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## **Resilient Elegance: ESG, Performance and Strategic Transformation in the Luxury and Made in Italy Industry**

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## Abstract

This thesis addresses one of the most tangled and fascinating issues in contemporary debate: the relationship between sustainability and performance in the luxury and Made in Italy sectors. At its core is the question that has been animating scholars and professionals for years: does the adoption of ESG (Environmental, Social, Governance) criteria really represent a lever for creating lasting value, or does it remain primarily a facade, useful for responding to regulatory and reputational pressures?

To investigate this question, the work moves along several lines. On the one hand, it reconstructs the international and European regulatory framework, from the origins of the concept of sustainable development in the 1987 Brundtland Report, through the Millennium Goals and Agenda 2030, to the Green Deal and the Corporate Sustainability Reporting Directive, which have transformed sustainability into a measurable and increasingly binding criterion. On the other, it explores academic and managerial literature, highlighting how ESG has been interpreted as a tool capable of strengthening reputation, stakeholder trust and organisational resilience, but also as an area marked by ambiguity, measurement difficulties and the risk of greenwashing.

The luxury sector provides a privileged viewpoint from which to analyse these dynamics. Always associated with values such as exclusivity, craftsmanship and prestige, it is now facing new demands for transparency and accountability from increasingly sensitive consumers, investors focused on green capital and institutions that are progressively raising the regulatory bar. Understanding how fashion houses and companies are addressing this transformation means taking a close look at the tension between tradition and innovation, image and substance, long-term strategies and short-term pressures.

To grasp this complexity, the research adopted a qualitative approach, based on interviews with sustainability managers and senior executives, supplemented by secondary sources and a critical analysis of communication practices related to sustainability. It was therefore not just a matter of collecting data, but of questioning the narratives, meanings and organisational choices that accompany ESG in luxury, distinguishing between authentic paths and predominantly symbolic strategies.

The aim is not simply to confirm or deny a correlation. The focus is clear and decisive: to understand if, and how, ESG can transform from narrative to reality, from obligation to strategic choice.

It is in this space that the most interesting tensions emerge: between what is declared and what is achieved, between the urgency to show immediate results and the long-term nature of environmental and social impacts, between the promise of inclusive growth and the risk of “two-speed” sustainability, which separates large international groups from small and medium-sized enterprises.

Ultimately, this work does not aim to provide definitive answers, but to open up critical reflection on a sector that is redefining its identity. Sustainability in luxury today appears to be a field of challenge and opportunity, where the line between authenticity and facade is thin, and where the ability to transform ESG principles into concrete and measurable choices will determine not only the competitiveness of companies, but also the role of Made in Italy in the global landscape.

# INTRODUCTION

In recent decades, sustainability has shifted from being a topic confined to political or ethical debate to becoming an essential strategic factor for businesses. The growing urgency to tackle climate change, international and European regulatory pressure, media attention and the focus of new generations of consumers have made it clear that a company's success can no longer be measured solely by economic and financial indicators, but must also include environmental, social and governance dimensions, summarised in the acronym ESG.

This transformation is particularly relevant in the luxury and Made in Italy sector, traditionally associated with exclusivity, opulence and consumption cycles that could be seen as incompatible with a sustainable approach. Luxury brands are now facing a crucial challenge: on the one hand, maintaining the aura of prestige that defines their positioning; on the other, credibly integrating sustainable practices throughout the value chain in response to increasingly stringent regulatory pressures and the expectations of consumers and investors. The question driving this thesis is therefore whether, and to what extent, the integration of ESG criteria can represent a strategic lever of competitiveness, capable of affecting not only the reputation but also the economic and financial performance of luxury companies.

To address this question, the work begins with an analysis of the regulatory framework and theoretical debate, and then develops qualitative empirical research based on interviews with sustainability managers and senior company executives. The aim is not only to confirm or refute working hypotheses, but also to provide a realistic picture of the dynamics at play, distinguishing between authentic sustainability and superficial practices, often driven more by marketing than by structural transformation.

The thesis is divided into four main chapters, followed by a fifth concluding chapter that summarises and discusses the overall results.

The first chapter provides the historical and regulatory framework. It begins with the 1987 Brundtland Report, which first defined sustainable development as the ability to meet the needs of the present without compromising those of future generations, and ends with the United Nations 2030 Agenda, with its 17 Sustainable Development Goals that have made sustainability a universal and multidimensional language. On this global basis, the European Union has played a driving role, introducing a comprehensive regulatory system in recent years with the Green Deal, the EU Taxonomy, the CSRD, the SFDR and the CS3D, instruments that have transformed sustainability from a voluntary option to a binding requirement for businesses and financial operators. The chapter continues with the discussion of the Italian transposition of these instruments, with Legislative Decree

254/2016 and the Confindustria guidelines, and highlights how these instruments have specific impacts on the luxury and Made in Italy sectors. Two key elements immediately emerge: the push towards standardisation and transparency, but also the risk of “two-speed sustainability”, where large global groups are more ready to respond to the new rules, while artisan SMEs encounter difficulties due to a lack of resources and skills. This chapter therefore does not merely describe the rules, but lays the conceptual groundwork for understanding how they influence managerial decisions and corporate investments.

The second chapter explores the meaning of ESG criteria and the main theoretical and empirical contributions on their impact. While in the past luxury was often associated with unsustainable production models – high energy consumption, use of high-impact materials, opaque supply chains – today regulatory pressure and consumer expectations have transformed sustainability from a reputational choice to a strategic condition for maintaining market relevance. The chapter shows how studies have highlighted a positive correlation between high ESG ratings and better economic and reputational performance, while acknowledging the methodological difficulties associated with measurement. It then analyses the three dimensions of ESG: environmental, with the challenge of carbon neutrality, the circular economy and low-impact technological innovations; social, which addresses the crucial issues of working conditions, human rights, diversity and inclusion; and governance, which concerns transparency, board quality and control systems.

Alongside the benefits, there are also risks such as greenwashing and the fragmentation of reporting frameworks. Ultimately, the main theoretical models that interpret the link between sustainability and performance are introduced: Stakeholder Theory, which highlights the role of social and institutional expectations; the Resource-Based View, which considers sustainability to be an intangible and difficult-to-replicate resource; and the Triple Bottom Line, which calls for the joint assessment of economic, social and environmental dimensions. This chapter therefore provides the theoretical basis for critically interpreting the data and testimonies collected in the empirical section.

The third chapter illustrates the methodology adopted. The research is based on a qualitative approach, considered more suitable for capturing the complexity of the phenomenon than a quantitative analysis alone. However, it opens with an analysis of public data to support the forthcoming one.

After formulating a main hypothesis – according to which the adoption of ESG criteria correlates positively with company performance – and two secondary hypotheses concerning the different impact of the three pillars and the role of strategic integration, the chapter explains the reasons for

choosing semi-structured interviews. These allowed us to explore not only the practices declared, but also motivations, obstacles and internal perceptions, distinguishing between truly integrated approaches and more symbolic practices. The questionnaire covered six thematic areas – environment, social, governance, motivations, barriers, perceived impacts – to ensure a comprehensive analysis. The sample, although limited and not statistically representative, was selected using targeted criteria and included senior figures (sustainability managers, CFOs, executives) able to offer a strategic vision. The value of this chapter is not only methodological, but also lies in clarifying that the aim of the research is not to collect generalisable data, but to build a critical and in-depth picture of the ESG phenomenon in luxury.

The fourth chapter presents the results of the empirical survey and discusses them in light of the hypotheses formulated and the theoretical models introduced. The analysis is not limited to describing the practices adopted, but highlights significant differences between the three ESG dimensions and between types of companies. Attention is paid to the central role of governance as an enabling factor, to the complexity of the social dimension linked to global supply chains, and to the challenges of the environmental dimension, especially in terms of the measurability of impacts. The chapter also shows the divergence between large groups, which adopt a “strategic-driven” approach, and SMEs, which are often more focused on specific and reactive actions, thus outlining the risk of fragmented sustainability. The issue of greenwashing is also addressed, with examples of how communication can sometimes precede real transformation, and the factors that distinguish a genuine commitment from a predominantly cosmetic one are identified. Finally, the section on divergences and critical perspectives brings together the more cautious positions, emphasising that sustainability in luxury is a work in progress, with progress but also contradictions to be resolved.

