full emissions profile extremely difficult. In the case of the University of Padua, the inventory of GHG emissions deriving from the University's activities (Carbon Footprint) for the year 2020 was achieved thanks to the collaboration with the Environmental Quality Study Center of the Department of Industrial Engineering. Among the Entities analyzed, public entities (Universities) provide the finest information. This is most likely due to the RUS Working Group on Climate Change[27], which allows for the sharing of data gathering methodologies and emission calculations to make the results more compatible with Italian characteristics and more comparable. The only Nonpublic entity which disclosed the GRI Indicator is the Foundation "Lega del Filo d'Oro" but, as it is declared in its 2021 Social Report (pag. 5), the Foundation made use of the scientific support of the Milan School of Management of the University of Milan, which is also in the RUS Working Group. So, this working group seems to represent an Italian best practice that more NPOs should monitor to get information related to Standards, methodologies, assumptions, and/or calculation tools used for the quantification of GHG emissions.

GRI 302-1: "Energy consumption within the organization (SDG 7, 8, 12, 13) and GRI 302-4: Reduction of energy consumption" (SDG 7, 8, 12, 13)

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[27] All the universities analyzed in this Thesis participates in the RUS Working Group according to the composition list of the working group present here: https://reterus.it/cambiamenti-climatici/

Certain businesses heavily rely on electricity as a primary energy source. For specific entities, energy procurement from district heating or chilled water facilities, which utilize mediums like steam or water, might also hold significant importance (GRI, 2016). The organization can either create its own energy or obtain it from other sources (self-generated).

Frequently, the main contributor to direct (Scope 1) GHG emissions, as specified in Disclosure 305-1 of GRI 305: Emissions, is the utilization of non-renewable fuels. The organization's energy indirect (Scope 2) GHG emissions stemming from purchased power, heating, cooling, and steam are reported in Disclosure 305-2 of GRI 305: Emissions.

While some Entities[28] highlighted the emissions with the repartition of the Scope (1, 2 or 3), other Entities reports only the energy consumption by the offices (linked with the purchase of electricity from the grid, water consumption etc)[29]. This indicator is very important because by tracking and reporting on their energy consumption and greenhouse gas emissions, Entities can identify opportunities to reduce their environmental impact and improve their sustainability. This can involve implementing energy-efficient practices, purchasing renewable energy, and working with suppliers and partners to reduce emissions.

On the other hand, in relation Reduction of energy consumption, the Entities analyzed gave priority to revealing reduction measures that were put in place during the reporting period and have the potential to make a significant decrease in the amount of waste generated. Entities also gave a breakdown of energy consumption decreases due to specific initiatives or collections of initiatives and the management strategies to further improve them[30].

The organization may combine energy types to report energy consumption savings, or it may report savings for fuel, electricity, heating, cooling, and steam separately (GRI, 2016).

Table 8. Some of the least frequently reported GRI Indicators connected with SDGs:

SDG	GRI Indicator	Number of reportings	GRI Indicator Summary
1, 10, 17	**207-4**	**0**	**Country-by-country reporting on financial, economic, and tax-related information for each jurisdiction in which the organization operates**
1, 10, 17	**207-1**	**1**	**A description of the approach to tax**

[28] Like in the example of "Greenpeace" or "Lega del Filo d'Oro".
[29] Like in the example of Fondazione ENPAM.
[30] Like in the Example of Università di Bologna.

1, 10, 17	**207-2**	**1**	**A description of the tax governance, control framework and risk management**
1, 10, 17	**207-3**	**1**	**A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax**
1, 2	**413-2**	**1**	**Operations with significant actual and potential negative impacts on local communities**
2	411-1	1	Incidents of violations involving rights of indigenous peoples
5, 8, 16	408-1	1	Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work.
5, 8	409-1	1	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor
8	407-1	1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
13	**201-2**	**1**	**Financial implications and other risks and opportunities due to climate change**
16	410-1	1	Security personnel trained in human rights policies or procedures

A thorough explanation is provided for each of the GRI Indicators marked in **dark blue** (which the author believes to be the most significative ones).

Focus on the highlighted indicators:

The GRI indicators from 207-1 to 207-4 pertain to the taxation approach. a topic that assumes greater importance in for profit companies. On the other hand, most of the Entities only provides information regarding taxes (in their sustainability reports) in relation to the "Distribution of the value added"[31] except for Foundation "La Lega del Filo d'Oro," which provides a more detailed information.

207-1: "Approach to tax" (SDG 1, 10, 17)

An organization's tax strategy determines how it strikes a balance between tax compliance, commercial operations, and expectations connected to ethics, society, and sustainable development. It may include the company's tax philosophies, its approach to tax planning, the level of risk the company is prepared to take, and the way the company interacts with tax authorities (GRI, 2019).

[31] Please see the example of Fondazione Umberto Veronesi, Bilancio Sociale 2021, p. 53.

