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Chair of Managing and Financing the transition

The importance of Corporate Social Responsibility (CSR) as a central element in the corporate value chain and how it fits within social inclusion in the Italian NRRP. Best practices from Regenerative Marketing Institute.

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To my family

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INTRODUCTION

In recent years, the global political, social, and economic agenda has seen the growing relevance of sustainability issues as a response to pressing questions about the ecological and social future of the planet and the new generations. The new paradigm calls our economic-social systems to a progressive transition of development models towards sustainability. This transition is in line with the path already launched at the European level as part of the Green New Deal, a commitment defined in the wake of the UN 2030 Agenda and aimed at promoting a new growth strategy aimed at transforming the EU into a just and prosperous society with a modern, resource-efficient, competitive economy that will generate no net greenhouse gas emissions in 2050 and in which economic growth will be decoupled from resource use. Ecological transition, combating climate change and social inclusion are also a cornerstone of the European Next Generation EU (NGEU) program and the Italian NRRP, the community effort promoted by the European Commission for a post-pandemic system revitalization. Sustainability from a company's perspective thus becomes a strategic business imperative capable of driving growth and ensuring long-term value. In this context, organizations are therefore called upon to take a stance toward the management of environmental, social and governance (ESG) issues. One of the main axes of the Italian Recovery and Resilience Plan will concern social inclusion. Through the application of ESG parameters and indices, and the best practices analyzed during my internship at the Regenerative Marketing Institute, we will try to understand how Italy can benefit more from this fundamental theme of the NRRP and, in my opinion, fundamental for the resilience of companies and the community. The theme of the social responsibility of companies is having great importance in recent years, also thanks to what happened after Covid-19 which highlighted the importance of putting the person at the center of the various models again, and in many of the largest companies it has become an integral part of supporting the business. Analyze how the objectives set by the EU can be transferred to companies, investors, and public institutions, using an analysis methodology directed to those who have contributed to the realization of this guide. It will be useful to do so to understand the potential contribution of European regulations directed toward the promotion of sustainable finance and a green ethic. Potential stakeholders may be all asset managers to understand how they intend to transfer this knowledge, to better understand how this knowledge will be transferred to financial professionals first and, to investors late. The revision of different Directives and Regulations that will require financial advisors to integrate their sustainability preferences into their clients' suitability assessment will be analyzed in order to catch the existing legal framework and how to push innovation from here.

1 The Social Issue

1.1 Social factor in supporting Transition

The current scenario calls for a rethinking of strategies related to sustainability, with a focus on the social dimension. Diversity, inclusion, and human capital become important levers for interpreting sustainable development according to new coordinates: both in investment and in the path of companies toward greater social responsibility. Making all this feasible and concrete will require structural reforms for which the European Commission will take the lead in implementing these commitments, outlining a common and shared path among all EU member states. Mainly to mark the energy and digital transition Sustainable Finance, through its various institutions, will be the intermediary for the placement of resources, also supporting the action of supervising the proper use. In this study I will examine the Social dimensions to restart and boost sustainable investments and regeneration projects as leverage for future investment even at the private level, thus reviving an economy damaged and susceptible to the shocks that have affected economies over the past decade. To launch a framework, it will be critical to integrate ESG issues and indices, new policies, best-in-class, and active ownership to build long-term value balancing within social and planetary boundaries. How companies treat their employees, suppliers, and customers are more difficult to measure than performance related to environmental and governance factors. However, not paying attention to the social factor is a mistake, because there seems to be a clear correlation between the management of social factors and stock performance. Employee satisfaction rates are one of the key steps in creating a favorable and more productive work environment, as shown by the Glassdoor model, which over the past 10 years, the stock prices of companies ranked in the top five in Glassdoor's rankings have outperformed companies ranked in the bottom five by more than 6 percent. Glassdoor provides useful quantitative and qualitative data, so it can help open the door to engagement with management on social issues. The model was designed as an expanding window, using 5 million reviews of more than 5,000 publicly traded companies for the time from 2008 to the present. Treating customers well is another social factor that can also have an impact on business performance and make one's reputation and image lasting and constant, which is then translated into loyalty. That said, it is important to consider diversity an important element. Treating employees and customers well is one way that companies are taking the social factor more seriously. The business sector also seems to be paying more attention to social factors. For example, since the beginning of 2020, there has been a sharp increase in the number of times management has mentioned diversity and inclusion in earnings announcements of companies in the MSCI All Country World Index.

Corporate mentions of "diversity"/"inclusion" in earnings disclosures.

Source: MSCI, J.P. Morgan Asset Management. Guide to the Markets – UK. Data at 30 giugno 2021.

Studies have been launched to examine the impact of diversity on corporate performance. A 2018 study by McKinsey found that companies in the highest quartile for gender diversity in executive teams were 21 percent more likely to outperform in profitability and 27 percent more likely to have superior value creation, while companies in the highest quartile for ethnic/cultural diversity in executive teams were 33 percent more likely to be industry leaders in profitability (McKinsey, Delivering through Diversity, january 2019. www.mckinsey.com). Therefore, increased corporate attention to social factors will ultimately be good for productivity, economic growth and, in the long run, corporate profits and stock prices. We believe that investors have much to benefit if the social factor has positive effects on stock market performance.

1.2 Corporate Social Responsibility: a concept evolving over time

“Modernity has failed. A new humanism is needed to save the planet.” Albert Einstein

The prescient social models have encountered great difficulties, often resulting in crises, when faced with major shocks brought about by the events of recent years such as financial, health and environmental crises. As confirmed by leading entrepreneurs and scientists, all of this makes us think that some models need to be revised and that some choices were wrong in the last century. In the corporate sphere we talk about Corporate Social Responsibility (CSR) regarding the willingness and practice on the part of a company to incorporate issues with social and environmental impacts within its decision-making and management system, reduce its impacts on the environment and the territorial context, in a responsible and transparent way, in accordance with National and International legislation, but also capable of going beyond regulatory requirements. The

distinguishing element of CSR is to combine Economic Responsibility with Social Responsibility, which creates tangible and intangible values, for everything around the company. It is based first and foremost on two important considerations: The company is a true generator of employment, and as such it must guarantee its employees the rights to which they are entitled. It must also maintain a stable level of employment to ensure a constant wealth-generating capacity over time. The enterprise must achieve the goal of sustainable economic development, that is, it must be able to use the resources it has at its disposal while avoiding waste. A product, in fact, is not valued solely for its external or functional quality characteristics, but its value is estimated largely for its non-material characteristics, such as the conditions of supply, support and customization services, image and finally the history of the product itself. It is therefore evident how a company's "ethical" commitment has directly entered the so-called value chain, thus prospecting the use of new paths and competitive levers consistent with sustainable development for the community. The commitments summarized in the Charter of CSR Principles proposed by the international ISO 26001 Guideline on Social Responsibility and the main international references on the subject by the OECD, the UN and the European Union (OECD Guidelines, Millennium Development Goals, Enterprise 2020). Regarding transparency and stakeholders operate according to principles and practices of anti-corruption and fair competition, periodically assess the expectations of various stakeholders (employees, customers, suppliers, local community, environment) and promote their dialogue and involvement. Ensure good and proper relations with the chain of suppliers and sub-suppliers. Employee Welfare/Work-Life Reconciliation by promoting equal treatment opportunities for male and female employees and fostering processes of inclusion, including toward those with disabilities. Fostering the development of a safe and caring working environment. Ensure the periodic discussion, listening and active involvement of employees to promote well-being in the company. Realize safe products and services that ensure low environmental impacts and ease in their disposal and/or recovery. Carry out honest sales, marketing and commercialization activities based on communications and messages that are not misleading or deceptive. Activate communication actions and dialogue with consumers in the areas of information management, complaints, and continuous improvement of products/services. Green management of products and processes by preventing and reducing forms of pollution, containing waste production and encouraging recovery and recycling of production waste. Improve energy efficiency in production processes and buildings and use renewable energy to mitigate the effects on climate change. Introduce Eco-Design criteria when launching new products. Help protect the natural systems and biodiversity of the land by using common natural resources sustainably. Relationship with the Local Community and the Territory: Contribute to improving the welfare and social and economic development of the territory by supporting and/or participating in local development initiatives and projects (Schools, Volunteerism, Public Bodies). Help and promote the cultural, historical and identity heritage of the territory and community. Benefits for companies in adopting CSR can include a crescent demand for quality, in terms of processes, products, services, relationships, from consumers-customers, employees, suppliers, and local authorities; Adaptation to international guidelines, business networks, which increasingly require greater integration of environmental and social sustainability. Cross-

cutting innovation in businesses to remain competitive over time; Distinguishing and enhancing one's brand in terms of corporate culture and reputation is a distinguishing element and credibility towards the consumer and an intellectual, professional, relational growth of employees and collaborators, considered as determining elements for business success over time. Investing in the community, therefore, becomes critical to building a lasting and cohesive reputation that leads to improved corporate profitability.