The fifth chapter concludes the work and aims to summarise the analysis presented in the previous chapters, offering a critical and comprehensive reflection on the role of sustainability in the luxury and Made in Italy sectors. This is not a simple summary, but an interpretative section that connects the results to a broader picture, highlighting the theoretical, practical and strategic implications of the research.

The chapter opens with a discussion of the limitations of the study, necessary to contextualise the evidence and define the interpretative scope of the analysis, followed by a section dedicated to future developments, which suggests avenues of investigation capable of going beyond the boundaries outlined here. The original contribution of the thesis is then outlined, which is both theoretical –

enriching the academic debate – and practical-managerial, offering tools to distinguish between authentic and cosmetic sustainability practices.

Finally, ample space is devoted to operational implications, with particular reference to the need to avoid ‘two-speed sustainability’ and to build a common language that unites large groups and SMEs. The chapter concludes with some best practices and recommendations, which translate the evidence that has emerged into concrete actions and are proposed as guidelines not only for luxury companies, but for all actors in the sustainable transition.

In this sense, this part does not simply conclude the thesis, but projects it into the future, highlighting both critical issues and opportunities, and emphasising the role that sustainability can play as a lever for innovation, competitiveness and responsibility for the luxury sector and for Made in Italy.

# CHAPTER 1

## 1.1. Historical evolution of sustainability in regulation

### 1.1.1 The Brundtland Report and the birth of the concept of sustainable development

In 1987, Gro Harlem Brundtland, former Prime Minister of Norway and chair of the World Commission on Environment and Development (WCED, founded in 1983), presented a landmark report on sustainability, from which it takes its name, which has as its title, and warning, ‘*Our Common Future*’. This initiated a guideline for sustainable development, which is still valid today. The report was created to highlight global “*tipping*” points related to critical global challenges, particularly those linked to poverty, environmental degradation, and unsustainable development practices that had emerged strongly during the 1980s, such as climate change. But what was most focused on was the serious discrepancy between the global South and North: basically, in the global South, extreme poverty and lack of resources prevent people from accessing “*basic*” necessities such as food, water and shelter, generating a vicious circle of vulnerability and environmental degradation. On the other hand, the economically developed countries of the North are the result of unsustainable production and consumption patterns that lead to excessive use of natural resources, resulting in global problems such as climate change, pollution and ecosystem degradation.

From here comes the need to have an integrated strategy, able to combine economic development with environmental sustainability, in order to bridge this gap and introduce a concept that ensures the well-being of future generations. The point of arrival comes precisely from the convergence of these issues, and has a very precise name, “*sustainable development: it is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*”<sup>1</sup>

The core of sustainable development is based on two key principles, the essential needs of these poor populations that must necessarily be under priority observation, and the environmental limits imposed by technology and social organisation itself. The aim is to unite all the different national realities in terms of sustainability and by sharing the same objectives. In particular, it implies the responsible use of resources, renewables used without exceeding regeneration limits, non-renewables consumed in moderation in order to promote the potential development of alternatives. Despite its remote date, the Brundtland Report is still fully applicable today, as many of the issues highlighted in 1987 not only persist, but in some cases have worsened. One of the central issues is

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<sup>1</sup> Brundtland, G. H. (1987). *Our Common Future: Report of the World Commission on Environment and Development*.

the persistence of global inequalities. As already highlighted in the report, sustainable development requires that the basic needs of all are met, but even today millions of people live in extreme poverty, without access to basic resources such as clean water, food and education. This inequality is exacerbated by consumption patterns in the most developed countries, which exceed the regenerative capacity of the planet, increasing pressure on natural resources and causing a further gap between North and South.

Another focal point concerns the relationship between economic development and the environment. Technological and industrial progress has improved the quality of life in many parts of the world, but it has also intensified the exploitation of natural resources, leading to problems such as ‘*climate change, deforestation, pollution and loss of biodiversity*’<sup>2</sup>. As early as 1987, the report warned that unplanned development would undermine the ability of future generations to meet their needs, and today the consequences of this are clearly visible on a global scale. To this purpose, the worldwide community has created tools and tactics based on the principles of the Brundtland Report. The United Nations Agenda 2030's Sustainable Development Goals (SDGs) are seen as one of the most ambitious initiatives to integrate environmental sustainability, economic growth, and social equity. On the other hand, at a regional level, states have also introduced worthwhile measures, such as the European Green Deal, which has a first goal the achievement of climate neutrality by 2050, and the ESG regulations, which impose stricter environmental and social standards on businesses. However, the practical implementation of this measure revealed a tangible commitment from governments, businesses, and citizens, indicating that sustainable development is not just a theoretical concept but rather a consolidated and diffused practice; hence, the international community has developed tools and strategies to integrate sustainability into global policies. In this context, the Sustainable Development Goals (SDGs) of the 2030 Agenda represent a fundamental step towards a more structured and universal approach to sustainability.

### **1.1.2 From the Brundtland Report to the 2030 Agenda: an evolutionary journey**

The legacy of the Brundtland Report has profoundly influenced global sustainability policies, leading to the creation of concrete strategies. In 2000, the Millennium Development Goals (*MDGs*) represented the first structured attempt to address global problems such as poverty, health and education within a defined time frame (2000-2015). However, these goals were often criticised for their *sectoral* approach, unable to fully integrate environmental, social and economic sustainability.

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<sup>2</sup> See *supra note 1*

To overcome this, in 2015 the United Nations adopted the 2030 Agenda for Sustainable Development, a “*global action plan*” articulated in 17 Sustainable Development Goals (SDGs) to be achieved by 2030. These goals represent a significant advance in sustainability governance, since they are not only addressing poverty and hunger, but also climate change, gender equality, responsible consumption and sustainable industrialisation. Unlike the MDGs, primarily aimed at developing countries, the SDGs take a broader, universal approach, involving all nations, industries and social actors in a shared responsibility for sustainability: this shift reflects the necessity of global coordination due to the interconnectedness of these socio-economic challenges.

The 17 Sustainable Development Goals are commonly organized around three overarching pillars, which mirror their multidimensional nature:

1. **Social** sustainability (Goals 1-6): “*poverty eradication (Goal 1), fighting hunger (Goal 2), health and well-being (Goal 3), quality education (Goal 4), gender equality (Goal 5), access to clean water and sanitation (Goal 6)*”.
2. **Economic** sustainability (Goals 7-12): “*clean and affordable energy (Goal 7), decent work and economic growth (Goal 8), sustainable innovation and infrastructure (Goal 9), reducing inequality (Goal 10), sustainable cities and communities (Goal 11), responsible production and consumption (Goal 12)*”.
3. **Environmental** sustainability (Goals 13-17): “*climate action (Goal 13), protection of life under water (Goal 14) and on land (Goal 15), peace, justice and strong institutions (Goal 16), partnership for the goals (Goal 17)*”<sup>3</sup>.

*Example of interconnection: achieving gender equality (Goal 5) is essential to eradicating poverty (Goal 1) and ensuring quality education (Goal 4), while climate action (Goal 13) is directly linked to sustainable production and consumption patterns (Goal 12).*

### ***1.1.2.1 The influence of the 2030 Agenda: international and regional strategies, together with final considerations***

The adoption of SDGs standards has stimulated governments and organizations, as well as all companies now, to reword and adapt their policies, adhering to sustainability.<sup>4</sup>

In particular, at an European level, the European Green Deal is one of the most ambitious initiatives, since the main aim is to achieve climate neutrality by 2050, through strategies targeted at circular economy, sustainable finance and emissions reduction.<sup>5</sup>

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<sup>3</sup> U.N. (n.d.). *Sustainable Development Goals* <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>4</sup> United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development*. United Nations.