Tax strategies are frequently used to explain an organization's tax policy, although similar papers like policies, norms, principles, or codes of conduct may equally accomplish the trick.
Nearly none of the sustainability reports examined cover the approach to taxes[32].
It is common for nonprofit organizations (NPOs) to be exempt from corporate income tax because they do not generate profits for the purpose of distribution to shareholders or owners. Instead, NPOs typically use their income to further their mission and support their charitable or social welfare activities.
However, while NPOs may be exempt from corporate income tax, they may still be subject to other types of taxes, such as property taxes and sales taxes.
Sustainability reports are typically used by organizations to communicate their environmental, social, and governance (ESG) performance to stakeholders. While taxes may not be specifically covered in sustainability reports, NPOs may still choose to disclose information about their tax payments and compliance in their annual reports or other corporate disclosure documents. This can provide transparency about the organization's tax obligations and help to demonstrate its commitment to responsible corporate citizenship.
In general, the entities analyzed do not give tax information except to highlight donations received from the government.
Even if the Tax related GRI Indicators (207-1, 207-2, 207-3) are not reported, some Entities have nevertheless made disclosures relating to taxation, for example:

- Università Ca' Foscari highlights tax information in terms of direct distribution. It declares that the University shares the value created over the year both directly and indirectly. The information is then provided that the value is also transferred to the Public Administration, via the payment of direct and indirect taxes.
- Fondazione ENPAM highlights tax information in terms of economic value generated and distributed. the Foundation is estimated to have paid the State or local authorities around 190 million euros in direct and indirect taxes in 2020.
- Fondazione Veronesi highlights a management statement with the indication of the year's surplus/deficit.

[32] With the exception of the "Lega del Filo d'Oro", which indicates in its report that the tax approach is conducted "according to the existing legislation," without going into greater detail about the legislation, which is related to the third sector reform.

- Fondazione Deloitte indicates the amount of Taxes for the year, which amounts to zero.
- Università di Bologna notes in the income statement the "Current, deferred, and prepaid taxes for the year".
- Università di Padova notes in the income statement the amount of "Current, deferred, and prepaid income taxes for the year".
- Greenpeace Italia declares that it complies with Legislative Decree 460/97 and that it is registered in the Revenue Agency's ONLUS Registry. It also states that it changed its bylaws in 2019 to conform to the new Third Sector Code Regulations that are currently in effect.

Worth to mention is that, in general, even if the tax information wasn't available in the sustainability reports, it was still possible to find the details in the Entities' financial statements. Since Sustainability reports tend to focus less on financial issues, probably many Entities decided not to include this information for this reason.

207-2: "Tax governance, control framework and risk management" (SDG 1, 10, 17)

Strong tax governance, control, and risk management systems can be a sign that an organization is effectively monitoring its compliance obligations and that the reported approach to tax and tax strategy is well embedded within the organization. By disclosing this information, an organization can reassure stakeholders that the claims it made in its tax strategy or comparable documents about how it handles taxes are reflected in its day-to-day operations (GRI, 2019).

In relation to "Tax governance, risk management, and risk management," Lega del Filo d'Oro states that the activity of monitoring fiscal aspects related to Third Sector Entities is required of governance bodies.

Effective tax governance, control frameworks, and risk management are important for all organizations, including nonprofit organizations (NPOs). These practices can help NPOs ensure compliance with tax laws and regulations, minimize the risk of tax disputes and penalties, and optimize their tax position.

It is not uncommon for NPOs to have less robust tax governance and risk management frameworks compared to for-profit organizations, particularly if they do not generate significant profits or engage in complex business activities. As such, it is not surprising that tax governance and risk

management may be a less frequently reported indicator in NPO sustainability reports in this analysis.
However, it is important for NPOs to have appropriate controls in place to manage their tax risks and obligations. This can involve establishing policies and procedures for tax compliance, training staff on tax requirements, and seeking advice from tax professionals as needed. By effectively managing their tax risks and obligations, NPOs can help protect their reputation and ensure that they are able to achieve their mission and achieve their charitable objectives.

207-3: "Approach to stakeholder engagement and management of stakeholder concerns related to tax" (SDG 1, 10, 17)

Various stakeholders are interested in an organization's tax policies. An organization's reputation and position of trust may be impacted by the strategy it uses to interact with stakeholders. This covers the way the company interacts with taxing authorities while creating tax laws and administration policies.
Engaging stakeholders may help a business understand how tax expectations are changing. As a result, the company may be better equipped to control its risks and consequences and get insight into potential future regulatory changes.
For the involvement of stakeholders and the management of financial concerns, Lega del Filo d'Oro writes a paragraph specifying its Relationship with the Institutions.