1.3 How EU plans to fund these projects: the Next Generation EU

The European "Recovery Plan" is the European recovery plan designed and funded by the European Commission as the European Union's response to the Covid-19 crisis. The European plan focuses mainly on supporting economic support to member states to prevent the crisis from health crisis from triggering a more serious economic and social crisis for the European Union and its member states. The "Recovery Plan," more appropriately called the "Next Generation EU," was presented by the Commission European Commission in May 2020, approved in its general approach by the Council in July, and approved in final final by the Parliament and Council in February 2021. The Recovery Plan (Next Generation EU) has a total budget of €806.9 and is divided into several pillars and programs. The main program is the Recovery and resilience facility with a budget of €723.6 billion (338 in grants, 385,6 in loans), plus 6 other related programs amounting about €90 billion.

The key step in making this transition in the different areas is to find funds, which institutions will have to manage and distribute, which is far from simple but needs the complicity of all the forces. To mobilise the necessary investments, the Commission is putting forward a two-fold response: Next Generation EU to boost the EU budget with new financing raised on the financial markets for 2021-2024 and to reinforce the long-term budget of the European Union for 2021-2027. A €806,9 billion temporary facility designed to stimulate

a sustainable, even, inclusive, and equitable recovery aimed at ensuring that unforeseen needs can be met, the largest package to stimulate the economy ever funded by the EU. The European Commission's entire initiative is structured around three pillars: Supporting member states for investment and reform, boosting the EU economy by stimulating private investment, and drawing lessons from the Covid-19 crisis. In this context is The National Recovery and Resilience Plan, the tool that outlines the objectives, reforms, and investments that Italy intends to implement using Next Generation EU funds, to mitigate the economic and social impact of the pandemic and make Italy a more equitable, green, and inclusive country with a more competitive, dynamic and innovative economy. A set of actions and interventions designed to overcome the economic and social impact of the pandemic and build a new Italy, equipping it with the necessary tools to face the environmental, technological, and social challenges of today and tomorrow.

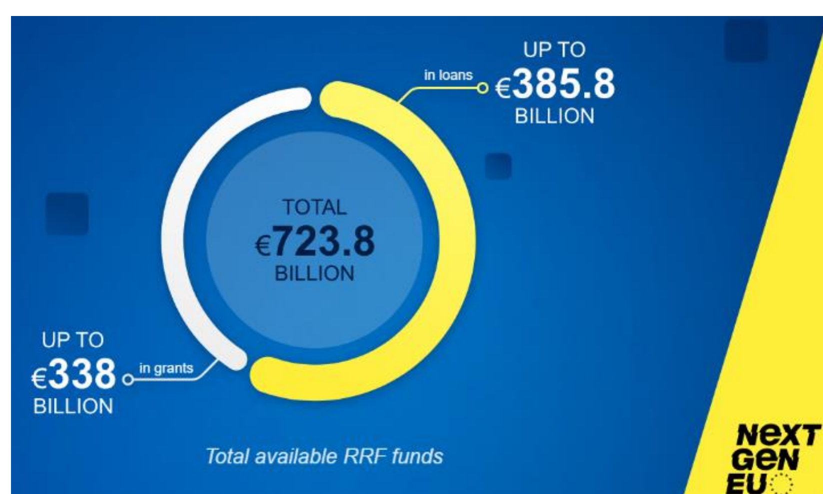

Figure 1- source: EUcommission.eu

The Plan is divided into six Missions, representing structural thematic areas of intervention such as digitalization, innovation, competitiveness, culture, and tourism; green revolution and ecological transition; infrastructure for sustainable mobility; Education and Research; Inclusion and Cohesion; and Health. In order to monitor the quality and quantity of interventions put in place by member countries, the Commission launched the Recovery and Resilience Scoreboard, an online public platform to track progress in implementing the Recovery and Resilience Facility as a whole and individual national recovery and resilience plans. The Recovery and Resilience Scoreboard gives an overview of how the implementation of the Recovery and Resilience Facility (RRF) and the national recovery and resilience plans is progressing. The RRF entered into force in February 2021 to mitigate the economic and social impact of the Covid-19 pandemic. Member States will use the funds provided by the RRF to implement ambitious reforms and investments to make their economies and societies more sustainable, resilient and prepared for the green and digital transitions. About contribution to climate and digital objectives, to accelerate the green and digital transitions, each Member

State must dedicate at least 37% of the expenditures of its recovery and resilience plan (RRP) to measures contributing to climate objectives and at least 20% of the expenditure to digital objectives. The reforms and investments proposed by Member States have exceeded these targets: for the Recovery and Resilience Facility (RRF) as a whole, estimated climate expenditure amounts to about 40% and digital expenditure to about 26%. This means that to access financial aid, each country must submit a plan with those details and parameters provided to the Commission. One of the key objectives of the RRF is to promote social and territorial cohesion and to mitigate the social impact of the crisis. This should also contribute to fighting poverty and tackling unemployment, enabling Member States to rebound while leaving nobody behind. The reforms and investments supported by the RRF should contribute to improving social and territorial infrastructure and services, including social protection and welfare systems, the inclusion of disadvantaged groups, support employment and skills

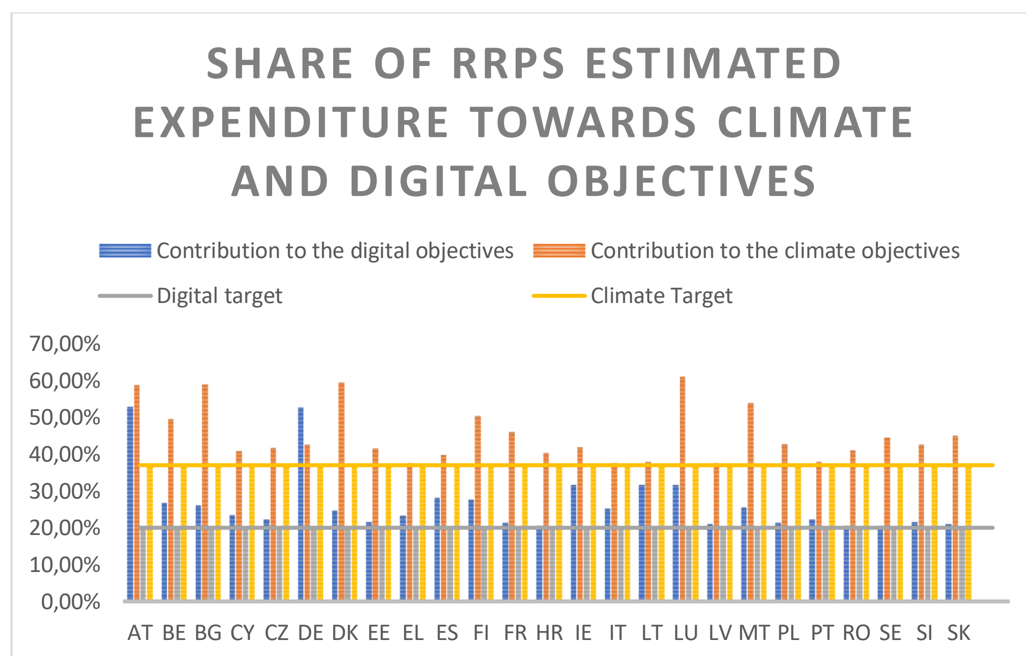

Figure 2- Source: EC.Europa.eu\scoreboard

development, and lead to the creation of high-quality and stable jobs. To date (September 2022) there are 2429 targets and 983 measures in Europe that relate to social and territorial cohesion; of these 4 percent are fulfilled which we recall needing evidence from the member state to receive a positive opinion from the Commission; regarding the targets about 1600 are investments and 800 reforms. Of these expenditures, the plan that received the most expenditures were on land infrastructure and services (about 65 percent); between 5 and 10 percent were the other plans dealing with training and education; social housing and infrastructure; development of rural areas; social protection; modernization and other. The situation in Italy related to the

same period is presented with 257 targets and 86 measures, 7 percent of which are fulfilled; of these targets about 200 are investments and 50 are reforms. Finally, as far as development areas are concerned, they are in line with those of the rest of Europe. This figure shows how Italy implements fewer reforms when it has often been asked to increase the number of reforms; from my point of view, the number of investments must find consistency and justification in the reforms to implement the action plan more effectively. As anticipated before, one of the aims of the RRF is to improve social cohesion and mitigate the social impact of the crisis. The share of social expenditure and the number of reforms and investments in four social categories is the following: 20 % in employment and skills, 33% education and childcare, 33% health and long-term care, and 14% social policies.