<sup>5</sup> European Commission. (2019). *A European Green Deal (COM(2019) 640 final)*.

Further, ESG regulations have gained a central role, especially in the corporate sector, precisely because of their aim of integrating sustainability into business models, hence responding to growing investor and consumer demand for more responsible practices.

Finally, at a national level, there are introduced by governments specific regulations along the same lines as the SDGs, demonstrating and ensuring that sustainability is not only a global commitment, but should be also looked and adopted as a ‘‘local’’ one.

The evolution from the Brundtland Report to the 2030 Agenda highlights the progressive institutionalization of sustainable development as a guiding principle of global governance. The SDGs represent a structured and measurable framework, demonstrating that sustainability is now an operational goal for legislators, companies and civil society<sup>6</sup>.

This transformation has also had a significant impact on European and Italian regulations, which have translated sustainability principles into concrete legal obligations. The following sections will analyse the main European and national regulations, highlighting their role in promoting sustainability and defining the responsibilities of companies and financial operators.

### **1.1.3 The Role of the European Union in the Promotion of Sustainability**

The European Union has played a key role in promoting sustainability both internally and in the context of international relations. Since the 1990s, the EU has progressively integrated the principles of sustainable development into its policies, adopting a structured and coherent approach to promote a greener and more inclusive economy. The following is a synopsis of salient points that will facilitate the analysis to be conducted.

A pivotal moment in this process was the launch of the 2001 European Sustainable Development Strategy, updated in 2006, which was the first step towards the systematic inclusion of sustainable principles in EU policies. These documents laid the foundation for subsequent, more concrete strategies such as the European Green Deal, introducing innovative concepts such as the circular economy and integrated sustainability<sup>7</sup>.

The 2019 European Green Deal represents one of the most significant initiatives of the Union, with the primary goal of reducing greenhouse gas emissions by 2050 and achieving climate neutrality. This goal is pursued through the decarbonisation of key economic sectors – energy, transport, agriculture and industry – and through stringent environmental policies, including tax incentives for renewable energy and penalties for companies that fail to meet climate targets. One of the key

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<sup>6</sup> See *supra* note 3

<sup>7</sup> *EUR-Lex. (n.d.). Environmental protection: sustainable development. European Union*

instruments to achieve these targets is the creation of a carbon market. According to the European Commission, the objective is to transform Europe “*the first climate-neutral continent in the world*”<sup>8</sup>. In support of this, the Fit for 55 legislative package was presented in 2021, which aims to reduce emissions by 55% by 2030 compared to 1990 levels<sup>9</sup>: the package includes regulatory proposals to strengthen laws on energy efficiency, renewable energy, sustainable mobility and waste management. Its implementation will be particularly relevant for the industrial sector, which will have to adapt to new regulations and reduce the environmental impact of its activities.

Another pillar of European sustainable policies is ESG (Environmental, Social, Governance) regulations. The EU has introduced key regulations, such as the Non-Financial Reporting Directive (NFRD) and the more recent Corporate Sustainability Reporting Directive (CSRD), which oblige companies to report on the “*environmental, social and governance impact of their activities*”<sup>10</sup>. These measures promote transparency and encourage more responsible and sustainable business models.

At the international level, the European Union has played a leadership role in multilateral negotiations and in promoting global sustainability. A central example is its participation in the 2015 Paris Agreement, where it played a crucial role in the negotiations and actively engaged in supporting developing countries in their transition to clean energy<sup>11</sup>: this commitment is an integral part of European climate diplomacy.

As mentioned before, the EU is also a key player in the implementation of the UN 2030 Agenda, promoting the Sustainable Development Goals (SDGs) on a global scale. The mainstreaming of the SDGs into European policies has led to the creation of governance mechanisms to guide businesses towards long-term goals, linked not only to economic growth but also to the creation of social value<sup>12</sup>. Finally, the EU has used its influence to integrate sustainability into international trade relations by promoting high environmental standards in agreements with third countries. Through the Green Deal Diplomacy, the EU finances sustainable development projects in developing countries, with a focus on promoting renewable energy and environmental protection.

In the ensuing paragraphs, an exploration will be undertaken of the primary directives and regulations that have been identified as being of particular relevance to the present thesis, which pertains to the domain of luxury and fashion.

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<sup>8</sup> European External Action Service. (n.d.). *EU Green Deal – A global perspective*.

<sup>9</sup> Council of the European Union. (n.d.). *Fit for 55: Delivering the EU’s 2030 climate target on the way to climate neutrality*.

<sup>10</sup> European Commission. (2017). *Commission guidelines on non-financial reporting (methodology for reporting non-financial information)*.

<sup>11</sup> UNFCCC. (n.d.). *The Paris Agreement*. <https://unfccc.int/process-and-meetings/the-paris-agreement>

<sup>12</sup> European Commission. (n.d.). *The EU approach to the Sustainable Development Goals (SDGs) implementation*.

## 1.2. Key ESG reporting regulations in Europe

### 1.2.1 Directive 2014/95/EU on non-financial reporting

In the context of the integration of sustainability into European economic and corporate policies, Directive 2014/95/EU of the European Parliament and of the Council represents one of the key pillars of the regulatory architecture for non-financial reporting. Approved on 22 October 2014, the Directive amends the previous Accounting Directive 2013/34/EU, introducing a requirement for certain large and public-interest companies to prepare and publish a non-financial statement containing relevant information on environmental, social, personnel-related, human rights and anti-corruption and anti-bribery issues<sup>13</sup>. The rationale of the directive is twofold: on the one hand, it is intended to improve the transparency of companies, providing stakeholders, in particular investors, consumers, regulators and civil society, with adequate tools to understand the extra-financial performance of companies. On the other, the intention is to promote sustainability as an integral part of corporate strategy, guiding companies towards responsible, long-term growth models, consistent with European climate and social objectives<sup>14</sup>.

The subjective scope of application of the directive concerns companies that are considered to be “public interest entities” (PIEs) with “more than 500 employees and a balance sheet total of more than EUR 20 million or a net turnover of more than EUR 40 million”<sup>15</sup>. The directive leaves Member States a certain margin of flexibility in transposition, as long as the minimum criteria set at EU level are met.

In detail, the non-financial declaration must contain:

- A description of the business model
- The policies applied with respect to the above issues, including the results of those policies
- The main risks linked to corporate activities encompass managerial, environmental, and social dimensions
- Relevant non-financial performance indicators (KPIs)
- A reference to voluntarily adopted international frameworks (such as GRI Standards, UN Global Compact, ISO 26000, etc.).

The objective of these provisions is not only to address the information requirements of the market, but also to foster a broader culture of corporate responsibility, acknowledging the influence of

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<sup>13</sup> Parlamento Europeo e Consiglio. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014.

<sup>14</sup> European Commission. (2017). Guidelines on non-financial reporting (methodology for reporting non-financial information).

<sup>15</sup> See supra note 12

businesses on the environmental and social systems in which they operate. The importance of the directive is also supported by numerous empirical studies. For example, Eliwa et al. (2021) point out that “*the benefits of ESG disclosure are twofold: it reduces information asymmetry and attracts more investors and lower cost credits*”<sup>16</sup>. Furthermore, as pointed out by Martínez-Ferrero et al. (2015), “*ESG disclosure improves a company's reputation, which further contributes to reducing its cost of capital in the international arena*”<sup>17</sup>. These results confirm how transparency and reporting of sustainable practices not only respond to the growing demand for corporate responsibility, but are also beneficial for companies, helping to strengthen their competitive position in the global market. The European Commission, aware of the initial implementation difficulties, published voluntary guidelines in 2017 to facilitate the interpretation of the directive's requirements, updating them in 2019 to include climate- and sustainability-related aspects, also drawing on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>18</sup>. However, despite its regulatory intentions, Directive 2014/95/EU has shown some significant limitations. These include: the absence of common and binding standards, the excessive discretion left to companies in choosing reporting frameworks, and the difficulty of ensuring comparability, consistency and reliability of the information provided.