207-4: "Country-by-country reporting on financial, economic, and tax-related information for each jurisdiction in which the organization operates" (SDG 1, 10, 17)

This indicator requires the reporting organization to report first of all the information related to tax jurisdictions are resident for tax purposes, and their details (GRI, 2019).
None of the Entities analyzed in this research disclosed this indicator, since they only operate in Italy. Also, it is not uncommon for nonprofit organizations (NPOs) to have a less robust reporting infrastructure compared to for-profit organizations, particularly if they do not generate significant profits or engage in complex business activities. As such, it is not surprising that Country-by-country reporting is one of the least frequently reported indicators in our analysis.

GRI 201-2: “Financial implications and other risks and opportunities due to climate change” (SDG 13)

Climate change presents both risks and opportunities for organizations, investors, and other stakeholders. Companies with a direct or indirect role in emissions are exposed to regulatory risks and opportunities, given governments' efforts to manage actions contributing to climate change (GRI, 2016). Risks could entail cost escalation or other factors impacting competitiveness. Conversely, as novel technologies and markets emerge, constraints on greenhouse gas (GHG) emissions can also offer potential avenues for enterprises. This is particularly relevant for businesses capable of efficiently utilizing or generating energy, as well as producing energy-saving products.

In most circumstances, this is not a meaningful indication when examining Entities operations; in fact, the only time the GRI Indicator was used was to state that it was not material[33].

GRI 413-2: “Operations with significant actual and potential negative impacts on local communities” (SDG 1, 2)

This disclosure does not include community investments or contributions, which are covered by GRI 201: Economic Performance 2016. Instead, it concentrates on major actual and prospective negative consequences relating to an organization's activities (GRI, 2016).

This disclosure lets interested parties know if an organization is aware of the harm it does to the neighborhood. Additionally, it helps the company to better concentrate its attention to regional communities across the board (GRI, 2016).

The GRI Indicator was only used once to report that no negative impacts on the local community were identified during the year[25]. It is still a positive sign, because if an organization reports that it has not identified any negative impacts on local communities during the year, it may indicate that the organization is taking steps[34] to minimize the negative impacts of its operations on these communities.

[33] Please look at Bilancio Sociale 2021 - Lega del Filo d'Oro for more details.

[34] Like implementing policies and procedures to mitigate negative impacts, engaging with local stakeholders, and taking steps to ensure that the organization's operations are sustainable and aligned with the needs and priorities of the local community.

3.3 - Conclusions

Evaluating sustainability reports against the GRI framework allowed for a full assessment of how well organizations are tackling the issues addressed by the SDGs. According to the findings of the analysis, while some Entities demonstrated outstanding performance in specific areas, there were also situations where improvement was required. The thesis has cognitive value of the extent and quality of disclosures regarding the initiatives being undertaken by Italian Entities such as NPOs, Public entities and Foundations in the area of sustainable development as well as the potential contribution of GRI Standards to this process. This can provide more useful information for stakeholders, such as donors and other supporters, to make informed decisions about which organizations to support and how to allocate their donations.

Overall, we can state that the GRI framework is a good tool for evaluating firms' sustainability performance because it covers a wide variety of issues linked to the SDGs and provides a standard structure for reporting. In addition, evaluating sustainability reports against the GRI framework can also help organizations to understand their own performance and identify areas where they can improve. This can enable them to better align their activities with the SDGs and contribute to the achievement of these global goals. However, enterprises must acknowledge that sustainability reporting is a continuous process and that they must always try to improve their performance in all categories.

This analysis provides a deeper understanding of the characteristics of Italian Entities in terms of reporting quality and which SDGs are more commonly reported on than others. When comparisons are performed across Entities within the same country, the conducted research have shown the varied degree of disclosures in the area of sustainable development and the scant usage of GRI indicators pertaining to SDGs. In fact, Italian Entities seems to concentrate primarily on the "GRI 100 Universal standards" and how they connect to "Decent work and Economic growth" (SDG 8), "Peace, Justice and Strong institutions" (SDG 16), "Gender equality" (SDG 5), "Responsible consumption and production" (SDG 12) and "Good Health and Well Being" (SDG 3). On the contrary, the goals with less interest are "Quality education" (SDG 4), "Partnerships for the goals" (SDG 17), "Industry, Innovation and Infrastructure" (SDG 9). Anyway, despite the fact that more businesses (in general) are pledging to support the SDGs through their reporting methods (Rosati & Faria, 2019), organizations must put in a lot of effort to aid in the attainment of the SDGs, a problem that GRI hopes to allay by coordinating its standards with the SDGs (Linking the SDGs and the GRI Standards, 2022).

Based on the produced analysis, we can conclude that with the use of the GRI Standard, identifying the SDGs and the areas to which entities give the least (and most) weight is not challenging anymore. However, it is essential for organizations to be transparent and accurate in their reporting, as this allows stakeholders to understand the impact of the organization's activities on sustainability and to hold them accountable for their actions.

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