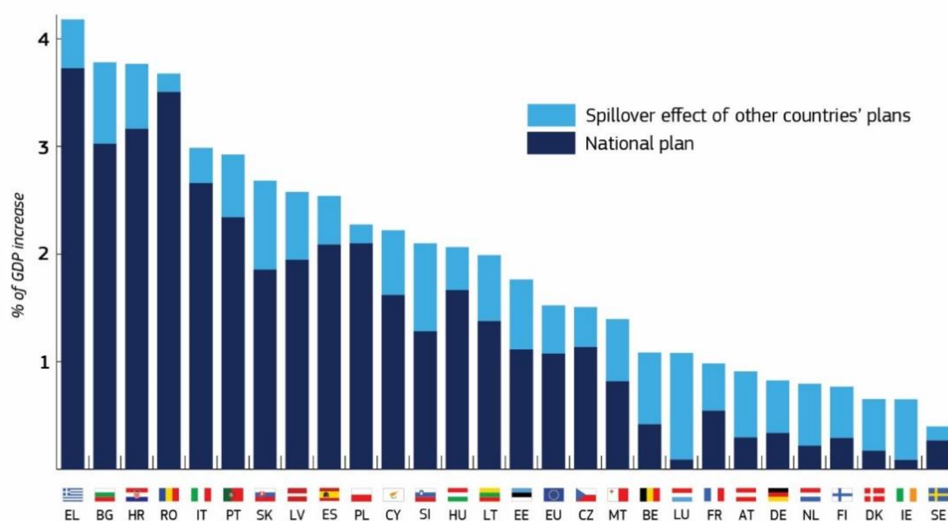

Figure 3- Source: EC.Europa.eu\scoreboard

To finance the program, the European Commission will turn to the financial markets: in fact, the program will be financed by issuing European debt securities often referred to as "eurobonds." Each year, between 2021 and 2026, the Commission will issue bonds worth 150 billion euros, and the funds thus borrowed will be repaid between 2028 and 2058. In addition, among the various financial instruments he may rely on could be the possibility of introducing a Financial Transaction Tax, which has been under discussion since 2008, a financial contribution linked to the corporate sector and a new common corporate tax base.

1.4 Social Inclusion and its role within the Italian NRRP

The pandemic crisis has exacerbated Italy's income, gender, and territorial gaps, demonstrating that a solid and sustained recovery is only possible if the benefits of growth are shared. First, let's clarify that the NRRP

is the document that the Italian government has prepared to illustrate how it intends to manage the 191.5 billion euros from the Next Generation EU, the European Recovery Fund as mentioned above. To get the money from Europe, Italy will have to implement 151 investments and 63 reforms in the plan divided into 6 missions. An investment plan of this size is unprecedented. That is why this is the best opportunity we must overcome the structural weaknesses of our economy, accelerate the digital and environmental transition, and repair the economic damage done by the pandemic and the Ukraine crisis. It will be crucial to overcome the practical aspect, the execution, to which a non-compact government could be a problem. Within this framework, the fifth Mission is aimed at preventing new inequalities from emerging from the current crisis and addressing the deep gaps already in place before the pandemic, to protect the country's social fabric and keep it cohesive. The goal of the Mission is to facilitate labor market participation, including through training, strengthen active labor policies and foster social inclusion. To promote these various missions, the Italian government has allocated about 30 billion euros to be invested in labor policies, social infrastructure, community and special interventions for territorial cohesion. One of the weaknesses of labor in Italy is that of labor mismatch, or the gap between demand and supply of skills between workers and companies. Hence the role of the NRRP to develop human capital and carry out this reskilling to fill that gap in the labor market, especially useful for the digital and energy transition that is the focus of all these plans put in place by the European Union to the member states. To move forward decisively, we need to ensure maximum continuity and principals on meeting milestones and goals of the NRRP; simplify SME's access to funds and calls for digitization with a logic of grant making; and systematically involve the private system to accelerate the implementation of the NRRP, which thanks to the rules of free competition would be able to accelerate several processes that public intervention alone would not do. Important, then, is the initiation of structural reforms and subsequent disbursement of funds in order to pave the way then for private initiatives. Mission 5 of the NRP covers a major cross-cutting role within the NRP, namely supporting gender equality and combating discrimination, increasing youth employment, territorial rebalancing and the development of the South and inland areas. It allocates nearly 20 billion euros for these purposes. Mission 5 has 3 different components.

Regarding employment policies, this measure, with nearly 7 billion budgets, aims to transform the labor market with tools that facilitate labor mobility, improve the employability of workers and raise the level of protections through training. This will be done by encouraging an increase in the quantity and quality of training programs for the unemployed and young people, with investment in re-employment and continuing education for the employed.

Concerning enhancement of the third and social sectors, a fund of 11 billion is dedicated to strengthening the role of territorial social services and family policies, with special reference to children, the elderly and people with disabilities. The goal is to improve protection and inclusion systems for people in extreme marginalization, with investments to have more accessible public and private residences. An additional aspect is the recognition of the role of sports in social inclusion and integration.

Finally, as regards rebalancing and territorial cohesion, this component has nearly 2 billion and will be aimed at strengthening the national strategy in policies for the South and inland areas, with measures to improve the quality of education, health, and social services. Further interventions will concern the economic and social valorization of property confiscated from the mafias and the strengthening of the service infrastructure of Special Economic Zones, to increase competitiveness and attractiveness of the activities present.

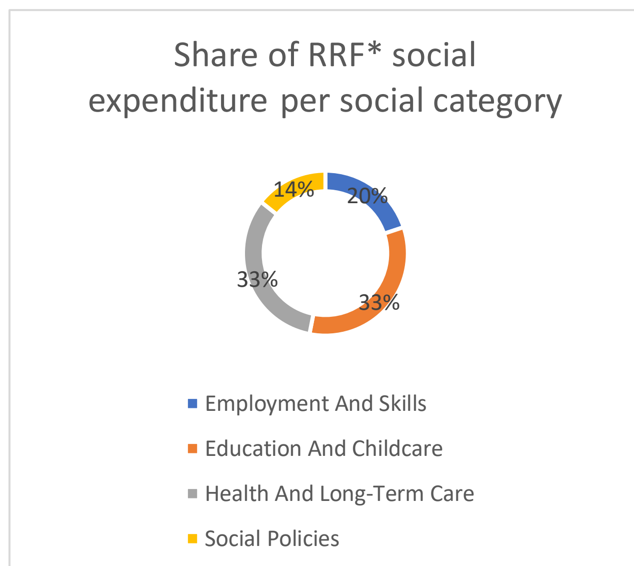

Figure 4 - Source: Eurosif.eu

Numerical scheme of reforms and investments:

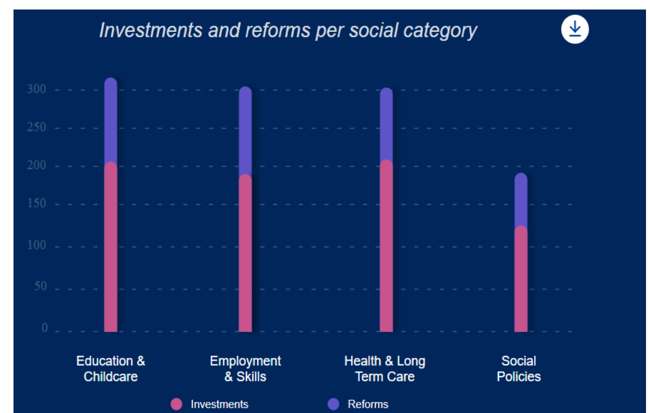

Figure 5 - Source: Eurosif.eu

2 Existing Legal Framework

2.1 EU regulations/directives. EU Taxonomy Regulation, CSRD, SFDR

To understand the potential contribution of European regulations to the growth of the sustainable finance market there is a need for an integrated analysis of the requirements, objectives and implementation timelines of the main regulatory measures already introduced under development. Indeed, to be effective, the regulations promoted by the EU Commission must be coordinated with each other and operate in a harmonious system. Below we will analyze the 3 main regulations and their purposes, which differ in companies by size, financial and non-financial company. The Corporate Sustainability Reporting Directive (CSRD), which provides information on the organization's sustainability characteristics of corporate activities as environmental and social information, pertaining to personnel, respect for human rights and the fight against abuse office and corruption. The Taxonomy Regulation (TR), which provides information about the organization (Art. 8 TR) for non-financial enterprises: Turnover, Capex and Opex aligned to the taxonomy for financial firms: %