The KPMG Survey of Sustainability Reporting 2022 highlighted that “*sustainability reporting grows incrementally with movement towards the use of standards framed by stakeholder materiality assessments*”<sup>19</sup>, emphasising that the adoption of common standards remains a central challenge for improving the quality of ESG reporting. Faced with these critical issues, the Commission initiated a regulatory review process leading to the approval of the Corporate Sustainability Reporting Directive (CSRD) in 2022. The CSRD considerably broadens the scope of application, also including listed SMEs, and introduces mandatory European Sustainability Reporting Standards (ESRS), drafted in cooperation with the European Financial Reporting Advisory Group (EFRAG)<sup>20</sup>. This marks a momentous step towards the standardisation of ESG reporting in the Union.

At the national level, Italy implemented Directive 2014/95/EU through Legislative Decree No. 254 of 30 December 2016, which specifies its concrete application to Italian companies, including ways of preparing the non-financial statement, audit obligations and controls. The Italian decree represented an important turning point in the promotion of sustainability in the corporate sphere,

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<sup>16</sup> Eliwa, Y., Aboud, A., & Saleh, A. (2021). *ESG practices and the cost of debt: Evidence from EU countries*.

<sup>17</sup> Martínez-Ferrero, J., García-Sánchez, I. & Cuadrado-Ballesteros, B. (2013). *Effect of financial reporting quality on sustainability information disclosure*.

<sup>18</sup> European Commission (2019). *Guidelines on reporting climate-related information*.

<sup>19</sup> KPMG International. (2022). *Survey of Sustainability Reporting 2022: Big shifts, small steps*.

<https://assets.kpmg.com/content/dam/kpmg/se/pdf/komm/2022/Global-Survey-of-Sustainability-Reporting-2022.pdf>

<sup>20</sup> European Commission. (2022). *Corporate Sustainability Reporting Directive (CSRD)*.

pushing companies, particularly those listed on the stock exchange, towards greater accountability and transparency in the management of environmental, social and governance factors. The specific details of this legislation will be discussed in the next section.

### **1.2.2 EU Regulation 2020/852 on the taxonomy of sustainable activities**

As already highlighted, the process of institutionalising sustainability within the European Union has led to the development of increasingly articulated regulatory instruments. Among the various initiatives, Regulation (EU) 2020/852 — commonly referred to as the Taxonomy Regulation and adopted in June 2020 — holds a pivotal role, as it constitutes one of the key pillars for implementing the European Green Deal and advancing the Sustainable Development Goals (SDGs).<sup>21</sup>

This regulation introduces a unified classification system to determine which economic activities can be considered environmentally sustainable, with the primary objective of directing public and private capital flows towards truly sustainable initiatives<sup>22</sup>. In this way, the taxonomy addresses one of the main challenges of sustainable finance: the risk of greenwashing, i.e. the misleading presentation of activities as “green” without real environmental benefits<sup>23</sup>. Building on the reporting requirements already introduced by the Non-Financial Reporting Directive (NFRD), the taxonomy defines six environmental objectives: “*climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems*”<sup>24</sup>. For an activity to be considered sustainable, it must contribute significantly to at least one of these objectives, not cause significant harm (DNSH) to others, respect minimum social guarantees (such as those laid down in OECD and UN conventions) and meet the technical screening criteria defined by the European Commission<sup>25</sup>. Furthermore, the taxonomy acts as a normative reference point for companies subject to CSRD, which will have to indicate what percentage of their assets, capital expenditure and operating expenditure is consistent with the criteria set out in the taxonomy. This direct link makes the taxonomy an essential operational tool for sustainability reporting.

The importance of this lies in its ability to provide clarity and transparency to financial markets, guiding investors, companies and regulators in identifying activities consistent with the EU's climate and environmental ambitions. Unlike previous instruments, the taxonomy is legally binding and

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<sup>21</sup> European Union. (2020). Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment

<sup>22</sup> European Commission. (n.d.). EU taxonomy for sustainable activities. [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en)

<sup>23</sup> European Commission. (2018). Action Plan: Financing Sustainable Growth

<sup>24</sup> See supra note 22

<sup>25</sup> European Commission. (2021). FAQ – What is the EU Taxonomy and how will it work in practice? [https://finance.ec.europa.eu/system/files/2021-04/sustainable-finance-taxonomy-faq\\_en.pdf](https://finance.ec.europa.eu/system/files/2021-04/sustainable-finance-taxonomy-faq_en.pdf)

directly applicable in all Member States, providing a powerful tool for realigning capital flows and promoting a harmonised interpretation of sustainability at European level. Furthermore, it works in synergy with other legislative frameworks — such as the Sustainability Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD) — thereby strengthening the EU’s ambition to establish an integrated and consistent sustainability reporting system<sup>26</sup>. In addition to its informative function, the taxonomy has a transformative relevance, as it orientates business decisions and investments towards activities that favour the ecological transition, rewarding the most virtuous companies with greater access to sustainable capital and incentivising the gradual divestment of activities with a high environmental impact.

From a strategic point of view, the regulation prompts companies not only to report on their environmental performance, but also to restructure their operations and investments in accordance with the taxonomy's criteria, encouraging a deeper integration of environmental objectives into governance and long-term planning<sup>27</sup>. From the investors' perspectives, the taxonomy is a key tool for allocating capital towards truly sustainable assets, improving their decision-making capacity and enhancing confidence through shared and standardised criteria.

In the context of this thesis, this represents both a challenge and an opportunity for the fashion and luxury sector. While some fields are more easily classified as sustainable, industries such as the fashion industry—often criticised for their high environmental impact—are now called upon to demonstrate the sustainability of their practices through quantitative and standardised criteria. Fashion companies, in particular, need to consider technical criteria when transitioning to a circular economy. These include product durability, reducing textile waste and improving resource efficiency. This stimulates more innovation, transparency and accountability, promoting circular models, responsible sourcing and low-emission production methods. These implications will be further explored in the following chapters.

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<sup>26</sup> European Union. (2019). *Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector*

<sup>27</sup> European Parliament and Council. (2022). *Directive (EU) 2022/2464 on corporate sustainability reporting*

### 1.2.3 The EU Taxonomy for Sustainable Finance: a new classification system (the six environmental objectives and KPIs: *Turnover, Capex, Opex*)

According to an analysis by BNP Paribas (2021), taxonomy represents a turning point for companies and investors, providing clear criteria for assessing sustainable activities and stimulating greater transparency on investments<sup>28</sup>.

As already explained, the EU Taxonomy represents a regulatory tool to create a common, shared language to identify, in a scientifically founded and comparable way, which economic activities can be considered truly environmentally sustainable.

The principle of “*Do Not Significant Harm*” (DNSH), represents one of the fundamental pillars of the European strategy for the ecological transition in question, with the aim of ensuring that economic growth and investments, even when oriented towards sustainability, do not have negative effects on other critical environmental areas. This principle was formally introduced with Regulation (EU) 2020/852, the Taxonomy, and subsequently also made binding in the context of the Recovery and Resilience Scheme (EU Regulation 2021/241). According to this scheme, only measures consistent with the DNSH principle can be financed within individual national recovery plans. The underlying idea is that true sustainability cannot be sectoral or partial, but must be systemic. This means that an activity must consider the whole, rather than focusing on some objectives and ignoring others, which could lead to other serious environmental consequences. In this context, the Taxonomy of Sustainable Economic Activities provides a consistent technical framework for assessing the environmental sustainability of economic activities. It is based on six priority environmental objectives, against which each activity is analysed in terms of its substantial contribution and compliance with the DNSH principle.

Thus, according to the Article 17 of the Taxonomy Regulation<sup>29</sup>, an activity causes significant harm if:

- to **climate change mitigation**, it leads to significant greenhouse gas emissions;
- to **climate change adaptation**, it leads to a worsening of the negative impacts of current or future climate on the activity itself, people, nature or infrastructure;
- to **sustainable use of water and marine resources**, it compromises the good ecological status of surface, ground or marine water bodies;

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<sup>28</sup> BNP Paribas. (2021, 16 novembre). *The EU Taxonomy: what is the impact for investors and corporates?*  
<https://cib.bnpparibas/the-eu-taxonomy-what-is-the-impact-for-investors-and-corporates/>

<sup>29</sup> European Commission. (2023). *Comunicazione della Commissione — Orientamenti sull'applicazione del principio “non arrecare un danno significativo” a norma del regolamento sulla tassonomia (UE) 2020/852 (2023/C 111/01)*.  
*Gazzetta ufficiale dell'Unione europea*

- to the **transition to a circular economy**, it leads to serious inefficiencies in the use of materials or natural resources (such as non-renewable energy, soil, water), results in a significant increase in waste or involves long-term waste disposal with negative environmental effects;
- to the **pollution prevention and control**, significantly increases pollutant emissions to air, water or soil;
- to the **protection and restoration of biodiversity**, it harms the resilience of ecosystems or the conservation status of habitats and species, including those considered priority at European level.

In order to be considered aligned with the Taxonomy, economic activities must not only substantially contribute to at least one of the six environmental objectives, but must also demonstrate, through an analysis based on detailed technical criteria, that they do not cause significant harm to the other five. Furthermore, they must comply with internationally recognised minimum social guarantees; this integrated approach aims to ensure that the ecological transition is transformative and does not result in harmful side effects or unacceptable environmental trade-offs.

Companies subject to reporting obligations must therefore demonstrate compliance with the DNSH principle through the disclosure of clear, documentable and comparable information, using specific Key Performance Indicators (KPIs) provided for in European legislation: in particular, *Annex I* of Delegated Regulation (EU) 2021/2178 of 6 July 2021, which incorporates the taxonomy, entitled ***FUNDAMENTAL PERFORMANCE INDICATORS (KPIs) OF NON-FINANCIAL UNDERTAKINGS***<sup>30</sup> establishes three key KPIs that measure the degree to which economic activities are aligned with environmental criteria; *turnover*, capital expenditure (*CapEx*) and operating expenditure (*OpEx*). As described in the text, each of them is to be calculated as the ratio between a numerator, referring to the economic activities aligned to the taxonomy, and a denominator, representing the total of the respective business items. In particular:

### ***1.2.3.1 Turnover KPI***

*“The share of turnover referred to in Article 8(2)(a) of Regulation (EU) 2020/852 is calculated as the ratio of the net revenue from the sale of products or the provision of services – including intangible services – related to economic activities aligned to the taxonomy (numerator), to the total net revenue of the enterprise (denominator), as defined in Article 2(5) of Directive 2013/34/EU. In accounting*

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<sup>30</sup> Allegato I del Regolamento delegato (UE) 2021/2178 della Commissione del 6 luglio 2021

terms, the reference turnover is to be determined in accordance with IAS 1 (82) (a) as implemented by Regulation (EC) No. 1126/2008”<sup>31</sup>.

It is important to emphasise that, for the calculation of the KPI, revenues generated by activities that have been adapted to climate change but are not aligned with the taxonomy must be excluded from the numerator. However, there are two exceptions to this rule: such activities can still be included if they are classified as “enabling”, i.e. if they facilitate the ecological transition of other sectors, or if they themselves comply with the alignment criteria set by the regulations.

### ***1.2.3.2 Capital Expenditure KPI (CapEx)***

As stated in *Article 8(2)(b)* of Regulation (EU) 2020/852, it measures the share of investments made in economic activities aligned with the European taxonomy. This indicator is calculated by dividing the numerator, which represents the eligible capital expenditure, by the denominator, which reflects the company's total capital expenditure.

The denominator includes all increases in the value of tangible and intangible assets recorded during the year, before any depreciation, write-downs or revaluations. Increases resulting from business combinations are also included, while changes resulting from fair value measurement are excluded.

In the case of non-financial companies adopting International Financial Reporting Standards (IFRS), capital expenditure must include costs recognised according to the following standards:

- *IAS 16* for PPE (property, plant and equipment);
- *IAS 38* for intangible assets;
- *IAS 40* for investment properties, both in the cost and fair value models;
- *IAS 41* for agricultural assets;
- *IFRS 16* for leasing contracts (applicable solely when they entail the recognition of a right-of-use asset).

Companies applying national accounting standards (GAAP) must include in *CapEx* those costs which, in substantial terms, correspond to those under IFRS. Leases that do not involve the recognition of a right of use, on the other hand, are not to be considered as capital expenditure.

The numerator indicates the share of capital expenditures, included in the denominator, that comply with at least one of the defined conditions:

1. It relates to assets or processes directly associated with economic activities aligned with the taxonomy;

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<sup>31</sup> See *supra note 30*

2. Is part of an investment plan (*CapEx plan*) designed to expand or bring eligible economic activities into taxonomy compliance within a maximum period of five years;
3. It is destined for the purchase of goods or services from economic activities already aligned with the taxonomy, or intended to significantly reduce greenhouse gas emissions (e.g. energy efficiency measures, decarbonisation, etc.), provided that these measures are implemented within 18 months.

For the *CapEx plan* to be considered valid, it must be approved by the company's governing body and published in aggregate form by type of economic activity. If the technical criteria of the taxonomy are updated in the meantime, the company must adapt the plan within two years, with the five-year deadline potentially being extended to a maximum of ten years if justified by objective factors.

In addition, the numerator must account for investments related to climate change adaptation, as outlined in Annex II of the Delegated Climate Regulation. In this case, a clear breakdown of these expenditures must be provided, specifying their contribution to climate adaptation.

### ***1.2.3.3 Operating Expenditures KPI (OpEx)***

Ultimately, this is intended to measure the share of operative expenses that can be attributed to economic activities aligned with the European taxonomy. The calculation of this KPI is done by relating the numerator, which includes eligible operating expenses, to the denominator, which includes all operating expenses relevant to the business.

The denominator corresponds to the total amount of non-capitalised direct costs borne by the company. These include, for example, costs for research and development, building renovation, short-term rents, maintenance and repair activities, as well as all other expenses related to the day-to-day operation of property, plant and equipment. These activities may be performed directly by the company or outsourced to third parties, provided that they are necessary to ensure the proper and continuous operation of the company's assets.

If the non-financial corporation applies national GAAP and does not capitalise assets with right-of-use, the related leasing costs must also be included in operating expenses.

The numerator refers to the share of operating expenses that fulfils at least one of the specified conditions:

1. **Activities directly aligned to the taxonomy:** includes costs associated with goods or processes related to economic activities that are already aligned to the taxonomy. This item also includes personnel training costs and direct research and development costs that have not been capitalised.

2. **CapEx Plan:** includes operating expenses that are part of this investment plan designed to expand activities already aligned with the taxonomy or to bring currently eligible activities into compliance within a defined timeframe, in line with the criteria established in *Section 1.1.2.2* of the Annex.
3. **Purchase of low-emission goods and measures:** includes the purchase of products from taxonomic economic activities and one-off measures that reduce greenhouse gas emissions, such as low-emission building renovations, provided they are implemented and operational within 18 months.

In the calculation of the KPI, research and development costs already included in *CapEx* should not be duplicated in operational expenditure. The numerator must also show the part of the operational expenditure allocated to climate change adaptation, in accordance with Annex II of the Delegated Climate Regulation. To this end, a clear breakdown of costs that contribute substantially to this objective is required.

Finally, there are cases of exemption from the calculation of the numerator of the KPI, i.e. cases where the operating expenses are not relevant for the business model of the non-financial enterprise. In this case, the enterprise must:

- report a numerator equal to zero;
- indicate the total value of the denominator;
- provide an explanation justifying the insignificance of the operating expenses in its business model.

To conclude, these indicators allow investors to understand how much a company is actually involved in sustainable activities and are essential for calculating the alignment of financial portfolios to the taxonomy itself. This reporting mechanism is designed to ensure consistency between the data reported by issuers and the metrics used by financial managers, reducing information asymmetries.