alignment to a taxonomy of investments and assets product information (arts. 5 and 6 TR) for art. 8 and art. 9 SFDR products. That invest in environmental objectives: % alignment to taxonomy. The Sustainable Finance Disclosure Regulation (SFDR) provides information on the organization's risks related to ESG factors and impacts on sustainability issues product information data on the integration of risks related to ESG factors and impacts ESG for all products and information specifics for products that promote environmental or social characteristics (art. 8 SFDR) and that have as their objective sustainable investments (art. 9 SFDR). From 1st January 2022 key immediate actions like scoping of products, entities in EU and alignment with existing frameworks have undergone several changes. A key disclosure outputs is enhanced pre contractual disclosure for products and green ratio for annual report and its linkage to SFDR can be summarised by (i)Enhanced disclosures for products in scope of Taxonomy; (ii) Determinate if in scope of Taxonomy: - Art. 6 out of scope / Artt. 8-9 may be in scope; (iii) If in scope, output is ultimately a disclosure on the portion of investments in environmentally sustainable economic activities; (iv)Taxonomy already amends certain provisions of SFDR. Entity disclosure ART. 8 for credits institutions are the following: Green Asset Ratio for loans and advances, debt instruments, equity holdings. A Non-Financial Disclosure paper on core banking products and other KPIs for fees and commissions, off-balance sheet and trading book (Sette, 2022). There is also a classification system to determinate whether an economic activity is environmentally sustainable if:

Does it contribute substantially to one of six defined environmental objectives;

Does it do no significant harm ("DNSH") to any of the other environmental objectives;

Does it comply with a series of minimum social safeguards ("MSS"); (iv)Does it comply with specified performance thresholds known as "technical screening scriteria" ("TSC").

Experts are asking many questions lately and several future keys. There are more and more questions about how to understand whether an investment is sustainable and whether it meets customer preferences. Whether a product or service is aligned with the Taxonomy and through what criteria or methodology; in this regard, some have highlighted the feature of SDFR, Sustainable Finance Disclosure Regulation, that is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants, focusing on Articles 6, 8, 9. Article 6, 8 and 9 funds are the three classifications of investment strategy under the EU's Sustainable Finance Disclosure Regulation. This new set of rules coming into effect from this year will force asset managers to reveal the differing levels of sustainability integration and focus of each investment strategy that they offer. The regulation aims to create a more transparent playing field, partly to prevent greenwashing where some financial firms claim that their products are sustainable when they are not. Under the new classifications, a strategy will be labelled under either Article 6, 8 or 9 of the SFDR:

Article 6 covers funds which do not integrate any kind of sustainability into the investment process and could include stocks currently excluded by ESG funds such as tobacco companies or thermal coal producers. While

these will be allowed to continue to be sold in the EU, provided they are clearly labelled as non-sustainable, they may face considerable marketing difficulties when matched against more sustainable funds.

Article 8, also known as environmental and socially promoting where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

Article 9, also known as 'products targeting sustainable investments', covers products targeting bespoke sustainable investments and applies where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark.

Table 1 Main articles related to sustainability awareness

Entity disclosure	Article 3	Publish on their website information about their policies on the integration of sustainability risks in their investment decision-making process.
-	Article 4	Publish on their websites whether they do consider or not the adverse impacts generated on sustainability factors and the due diligence policies adopted with respect to those impacts.
-	Article 5	Publish on their websites information on how remuneration policies are consistent with the integration of sustainability risks.
Product level disclosure	Article 6	Provide in pre-contractual disclosures information on how sustainability risks are integrated into investment decisions and the impacts of

		sustainability risks on the returns of the financial products.
-	Article 7	Provide in pre-contractual disclosures a clear and reasoned explanation of whether and, if so, how a financial product considers principal adverse impacts on sustainability factors.
-	Article 8	Provide in pre-contractual disclosures and periodic reports information on how the financial product promotes and respects social or environmental characteristics and the methodology used for measuring social and or environmental characteristics.
-	Article 9	Provide in pre-contractual disclosures and periodic reports information on how the financial product contributes to the achievement of the sustainable objective and how the sustainable goal stands out from a traditional market objective.

Several publications and webinars analyzed revealed how investors will intend to use the EU Taxonomy, which can be summarized as follows: (i) Looking for sustainable investment, (ii) Conducting due diligence, (iii) Designing green financial products, (iv) Guiding stewardship activities, (v) Assessing sustainability preferences. The EU taxonomy is a classification system implemented to establishes the criteria for

determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable, an harmonize method for any environmentally activity (Article 1). The EU's determination to push these changes forward makes it clear that it wants to make sustainability the centrepiece of future strategy. This will have a significant impact on all financial market participants by putting ESG positioning at the centre, based on the characteristics of the products/services offered, and to implement a strategy to integrate ESG factors into business and control processes. The taxonomy is a guide (i) for companies, to assess their activities, to define corporate policies with a view to greater environmental sustainability and to report to stakeholders in a more comprehensive and comparable way; (ii) for investors, to integrate sustainability issues into investment policies and to understand the environmental impact of the economic activities in which they invest or may invest; (iii) for public institutions, which can use the taxonomy to define and improve their ecological transition policies (Fattucchi, 2022). Based on NACE (French: Nomenclature statistique des Activités économiques dans la Communauté Européenne), the official industry classification used in the European Union, the TEG has selected a list of economic macro-sectors that are considered relevant in terms of GHG emissions in the EU (approximately 93.5 per cent of European emissions) and that cover a significant percentage of GDP and total employment at the EU-28 level. For each macro sector, the TEG identified a list of eligible activities and subsequently determined the "detailed technical screening criteria" needed to validate whether the economic activities meet the substantial contribution to environmental objectives. Regarding the initial challenges that will emerge in the future, particular emphasis is placed on the current frameworks and their evolution, the criteria decided upon today that may be subject to several variations. Another important aspect will be that of public data for which the idea of building a unique database for all actors is being advanced, especially concerning entities and assets. At the and a degree of uncertainty regarding how certain technical screening criteria should be interpreted. That said, and having overcome the many problems that have arisen since the creation of this framework, not only structural but also due to the Covid-19 pandemic and the Ukraine war, which has seen a shakeup in the energy market and most likely one of the reasons why nuclear energy has become part of the Taxonomy's activities, it must be said that this guide will be the first useful tool for measuring environmental performance through financial instruments.

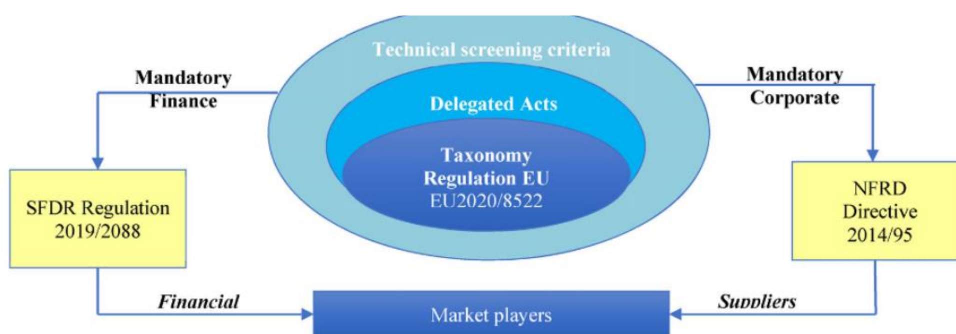

Figure 6 - researchgate\eufinancial regulations and social impact meseurement

Source: EU financial regulations and social impact measurement practices: A comprehensive framework on finance for sustainable development. From (15) (PDF) EU financial regulations and social impact measurement practices: A comprehensive framework on finance for sustainable development (researchgate.net)