#### **1.2.4 Corporate Sustainability Reporting Directive (CSRD): objectives and novelties compared to NFRD**

The Corporate Sustainability Reporting Directive (CSRD), adopted in December 2022<sup>32</sup>, represents a decisive evolution from the previous Non-Financial Reporting Directive (NFRD), which came into force in 2014. The main objective of the CSRD is to strengthen corporate reporting with regard to sustainability aspects (ESG), increasing the transparency of the information provided by companies

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<sup>32</sup> European Parliament and Council. (2022). Directive (EU) 2022/2464 on corporate sustainability reporting

and improving its comparability on a European level. These changes are part of the transition towards a sustainable economy, supporting the realisation of the objectives of the European Green Deal and the Global Sustainability Goals (SDGs). One of the main innovations of the CSRD compared to the NFRD is the broadening of the scope of application: whereas the NFRD only applied to large public interest companies with at least 500 employees, the CSRD extends the reporting obligation to all large companies (defined as those with more than 250 employees, an annual turnover of more than EUR 50 million, and/or a budget of over EUR 25 million) and to all listed companies, including public entities. This change has a significant impact, as it increases the number of companies subject to sustainable reporting obligations, including those in sectors that were previously not obliged, such as small and medium-sized listed companies: hence, approximately 50,000 listed companies will have to comply with the CSRD, although the initial implementation includes exemptions. All listed companies operating in the EU will have to adopt the CSRD by 2029.

Furthermore, CSRD introduces a much more detailed set of reporting requirements than NFRD: companies must disclose information on their policies, risks and results in relation to environmental, social and governance (ESG) issues, not only on how these issues affect their activities, but also on how their operations affect the environment and society at large. In particular, the NFRD also had significant limitations in respect of stakeholders, in terms of comparability, reliability and coverage of information, thus leading to inconsistent and therefore unhelpful reporting. In this regard, one of the most relevant innovations of CSRD is the formal introduction of the “*double materiality*” principle, which requires companies to report both on how the ESG effects on their financial performance (“*financial materiality*”) and on how corporate activities impact the environment and the (“*impact materiality*”). Furthermore, with the EU's Corporate Sustainability Due Diligence Directive (CSDD), companies are required to demonstrate how they protect human rights and the environment throughout their operations, highlighting that the failure to fulfil these obligations could result in legal “*liabilities*” for these companies. Consequently, the number of environmental and social issues affecting companies' financial performance and guiding investors' decisions is constantly growing.<sup>33</sup>

The orientation towards the adoption of common reporting standards is made concrete by the creation of specific European reporting standards, developed by EFRAG (European Financial Reporting Advisory Group), guarantee both the comparability and the uniformity of the reported information<sup>34</sup>.

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<sup>33</sup> Global Reporting Initiative (2023). *GRI & Double Materiality: Informing the CSRD*.  
<https://www.globalreporting.org/media/rz1jf4bz/gri-double-materiality-final.pdf>

<sup>34</sup> European Commission. (2021). *Proposal for a Directive of the European Parliament and of the Council on corporate sustainability reporting*

In this regard, the European Commission adopted the first European Sustainability Reporting Standards (ESRS) in July 2023, which comprise 12 modules: 2 general standards (ESRS 1 and 2) and 10 thematic standards covering all ESG dimensions. All companies subject to CSRD must apply the first two standards regardless of materiality, while the others apply based on the materiality analysis. Another key innovation introduced by the CSRD is the obligation to obtain external assurance of sustainability disclosures, which was previously optional in the NFRD: companies will have to ensure that the disclosed data is certified by an external auditor in order to increase its credibility and reliability. This step is crucial to counter the risk of greenwashing, i.e. the tendency to present practices as “sustainable” that are not actually so, and to give consumers and investors greater confidence in the reported data<sup>35</sup>. In addition, the CSRD introduces a requirement for external assurance: companies will have to submit their sustainability information to “*limited assurance*” by independent auditors. Starting in 2026, the Commission will consider raising the level to “*reasonable assurance*” and introduce specific assurance standards by 2028<sup>36</sup>.

CSRD does not only impose new reporting rules, but also pushes for greater integration of sustainability issues into corporate governance. Companies will be called upon to integrate ESG issues into their business strategies and decision-making processes. This means that companies will not only have to report on how their activities affect the environment and society, but will also have to justify their corporate policies on sustainability, demonstrating a concrete and structured commitment to reducing their negative impacts<sup>37</sup>. This evolution implies a strengthening of corporate governance: boards will need to develop specific ESG skills, set measurable objectives, and embed sustainability into decision-making processes, adopting stronger internal control mechanisms to ensure the reliability of the data disclosed. In addition, the CSRD requires that all sustainability information be integrated into the annual report and published in a digital XHTML format compliant with ESEF.

In the context of the fashion and luxury industry, which is often criticised for its environmental impact, the introduction of CSRD represents a challenge but also an opportunity. Companies in the sector will have to adapt to much stricter criteria and provide more precise data and information on the sustainability of their practices. This process could stimulate a radical change towards more circular, responsible and low-carbon business models, promoting real and measurable innovation.

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<sup>35</sup> European Union. (2020). Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment

<sup>36</sup> Committee of European Auditing Oversight Bodies. (2024). CEAOB guidelines on limited assurance on sustainability reporting. [https://finance.ec.europa.eu/document/download/8ac2df18-2ae1-4bc7-9d87-a4a740e48f5e\\_en?filename=240930-ceaob-guidelines-limited-assurance-sustainability-reporting\\_en.pdf](https://finance.ec.europa.eu/document/download/8ac2df18-2ae1-4bc7-9d87-a4a740e48f5e_en?filename=240930-ceaob-guidelines-limited-assurance-sustainability-reporting_en.pdf)

<sup>37</sup> European Commission. (2021). Corporate Sustainability Reporting Directive: Key Points. [https://ec.europa.eu/info/2021-12-16-csrd\\_en](https://ec.europa.eu/info/2021-12-16-csrd_en)

## 1.2.5 Regulation 2019/2088 (SFDR) on disclosure requirements for sustainable financial products

Regulation (EU) 2019/2088, known as the Sustainable Finance Disclosure Regulation (SFDR)<sup>38</sup>, is another key element in the European regulatory framework for sustainable finance. This was conceived with the intention of improving transparency regarding the integration of ESG risks into decision-making processes by financial market participants and financial advisors. The SFDR imposes standardised disclosure requirements, both at entity and product level, aimed at addressing the problem of greenwashing, and at promoting a more responsible and comparable investment system among operators. Indeed, it prevents the application of an ESG or sustainability label to a product without due transparency in the process.

The regulation distinguishes financial products into three main categories:

- ‘Article 6’ products integrate environmental, social and governance (ESG) risk considerations into the investment decision-making process, or explain why sustainability risk is not relevant, but do not fulfil the additional criteria of Article 8 or 9 strategies.
- ‘Article 8’ products promote social and/or environmental characteristics and may include sustainable investments, even if these are not their primary objective.
- ‘Article 9’ products have a sustainable investment objective.

According to an analysis published by J.P. Morgan Asset Management<sup>39</sup>, one of the main advantages of the SFDR, is its ability to create a common language among investors, companies and stakeholders, thus facilitating the comparative evaluation of ESG strategies adopted by different actors. The standardisation of information therefore increases investor confidence in sustainable products and makes the composition of declared portfolios aligned with ESG objectives more transparent.

This regulation does not act ‘isolated’, but rather integrates with other European regulatory instruments, particularly the Taxonomy Regulation. For example, market participants are obliged to report the percentage of investments aligned with the Taxonomy (for Articles 8 and 9 products), creating a link between concrete environmental objectives and financial transparency metrics.