2.2 Regulatory frameworks: The corporate sustainability Due Diligence Directive by EU Commission

As a result of the increasing uncertainty and complexity of the environmental system today, CSR due diligence is becoming a central pillar of the economic system's transition to a great level of sustainable development. On the duty of corporate sustainability due diligence, the Commission proposed in February 2022 a directive to investigate the impact of operations and in corporate governance and discuss possible perspectives and evolutions. A widespread awareness of the need for a more sustainable and resilient economic system coupled with the consequences of the COVID-19 pandemic has led to a growth of initiatives and legislation promoting sustainability both domestically and internationally. This determination to adopt new policies for sustainable development has encouraged companies to develop new competitive management models (so-called Triple bottom line Social-Environmental-Financial) aimed not only at achieving profit margins in the short term, but also at meeting the balanced expectations of society and stakeholders in a long-term vision, with the goal of creating socially shared and responsible value so-called Corporate Social Responsibility. Consolidation at the international level between ESG factors and sustainable development came through the adoption of the European Action Plan framework strategy and the European Green Deal, the latter published in 2019 by the European Commission, with a commitment to create new opportunities for innovation, investment and jobs while making Europe the world's first climate-neutral continent; to get there, all 27 EU member states have pledged to reduce net greenhouse gas emissions by at least 55 percent by 2030 (compared to 1990 levels) and to achieve zero emissions by 2050. The adoption of a proposed Directive on Corporate Sustainability Reporting Directive (CSRD) by the European Commission in April 2021 is another milestone on the road to corporate environmental sustainability: in transposition of the European Directive 2014/95/EU (c.d. NFRD), adopted in Italy by Legislative Decree No. 254/2016, the reporting of non-financial information (so-called DNF) is currently "mandatory" for large public interest companies with an average number of employees

employed during the financial year of 500 at the balance sheet date, while it is on a "voluntary" basis for SMEs. The proposed new CSRD directive subsequently modified the current sustainability reporting requirements by extending the scope to "all large European companies regardless of whether they are listed on the stock exchange, with the exception of micro-enterprises," to ensure greater transparency on corporate responsibilities.

Together, this combination of drivers including, the Paris Agreement and the United Nations 2030 Agenda, paved the way for the change represented by, among other things, Corporate Sustainability Due Diligence (Directive No. 2022/0051), the European Commission's new corporate sustainability program published on Feb. 23, 2022, which aims to "advance the green transition and protect human rights in Europe and abroad." This directive will complement the current NFRD and its proposed amendments (CSRD proposal) by adding a substantive obligation for certain companies to exercise due diligence "to detect, prevent, mitigate, and account for external harms from adverse human rights and environmental impacts in the company's own operations," its subsidiaries, and the global value chain, and to terminate actual violations. It will also support the recently enacted "Sustainable Finance Disclosure Regulation (SFDR)," and similarly complement "the recently enacted Taxonomy Regulation," for the realization of a harmonized legal framework in the EU that can "promote sustainable and responsible corporate behavior and anchor human rights and environmental considerations in companies' operations and corporate governance". The purpose of this directive will also be to establish a horizontal framework to promote the contribution of businesses to the respect of human rights and the environment in their operations by identifying, preventing, mitigating environmental impacts and having appropriate governance, management systems and measures in place. This proposal aims to achieve two goals. First, to address the concerns of consumers who do not want to buy products made with the involvement of forced labor or that destroy the environment, for example. Second, to support businesses by providing legal certainty regarding their obligations in the single market. This law will project European values into value chains and do so in a fair and proportionate way. The active duty of due diligence is aimed at preventing potential negative impacts and ending actual negative impacts. Hence, directors are incentivized to contribute to sustainability and climate change mitigation goals through the implementation of prevention/correction action plans, developed in consultation with stakeholders; contractually guaranteed codes of conduct with third-party verified business partners (through audits or industry schemes) and the provision of necessary support to SMEs partners to comply with such codes of conduct; other investments necessary to prevent or end adverse impacts; collaboration with other parties in order to prevent or end adverse impacts; and payment of damages when damage occurs. With reference to the supervisory bodies that will have to enforce what is said in the directive the due diligence rules on corporate sustainability are enforced through the Supervisory Authorities with measures deemed "appropriate" that would lead to administrative sanctions and potentially, when damage has occurred, to civil liability so that victims can obtain compensation for damages resulting from failure to comply with the obligations of the new proposals. At the European level,

the Commission will establish a European network of supervisors that will bring together representatives of national bodies to ensure and facilitate cooperation, coordination and alignment of regulatory practices (investigative, sanctioning and supervisory) of supervisory authorities as well as information sharing among them. The Directive also identifies the duty of care for directors to consider the consequences of their decisions regarding sustainability, human rights, climate change as well as environmental consequences, in the short, medium and long term. The proposed directive aims to ensure that some large companies conduct due diligence in their subsidiaries through the proposition of a clear and consistent regulatory framework (Carpenter, 2022) However, the increasing complexity, as well as the growing fragmentation of national rules on corporate sustainability due diligence, further slows down the adoption of best practices, largely attributable to the lack of common standardization and the lack of reliable or comparable data and information. Going forward, the main challenge will be to identify useful policies to inspire new ways of viewing the role of law in the development of sustainable business practices.

2.3 Sustainable Finance

The EU sustainable finance (SF) refers to the process of taking environmental, social, and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investment in sustainable economic activities and projects, in order to mitigate and adapt climate change, labor and workers relations. Sustainable finance interacts at three stages namely, "at the economy, the financial return and risk trade-off is optimized. At society level, the impact of business and financial decisions on the society is optimized and at environmental level, the environmental impact is optimized. The effects on organizations will be Internal organizational structures, practices, and processes, such as worker relations, pay, and conditions. Another point will be the inclusivity and diversity of the workforce; investment on human capital and communities; internal accountability and good governance; taken account of recycling models and effective use of resources. External organizational effects and outcomes, such as respect for human rights and inequality, acknowledging the climate crisis, and minimizing pollution. Sustainable finance requires a transformation from the conventional finance systems. The transition is barricaded by factors such as, short-termism (consequences of traditional economic activities on the environment and society are usually experienced in the long term, incompatible to the short-term limit induced by the traditional financial systems, and the insufficient private effort. Such a cause can be considerably achieved by the application of principles for responsible investment as guided by UN, long term capitals, equator principles for banks and financial operators. Focusing on sustainable finance with the objectives of the Taxonomy, we can categorise finance into various areas and applications that follow the ESG factors precisely described in the framework, such as i. Environmental finance, which emphasises green finance investment by companies, with the aim of reducing carbon emissions and enhancing the advancement of technology to mitigate environmental challenges. ii. Social finance, which considers the financial consequences of corporate investments that focus on human

stewardship operations and the provision of capital for humanitarian welfare activities in areas such as employment, education and health. iii. Governance finance, focuses on investments in companies by shareholders that comply with internationally recognised standards of worker welfare

2.4 How MiFiD II Review will affect Financial Operators

From the beginning, the Markets in Financial Instruments Directive (MiFID) regulated financial markets in the European Union from November 2007 to January 2018. On January 3, 2018, it was replaced by the MiFID II directive. Originally, the directive aimed to regulate the activities of providing investment services offered by European financial institutions and increase the competitiveness of markets. However, the legislation had several shortcomings, which were highlighted during the financial crisis. MiFID II was introduced to complement the previous legislation and improve the efficiency, transparency, and safety of European financial markets. When MiFID came into force in 2007, the regulations specified requirements for financial firms for collecting more information on the suitability and preparedness of clients regarding trading in certain financial instruments; manage orders in the best interest of clients; ensure greater transparency regarding market conditions with pre- and post-trade information (eg volumes, best ask and bid prices) and ensure the best execution for all client orders. MiFID II succeeded the original MiFID I, incorporating additional protections for investors. MiFID II ensures that regulated platforms are used for trading and algorithms used for high-frequency trading comply with the rules imposed by the directive. Transparency is improved through additional controls of financial markets to coverage virtually assets and professions within the European financial services industry. Starting from August 2, 2022, EU MiFID firms providing investment advice or portfolio management will need to review and modify their suitability assessment procedures and policies in time to consider the requirement for their clients' sustainability preferences. Unlike the financial elements of a suitability assessment, non-financial sustainability preferences will be substantially based on self-assessment, and firms acting as intermediaries will need substantial improvement to develop systems and processes to match products to preferences. Such firms will no doubt welcome further regulatory guidance, particularly where it provides practical suggestions for implementation. The purpose of this review will be to convey the issues to investors, looking for the excellent business opportunities that are there and will develop. The main problem will be to comply in time, and the difficulty lies in finding the data since the official consultation will be published about a month in advance. At background level, In July 2018 the European Commission mandated ESMA (The European Securities and Markets Authority, an independent European Union Authority that contributes to safeguarding the stability of the EU's financial system by enhancing the