In general, the importance of this regulation lies in its focus on channelling capital towards a more sustainable development and helping clients to make more informed – and therefore more sustainable – investment choices. Furthermore, its integration with the Taxonomy provides a cross-cutting

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<sup>38</sup> European Union. (2019). Regolamento (UE) 2019/2088 del Parlamento europeo e del Consiglio dell’Unione europea del 27 novembre 2019 relativo all’informativa sulla sostenibilità nel settore dei servizi finanziari

<sup>39</sup> J.P. Morgan Asset Management. (n.d.). Capire l’SFDR: Cosa sapere sul regolamento europeo sulla finanza sostenibile <https://am.jpmorgan.com/it/it/asset-management/adv/investment-themes/sustainable-investing/understanding-SFDR/>

sustainability culture that can deeply influence the behaviour of financial markets and the strategic structure of companies operating in highly visible sectors, such as luxury. Indeed, in the latter, the adoption of the SFDR and Taxonomy represents a turning point, as luxury brands are now under greater pressure to provide transparent data on the environmental impact of their activities, particularly with regard to resource use, supply chain traceability, and investment in more sustainable materials and processes. In this context, compliance with SFDR criteria and the adoption of environmental KPIs in accordance with Regulation 2021/2178 becomes a real competitive and reputational advantage, as well as a tangible response to the expectations of consumers and investors.

### **1.2.6 Due Diligence Standards for Human Rights and for the Environment (EU 2024/1760 CS3D)**

The Corporate Sustainability Due Diligence Directive (CS3D), adopted in 2024 by the European Parliament (EU Directive 2024/1760), represents one of the most ambitious legislative initiatives in the field of corporate sustainability and corporate social responsibility. It imposes legal obligations on large companies regarding due diligence on human rights (such as forced labour, child exploitation, discrimination) and the environment (such as deforestation, loss of biodiversity, harmful emissions), with the aim of promoting responsible business practices along the entire value chain.

It applies to three main categories of economic subjects:

1. Companies based in the European Union that employ “*at least 1,000 employees and achieve an overall net turnover of 450 million euros or more*”;
2. Companies established outside the European Union (cd. “*third country companies*”) that generate a “*net turnover equal to or greater than 450 million euros*” within the territory of the EU, regardless of the number of employees or total turnover;
3. Parent companies which, although they do not directly meet the thresholds of employees or turnover, exercise control over a group of companies which as a whole meets the criteria laid down in the directive.

The CS3D was created with the intention of filling all possible gaps created over time, introducing legal, clear and binding obligations to prevent, mitigate and correct the negative impacts of business activities on people and environment. Its scope is wide, since it includes not only the direct operating activities of companies, but also those of suppliers, subsidiaries and all other business partners along the entire value chain.

The approach to due diligence is systematic, and is structured in six phases inspired by the OECD framework<sup>40</sup>, aimed at guiding companies in the implementation of effective policies and compliance with international standards: integration of due diligence into business systems, Risk identification and assessment, prevention and mitigation of damage, monitoring the effectiveness of measures taken, public reporting of results, and remediation of identified breaches.

Although the number of companies involved has decreased compared to the initial proposal due to changes such as the exclusion of product disposal in different industrial sectors and all downstream financial sector activities, or the selective targeting of high-impact sectors such as textiles and mining, the legislation remains a fundamental pillar for sustainable development; moreover, it is integrated with other legislation such as CSRD, Taxonomy Regulation, Conflict Minerals Regulation, Human Trafficking Directive (2011/36/EU), the EU Battery Regulation and other European and international instruments such as the Paris Agreement. The importance lies in the fact that the implications for businesses are not only legally relevant, but also strategically important, generating concrete benefits such as reduced risks related to climate change, Strengthening the company's reputation, facilitating access to sustainable capital, and even saving money in the long term. Recent studies have shown that products with ESG characteristics recorded a higher cumulative growth than traditional ones and this effectiveness is also demonstrated by case studies, such as the "*Pollution Prevention Pays*" program of 3M. In addition, many companies are already working to comply: Volkswagen has established a Human Rights Officer; UniCredit has improved supplier qualification systems; Renault has published guidelines for sustainable procurement; Uniper has released a climate transition plan<sup>41</sup>. These examples highlight a positive trend and confirm that compliance is not only a burden, but also a competitive opportunity.

On another hand, in the context of complex industries such as luxury and fashion, which have elaborated and globalized supply chains, the application of CS3D requires a significant adaptation effort. However, companies that can demonstrate transparency and accountability will have a competitive advantage in terms of investor attractiveness, reputation and consumer preferences.

The Directive will be gradually implemented between 2027 and 2029, according to the company's size and organizational structure. Careful planning is required from the outset: resource allocation, management involvement, partner selection and definition of an appropriate data strategy will be key elements to ensure regulatory compliance.

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<sup>40</sup> OECD. (2018). *Guida dell'OCSE sul dovere di diligenza per la condotta d'impresa responsabile*. <https://mneguidelines.oecd.org/Guida-dell-ocse-sul-dovere-di-diligenza-per-la-condotta-d-impresa-responsabile.pdf>

<sup>41</sup> Circularise. (2024, May). *The Corporate Sustainability Due Diligence Directive (CS3D) explained*. <https://www.circularise.com/blogs/the-corporate-sustainability-due-diligence-directive-cs3d-explained>

## 1.3. The Italian regulatory framework: transposition and application

### 1.3.1 Legislative Decree 254/2016: Impacts on Italian companies

Legislative Decree No. 254 of 30 December 2016, published in Official Gazette General Series No. 7 on 10 January 2017 and effective from 25 January, officially transposes Directive 2014/95/EU in the Italian context. It is of fundamental importance for the regulation of non-financial reporting at a national level. It imposes an obligation on Italian companies to draw up an individual or consolidated non-financial declaration (DNF) on an annual basis to provide a comprehensive and understandable overview of the performance and impact of corporate activities with regard to the environment, society, employees, human rights, and the prevention of active and passive corruption.

The decree applies to so-called public interest entities referred to in *Article 16, Paragraph 1* of Legislative Decree No. 30/2010, including listed firms, banks, and insurance companies that, over the financial year, employed on average more than 500 people and surpassed the asset threshold of €20 million or the net income limit of €40 million. This is highly relevant for the luxury sector, as large fashion houses, multinational design groups, and manufacturers of high-end goods all meet these criteria.

As previously mentioned, this decree's importance is reflected in its extra-financial aspects of company performance, as these highlight key indicators of a company's solidity and reputation: issues such as personnel management, respect for human rights, environmental sustainability, and anti-corruption policies thus become a strategic tool of competitive value, particularly in sectors with high public and symbolic exposure. The luxury sector is a prime example of this, as it is increasingly subject to public attention regarding its ESG policies. In fact, we are now in a context where consumers, investors and stakeholders are increasingly demanding more transparency and social responsibility: the DNF therefore allows companies to demonstrate the alignment between economic performance and social and environmental impact, thereby strengthening their market confidence, image and attractiveness.

Let's see in detail the mandatory contents of art. 3:

- The management and organisational business model;
- The policies pursued by the company, including “*due diligence*” procedures;
- The results of the adopted policies, measured by KPIs that assess their effectiveness;
- The main non-financial risks linked to the business activity and, if relevant, to the value chain;
- The international principles, standards or guidelines followed (e.g. GRI, UNGC, ISO 26000).

This statement can be included in the management report or published separately, but must be approved by the board of directors and reviewed by the statutory auditor or a specially appointed

audit firm. CONSOB monitors compliance with these obligations and has the power to impose sanctions in the event of omissions or incorrect or false declarations.

An analysis conducted by KPMG and Nedcommunity on 200 Italian companies<sup>42</sup> confirms what has been said so far, showing how non-financial reporting is increasingly integrated into corporate strategy. 57% of companies refer to the SDGs, of which 89% identify priorities for their business. 50% have delegated ESG issues to an internal board committee (+86% in three years), while 68% have introduced a risk management system that includes non-financial factors (+44% compared to 2017). The number of Structured Sustainability Plans is also growing (+230% compared to 2017), which suggests that the DNF is evolving from mere regulatory compliance into a strategic tool for generating and communicating sustainable value.