protection of investors and promoting stable and orderly financial markets) to provide it with technical advice on changes that should be made to existing measures of MiFID 2 in order to integrate sustainability risks and sustainability factors within these regimes. The adequacy assessment remains one of the most important requirements for investor protection, which is why in January 2022 ESMA published a consultation paper offering three months for market participants to respond. The main areas covered by the updated guidelines concern the collection of information from clients, processes, and systems to ensure suitability, client disclosure, and internal organizational aspects of intermediaries. In addition, they issued a consultation that ended on April 27, 2022 and will be published in the Q3 of 2022; They also intend to consult separately on the product governance changes to MiFID II made as part of the EU ESG framework in August 2021, and these changes come into effect on November 22, 2022. Furthermore, on 12th April 2022 ESMA, established new guidelines (ESMA35-43-3006) and guidance for competent authorities and companies, amending certain articles and aspects of MiFiD II Regulation, The purpose of these guidelines is to clarify the application of certain aspects related to the requirements of appropriateness and mere execution or reception of orders under MiFID II in order to ensure a common, uniform and consistent application of, respectively, Article 25(3) of MiFID II and Articles 55 and 56 of the MiFID II Delegated Regulation. Articles 55 and 56 of the MiFID II Delegated Regulation as well as Article 25(4) and Article 57 of the Delegated Regulation, respectively. With these guidelines, ESMA aims to promote greater convergence in the application of the requirements of appropriateness and mere execution or reception of orders under MiFID II and in supervisory approaches to these requirements, by placing emphasizing several important issues and thereby corroborating existing rules. By helping to ensure that firms comply with the rules, thus expect to strengthen investor protection. With this revision, ESMA has introduced a disclosure requirement that will require financial advisors to integrate their clients' sustainability preferences into their suitability assessment. What was previously suggested to be disclosed or carried out will soon become an obligation for financial operators, with the uncertainty that many data and parameters are not given a vague interpretation, so that it will be difficult to keep track of activities in the future. Below are the most important aspects of the changes resulting from the respective revision of the directive and its general characters.

Guideline 1 concerns information to clients on the purpose of the suitability assessment and its scope ESMA proposed the insertion of a new paragraph to clarify that, as part of the suitability assessment, firms should help clients understand the concept of "sustainability preferences," the different types of products included in the definition of this term, and the choices that need to be made in this context.

Guideline 2 concern the arrangements necessary to understand customers and to know the sustainability preferences of its saver customers.

Guideline 5 covers updating customer information with respect to changes in future regulations and updates to come.

Guideline 7 concerns the arrangements needed to understand investment products, and here ESMA proposes to amend the supporting guideline to ensure that the policies and procedures implemented by firms to understand the characteristics, nature, and features of investment products consider sustainability factors of investment products.

Guideline 8 covers the provisions necessary to ensure the suitability of an investment and clarify that the suitability of the product should be assessed primarily based on the client's knowledge and experience criteria, financial situation and other investment objectives, and sustainability preferences, recognizing that the availability of financial instruments may be limited at that time. Finally, it should be taken into account that the client may have no preference regarding sustainability.

Guideline 10 concerns the costs and benefits of changing investment.

Guideline 11 concerns the qualifications of the firm's staff. Specifically, ESMA's amendment clarifies that firms should provide adequate training to ensure that staff who provide investment advice or information on financial instruments, have the necessary knowledge and skills regarding sustainability preference criteria and are able to explain different aspects to clients in non-technical terms.

Guideline 12 regarding record keeping where firms should keep a record of customer sustainability preferences and any updates to those preferences.

2.5 Effects and developments of the markets

Research and statements by experts in the field made in the early months of 2022, the crucial year for the implementation of the Taxonomy and the related reports to be published, revealed various problems and discussions in this regard. At first, analyzing the infographic of the Taxonomy's objectives, the first two criteria set out are those of Mitigation and Adaption, which have been seen and revised several times by the Commission and companies, and finally published by the European Parliament. It has been decided that it will be up to companies which objectives to choose and pursue, and this has led to some confusion among operators as to which models to follow and which data to refer to. The lack of these has led the Commission and the TEG (Technical Expert Group on Sustainable Finance) to review certain aspects, and for this reason, a series of surveys have been published in recent months to the many stakeholders affected by the Taxonomy such as companies, public and private institutions, ministries, etc., who have experienced no small amount of agitation in this regard. The difficulty is precisely that of starting a new phase completely from scratch and looking for a framework that will get all the States to agree and to be able to use it. In the early months of 2022, most other companies chose Adaptation as their criteria because it was vaguer and easier to achieve. Opinions of other experts have pointed out significant issues or the thresholds for activities. On the investors' side, then the EU taxonomy has the potential to give them more confidence in which companies/assets to invest in. If you mean

corporate CFOs, then the EU taxonomy will probably not have much impact on their work, other than to reinforce the argument that acting "sustainably" will lead to more investment and thus better financial results.

Returning to the respective deadlines by companies and financial operators, 2022 is the year to report the reporting requirements of eligible activities and sectors if covered by the EU Taxonomy. Eligibility is merely an indication that a company makes money in an activity that can be tested under the Taxonomy. It is expected that eligibility will be a much larger value than the alignment reported a year later. While from 1st January 2023, companies and financial operators are due to be aligned in the context of an individual company, taxonomy alignment, is defined as the proportion of a company's revenue that comes from activities that meet the above alignment criteria. In the context of an individual fund or portfolio, alignment is defined as the portfolio-weight weighted average taxonomy alignment of included companies. Indeed, on the side of large companies that need to be financed, the application of the Taxonomy could not only influence strategic business decisions but could also be a powerful incentive to invest in activities aligned with environmentally sustainable growth, in an expected pattern of business model innovations to fill existing technological gaps. It is worth emphasizing that the EU taxonomy offers detailed criteria to unambiguously determine whether an economic activity is environmentally sustainable or not. Therefore, further research should be aimed at measuring the reactions of companies in terms of both reshaping their business models and strengthening their disclosure of environmentally sustainable activities. Subsequent research could also involve analyzing the effect of the application of the taxonomy on the reduction of misclassification or manipulation of information, hidden behind the well-known phenomenon of greenwashing.

On the side of financial market participants offering financial products, the alignment of the taxonomy appears to be a crucial step toward reducing transaction costs and information asymmetries. As relevant market participants begin to comply with regulations, avenues for future research led to empirically testing these points and fully evaluating the effectiveness of this classification system. Indeed, existing studies, and mainly financial market actors, rely on environmental, social, and corporate governance (ESG) indicators as they focus on the environmental factor]. Increasing demand for ESG issues has led to a proliferation of rating offerings; however, their reliability and comparability are questionable, as agencies adopt different methodologies. While our paper applies the EU taxonomy to scientific literature, we believe that a similar procedure, using text analysis, could be applied to companies' financial statements and reports in the future. This qualitative data could complement the quantitative data and be used to measure the company's reported percentage of taxonomy-aligned turnover (or capital expenditure). The result could help to better identify taxonomy-aligned companies, offering a more objective and comparable source of information to construct ratings or scores, thus enriching the scientific debate in economics and finance. Taxonomy will certainly cause several effects on the markets, but not only. A first impact should be on new investments, for example through the European Fund for Strategic Investments (EFSI), which will have to be Taxonomy-aligned. A second

application is to evaluate the performance of an individual company or a portfolio, e.g., of power plants, car fleets or buildings. Examples are decisions to invest in a company's equity, an infrastructure fund, or a real estate fund, to buy bonds issued by a company. The two different use cases of the Taxonomy may influence capital costs of companies through two channels. First, on the project level, firms that invest into projects in line with the Taxonomy may increasingly benefit from public subsidies via national or EU-wide programs. Second, on the company level, firms that fare well in terms of the thresholds set by the Taxonomy may benefit from lower costs of debt. In addition, the EU Taxonomy can be expected to improve the credibility of green bonds relative to existing green bond standards.

How to measure the Social factor

3.1 ESG benchmarks and the SDG's

In this chapter I want to analyze the ESG parameters and highlight that, following a first public initiative, it is up to the private sector to make the various objectives put in place achievable, granting them that space of freedom that allows greater efficiency and classic effectiveness of free competition developed in Western markets. An emblematic case analyzed during my internship at regenerative Marketing Institute (idealized by P. Kotler, C. Sarkar and E. Foglia 2021) is that of Brunello Cucinelli who believed and invested in ESG issues in the last decade and in the year 2022 touched almost one billion in turnover, doubling almost all the profitability indices; a virtuous and visionary example that is leading him to receive worldwide recognition.

Waiting for regulation and authority, similar to those that today supervise the stock markets, today there are several institutes and organizations that recognize companies with different certifications to ensure that their products or services comply under some targets, like in the areas previously discussed such as the B Corp, a standard recognized by a third party that requires companies to respect high social and environmental sustainability performance and to make the score obtained through the B Impact Assessment protocol publicly transparent. Along the path of this growth, a decisive role was played by the definition in 2015 of the United Nations Sustainable Development Goals (SDGs), the set of 17 global sustainability goals summarized in the 2030 Agenda. In addition, the Paris Agreement on climate change, the contents of which were substantially confirmed at the COP26 in Glasgow held in November 2021, has contributed to giving a universal horizon to the efforts of individual organizations. Finally, the Action Plan developed by the European Commission in 2018 has intensively encouraged sustainable investments by integrating environmental, social and good corporate governance criteria as determining factors for capital orientation, risk management and improving transparency in economic and financial activities. The ESG Rating, on the other hand, does not have universally recognized quantitative and qualitative standards, unless we consider the symbolic dates of 2030 for the achievement of the SDGs objectives and 2050 for the zeroing of carbon dioxide emissions as reference thresholds not only for States, but also applicable to the life cycle of companies. To this it must be added that, while for the credit rating there are regulations and authorities such as ESMA (European Securities and Markets Authority) in the case of Europe, there is still none of this for ESG parameters. So much so that ESMA itself urged the European Commission last year to adopt as soon as possible a univocal regulation of ESG Ratings in order to avoid those greenwashing phenomena that could frustrate efforts towards effective sustainability and not a façade. Despite the absence in ESG, at least for the moment, of regulations and supervisory bodies comparable to those that supervise the financial markets, this does not mean that the three macro items that make up the sustainability indices enjoy a broad convergence at international level. In particular: Environmental criteria may include corporate climate policies, energy use, waste, pollution, natural resource conservation, and treatment of animals. The criteria can also help evaluate any environmental risks a company might face and how the company is managing those risks; Social those that concern the internal and

external social impacts of the organization. If the company adheres to suppliers' own ESG standards or if it donates a percentage of its profits to the local community or encourages employees to volunteer there. In addition, if the conditions in the workplace reflect a high regard for the health and safety of employees or take unethical advantage of its customers. Governance standards ensure that a company uses accurate and transparent accounting methods, pursues integrity and diversity in the selection of its leadership, and is accountable to shareholders. ESG investors may require guarantees that companies avoid conflicts of interest in the choice of board members and senior executives, do not use political contributions to obtain preferential treatment, or engage in illegal behaviour. Examples of practice are:

Environmental	(i)Publish a report on carbon or sustainability, (ii)Limit harmful pollutants and chemicals, (iii)Try to reduce greenhouse gas emissions, (iv)Use renewable energy sources.
Social	(i) Operates an ethical supply chain, (ii) Supports LGBTQ rights and encourages diversity, (iii) Has policies to protect against sexual misconduct, (iv) pays fair wages.
Governance	(i) Embraces diversity on the board of directors, (ii) embraces corporate transparency, (iii) Someone other than the CEO is chairman of the board.

While there is substantial unity of opinion on the three ESG factors, the same cannot be said of the ESG rating calculation models available to date. Moreover, this also applies to a highly regulated market such as the financial market, so much so that there are more than one rating agencies operating in this market. With the difference, however, detected through a study conducted a few years ago by the MIT Sloan School of Management, that the correlation of the creditworthiness scores of agencies such as Moody's and S&P is equal to 99%, while that of the agencies specialized in ESG Rating had an average correlation of 61%. Since then, the offer of solutions and platforms that seek to standardize the criteria for the objective definition of sustainability to which companies can adhere has increased. Looking at research from last September, entitled New Tech: Sustainability Management Software, Q3 2021, for example, brought together about forty suppliers who offer digital systems for measuring, analyzing and reporting sustainability indicators related to ESG

parameters. The study starts from the assumption that even the way to comply with non-financial metrics requires advanced tools that facilitate the task of companies that intend to follow it. Among solutions can calculate above all greenhouse gas emissions, others that also manage to integrate social and governance elements, and others still focused on managing operational risks related to health and safety in the workplace.

3.2 Which tools or methods for measuring these factors: SBTi e SDGs

At the public level, as previously reported, the European Commission, through the Scoreboard, intends to measure the actual levels of resources used and evaluate the effects that any investment or reform may have before granting financial resources. Net of what has been said, it is still difficult to really measure the effects of these issues, but there are several projects that aim to promote and better identify these issues such as the United Nations SDGs or the Science Based Targets Initiative (SBTi) which includes 2356 companies from all over the world, belonging to 50 different sectors, between those who have expressed a commitment and those who have already set targets from the point of view of lowering the temperature. While there is substantial unity of opinion on the three ESG factors, the same cannot be said of the ESG rating calculation models available to date. Moreover, this also applies to a highly regulated market such as the financial market, so much so that there are more than one rating agencies operating in this market. Companies that want to obtain a sustainability rating recognized by the widest possible audience must first select, among the rating agencies on the market, those that can boast greater experience in the field. This method, in the absence of specific legislation, must be associated with adherence to communities and networks formed by companies that aim to achieve shared sustainability objectives, in this case the SBTi falls. Different is the speech for the SDGs, their birth dates to 2015 and is well explained on the official website dedicated to them. In summary, these are common objectives that the international community (all 193 UN member countries) has set itself to promote the sustainable development of the planet. There are 17, divided into 169 specific "goals" to be achieved by 2030. They belong to all the countries and individuals of the world and have been made their own by all those who deal with "development" in a broad sense: development cooperation, but also development of their own communities, economic and social development and environmental sustainability. Put together, they cover all areas of intervention of European politics, social action, philanthropy and projects:

Table 2 United Nations Sustainable Development Goals

SDG-1	End poverty in all its forms everywhere
SDG-2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture

SDG-3	Ensure healthy lives and promote well-being for all at all ages
SDG-4	Ensure inclusive and equitable quality education and promote lifelong learning opportunitiesfor all
SDG-5	Achieve gender equality and empower all women and girls
SDG-6	Ensure availability and sustainable management of water and sanitation for all
SDG-7	Ensure access to affordable, reliable, sustainable and modern energy for al
SDG-8	Promote sustained, inclusive and sustainable economic growth, full and productiveemployment and decent work for all
SDG-9	Build resilient infrastructure, promote inclusive and sustainable industrialization and fosterinnovation
SDG-10	Reduce inequality within and among countries
SDG-11	Make cities and human settlements inclusive, safe, resilient and sustainable
SDG-12	Ensure sustainable consumption and production patterns
SDG-13	Take urgent action to combat climate change and its impacts
SDG-14	Conserve and sustainably use the oceans, seas and marine resources for sustainabledevelopment
SDG-15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

SDG-16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
SDG-17	Strengthen the means of implementation and revitalize the global partnership for sustainable development.

However small the contribution provided (each reference must be adapted to the extent of the intervention), talking about SDGs in our projects gives a signal that we know how to look beyond our horizon and that we feel part of a common effort, European and global. What's more, focusing efforts on 17 goals and 169 specific goals has been a great incentive for the entire international community (including the European Union) to identify common indicators and tools to measure the results achieved. This requirement is the same as for those who, in their own small way, prepare a European project and must be able to demonstrate its effectiveness. The Sustainable Development Goals provide excellent ideas for European planning on three levels: they help us to reflect on the strategic framework in which our projects are evaluated and implemented; They help us to identify indicators more effectively to demonstrate the effectiveness of our projects; They help us, through platforms and databases created in the wake of the SDGs, to find data more easily to confirm our hypotheses by comparing our indicators with the existing situation. There are some sources where you can find useful data and information, for example on the Eurostat website which contains interesting half-yearly reports on the status of individual countries, a series of excellent infographics that can be filtered for each of the 17 SDGs and by country, a monitoring portal for the SDGs in Europe with access to data, further infographics and publications and access to detailed data for each SDG. A dissemination page in Italian on the SDGs, provided directly by the Services of the United Nations, as well as various unofficial sites edited by some European networks that identify the same themes but follow different frameworks.

An example of a virtuous company with a sense of community support: Brunello Cucinelli

Always connected with its territory, Brunello Cucinelli, has always integrated principles regarding humanism and sustainability, two themes that intertwine very well in the ESG perspective. In addition to listing key achievements, numbers, and goals there is a whole section on impersonal sustainability. One of the most interesting parts is its focus on 3 sections:

“Our Mother Earth”: great recognition of responsibility to the planet. Special mention to Rule VI: "Our mothers taught us that the art of giving and repair highlights the value of things. John Ruskin said that we must necessarily accept the end of the objects we use, yet we must do our best to make them last longer. This is precisely the purpose of repair, and in our company we have a specific department dedicated to it" responding to the Environmental section thanks to the circularity thinking in the value chain.

“To our kind colleagues”: the focus is really on real colleagues, but especially on next-generation colleagues. Work-life balance, fostering healthy relationships, talent development and culture are other relevant topics. "If our company lasts for centuries, as we hope, this will be the result of the generational change we have always promoted over time." At this point, it is clear how inclusive Cucinelli's participation in Governance is in all respects; we often focus on environmental and social goals, but good corporate governance is indispensable to realize these goals and succeed in creating value.

“To our valued partners”: the importance of suppliers (rather than the supply chain) is highlighted. "We would like your workplaces to be pleasant and welcoming" which primarily responds to the Social category and highlights the importance of ensuring a decent supply chain in all its processes, from first to last.

Of these factors special mention should be made of Governance. Sustainable governance in Brunello Cucinelli is embedded not only in the company but within the person and entrepreneur. In addition, Cucinelli follows, in environmental sustainability, has initiated a plan to reduce "greenhouse" gas emissions by applying the principles of the Science Based Targets Initiative (SBTi). This commitment will lead in the period, in the decade 2019 - 2028, to reduce greenhouse gas emissions by 60% in terms of economic intensity, and in absolute value by 70% for scope 1 and 2 emissions and 22.5% for scope 3 emissions. In order to better understand the three categories by the Greenhouse Gas Protocol.

Scope 1 – All Direct Emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.

Scope 2 – Indirect Emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.

Scope 3 – All Other Indirect Emissions from activities of the organisation, occuring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

Through these goals, the aim will be to decrease externalities by seizing all the opportunities that scientific development offers and trying to transfer this commitment to partners as well and throughout the supply and production chain. The ideas of humanistic capitalism and human sustainability, in fact, represent the guides and foundations of the fashion house where profit, gift, custody, and the dignity of the human person live in mutual enrichment. This means "working and living in harmony with Creation," devoting special attention to the care of human beings, the relationship with the earth and animals, climate and emissions, as the company

has highlighted in the decalogue of "Our ideals of life and work." The healthy and sustainable balance between profit and gift, the ways in which to reconcile work and human privacy, and the desire to repair and reuse are central values for Cucinelli, who has tried to direct the fashion house's activities by following these principles.

Below is a Canva business model in a "regenerative" version, idealised during my internship at Regenerative Marketing Institute, of how Cucinelli interacts with various stakeholders highlighting its ability to be close to all the elements just mentioned: customers, suppliers and the environment. The ethics with which this company marries the various elements in a useful and resilient key for a business that year after year grows at a high rate and becomes an example for future companies.

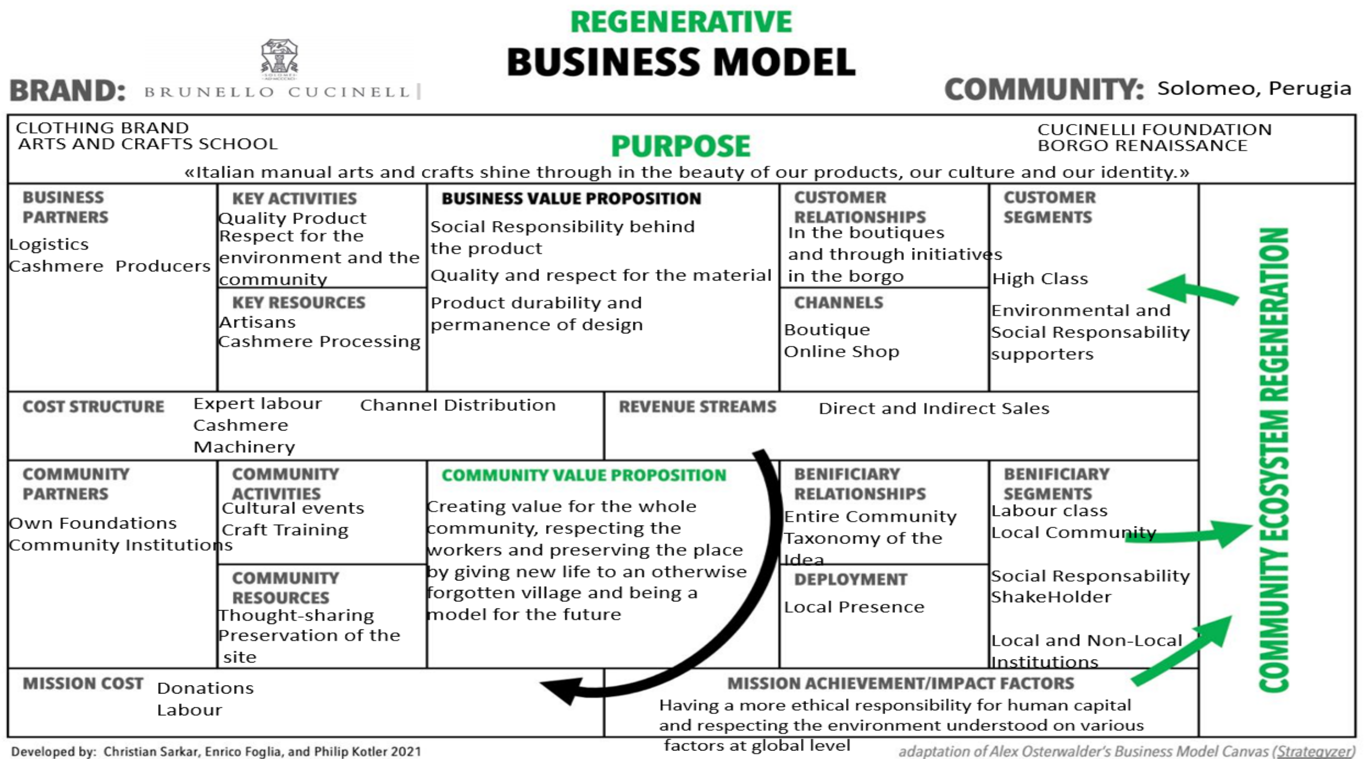

Figure 7 – Socurce: Regenerative Marketing Institute"

4 Remarks and Conclusion

In a period marked by increasingly frequent uncertainties, tracing a clear and precise path could be one of the solutions to find a balance at least in the short to medium term. Having a structured framework that covers almost all the main and best activities, as well as a regulatory framework that follows these reforms and investments hand in hand, can certainly help society, institutions, companies to outline a lasting strategic plan more easily. Using the available technologies and knowledge it will be easier to accurately trace data or maneuvers, emulate best practices in different contexts and different countries where the united European Union must inevitably be at the base of all this. From the observation made it seems clear the intention to continue this path specially to remedy the crises that have occurred over the years. As far as the Italian situation is concerned, through the NRRP there has been a concrete action to what have been the initiatives at European level, as well as the collaboration of the various countries towards a more altruistic perspective, a theme that has often been the subject of criticism by some subjects even with a strong following, and that could hinder their effective realization. In this context, social inclusion and community-based policies play a key role. In a past dominated more by the interest of profit and numbers, stronger and stronger examples of philanthropy and support for the weaker social classes have emerged where the various governments have failed in their missions. At the public level, in fact, there has been a lack of large-scale structural reforms while today the interest has shifted more towards issues related to environmental and social sustainability, decisive elements to achieve the famous energy and digital transition given that these issues are transversal in all senses. We have seen how many private individuals have benefited by investing in these issues before the public sector facilitated practices aimed at improving citizens' lives. It is therefore useful to understand that the common direction outlined by the institutions must be followed by all the actors so as to derive the greatest possible benefit, and that it will not be necessary to limit ourselves to following the reforms but to go further and take initiative spontaneously and individually.

I have also learned from the writing of this research that the transition process can only be realized, beyond having achieved a harmonious framework, after a period that is certainly not short, and therefore that the goals should have extended deadlines and not immediate ones. Not surprisingly, the references are to 2030 or 2050, but they may be subject to change in the future caused by factors more external than internal to what is planned. In this context I would add, because we often hear about it, the practice of greenwashing, which, in my opinion, should not be seen as something negative or inappropriate, but simply as a point of departure and of recognizing, albeit minimally, the contribution that everyone can make. Only from lesser first contributions

will we be able to get to the point where we can give significant help to the transitions we have planned to date. Another important step must be credited to the European Union in having differentiated, through various funds, the various categories, and interventions to support areas and themes that often need different instruments for their effective implementation.

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