### 1.3.2 Confindustria sustainability guidelines

In May 2020, Confindustria published the “*Guidelines for Sustainability Reporting for SMEs*”<sup>43</sup>, a strategic tool designed to help small and medium-sized Italian companies adopt non-financial reporting. This is due to the growing need for an economic and regulatory environment oriented towards sustainability, integrating environmental, social and governance factors into corporate management.

The focal point of these guidelines is the concrete benefits that SMEs can obtain through the disclosure of non-financial information. In particular, the concept of “sustainability-competitiveness” can create value for smaller companies too, representing over 99% of the European entrepreneurial landscape (Cerved, 2018). The many benefits are summarised below:

- Risk assessment and mitigation: analysing and communicating non-financial information enables economic, social, environmental and reputational risks to be identified, prevented and managed more effectively.
- Easier access to relations with the Public Administration: transparent reporting of environmental and social impacts facilitates participation in public tenders, procurements, and institutional projects.
- Better access to credit: the integration of ESG indicators in their own valuation criteria, and thus a well-structured sustainability balance sheet can promote advantageous conditions for access to capital and financing.

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<sup>42</sup> KPMG & Nedcommunity. (2020, dicembre). *Informativa non finanziaria: evoluzione dell’informativa ai sensi del D.Lgs. 254/2016*. KPMG Italia. <https://kpmg.com/it/it/home/insights/2020/12/informativa-extra-finanziaria-d-lgs-254-2016.html>

<sup>43</sup> Confindustria. (2020, maggio). *Linee guida per la rendicontazione di sostenibilità per le PMI*. <https://www.dirittobancario.it/art/rendicontazione-di-sostenibilita-le-pmi-le-linee-guida-di-confindustria/>

- Attracting and retaining talent: a focus on sustainability is more attractive to workers, especially younger ones.
- Development of a sustainable supply chain: the documentation of non-financial performance improves positioning in the supply chain, establishing the company as a reliable partner and responsible supplier.
- Support for stakeholders: transparent communication strengthens dialogue and consensus with all stakeholders, thereby improving the company's social legitimacy.
- Business combination facilitation: sharing sustainability practices and objectives promotes partnerships and synergies with other companies, particularly with regard to innovation and shared growth.
- Reputation and brand image: finally, there is no doubt that sustainability reporting improves a company's public image by building trust and credibility in the market.

These guidelines form part of an evolving regulatory and situational context, with an increasing focus on the transparency and comparability of extra-financial information. As specified in the text, the document is connected with three fundamental tools: the D. Lgs. 254/2016, which provides a framework for Italian legislation and serves as a reference point for these guidelines; the European Commission's Action Plan for financing sustainable growth (2018), which promotes the strengthening of non-financial reporting; and the UN 2030 Agenda's Sustainable Development Goals (SDGs), which are explicitly referenced in the document's information sheets.

However, Confindustria has recently reiterated the need for greater regulatory simplification, particularly for SMEs, emphasising that bureaucracy and regulatory complexity still pose a significant challenge. Indeed, as Vice President for Environmental Transition Lara Ponti herself acknowledges, *“The Omnibus excludes obligations for companies with fewer than 1,000 employees, thereby reducing the bureaucratic burden for many SMEs”*. Despite growing interest — *“60–70% of companies see sustainability as a strategic opportunity”* — the practice is not yet widespread: only *“15% of companies and 10% of family businesses”* actually produce a report<sup>44</sup>.

The main difficulties relate to the fragmentation of the required models and the high cost of adaptation. *“Over a thousand indicators are needed, and entrepreneurs cannot be experts in everything”*<sup>45</sup>, says Ponti, who proposes a lean and gradual standard adapted to the reality of SMEs. Nevertheless, the final message is clear and strong: *“Sustainability is a journey, not a destination. Start with the simplest data and build gradually”*<sup>46</sup>.

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<sup>44</sup> Confindustria. (2025, 31 marzo). Ponti a Repubblica.it <https://www.confindustria.it/news/ponti-a-repubblica-it-sulla-rendicontazione-di-sostenibilita-passi-avanti-ma-serve-ancora-semplificare/>

<sup>45</sup> See supra note 39

<sup>46</sup> See supra note 39

### **1.3.3 *Best practices* in Italy in the Made in Italy sector**

In this context, *best practices* represent those strategies, operating models and management approaches that have proven effective in promoting ESG objectives, generating both economic and reputational value. The luxury sector and, in particular, Made in Italy, is one of the main experimentation laboratories for sustainable innovation: these *best practices* come to combine innovation, social responsibility and a sense of place. Made in Italy is not only a mark of extreme quality, but also a cultural and economic model based on the deep values of craftsmanship, generational continuity and enhancement of human capital. One of the strengths of Italian luxury lies in the ability to combine artisan expertise with sustainable innovation, where creativity becomes a lever for the integration of environmental and social practices within the corporate strategy (Carcano and Lojacono, 2021), which involves establishing long-term relationships with local suppliers, using traceable raw materials, controlling working conditions, and minimising environmental impact. In these cases, the approach is often bespoke, meaning that innovations are calibrated to the specific production and cultural context rather than being standardised. As some studies point out, sustainability is organically integrated into the business model in this sector (Bernardi, Cantù and Cedrola, 2021), particularly among some Italian brands, which view it as an extension of their identity rather than an external constraint.

Another important area is managing generational change, which is essential for survival and growth. If accompanied by a shared vision and appropriate governance tools, generational change can lead to profound renewal without neglecting the original identity (Bussi, Moratti & Galano, 2020). While maintaining the underlying values, the new generations introduce more flexible management models, as well as a fresh approach and orientation towards innovation.

Other *best practices* relate to the adoption of sustainability measurement and communication tools: these include ESG reports, certification systems, environmental labels and circular economy projects. This communicative transparency, combined with authentic storytelling, is an essential tool for building trusting relationships with stakeholders and consumers, who are becoming more attentive and demanding.

The valorisation of human capital and training is also of great importance, as are investments in internal programmes to raise awareness of sustainability and collaborations with academic institutions and start-ups. This openness enables traditional practices to be infused with new ideas, thereby encouraging innovation and creating a virtuous ecosystem in which craftsmanship merges with technological expertise and an ethical vision.

Finally, digitalisation is undoubtedly emerging as an enabler: it must be stressed that the introduction of advanced computer systems is not merely for automation, but to promote sustainable efficiency, control the supply chain and personalise the offer.

As mentioned previously, and as we will analyse in more detail later on, luxury companies that have successfully integrated sustainable practices tend to be more productive, attractive to young talent and resilient in the market. Therefore, attention to sustainability is not just a regulatory obligation or a matter of reputational pressure; it is also a real strategic lever for investment and the creation of lasting value, as well as a distinctive element in its own right.

## **1.4. Regulatory implications in the Luxury, Fashion and Made in Italy sectors: obligations and opportunities**

### **1.4.1 ESG reporting requirements for SMEs and large companies**

In this context, Italy has transposed the European directives in line with the Community guidelines, placing itself among the countries promoting an organic integration between sustainability and corporate responsibility. As discussed in the previous paragraphs, the growing focus on sustainability has led to a structural review of corporate reporting requirements, culminating in the adoption of the Corporate Sustainability Reporting Directive (CSRD), effective in January 2023. It is therefore recalled that the present legislation extends and replaces the previous Directive 2014/95/EU (NFRD), thus representing a breakthrough in the regulation of ESG transparency. This is achieved by the introduction of more detailed reporting requirements and a significant extension of the scope of undertakings subject to this framework.

Hence, the situation in Italy remains largely unchanged from the previously discussed points: the CSRD establishes that the obligation of non-financial reporting applies primarily to large companies, identified as those which, for two consecutive years, meet at least two of the following three criteria, a balance sheet total of more than EUR 20 million, net turnover of more than EUR 40 million or an annual average of more than 250 employees. In light of these realities, the sustainability budget becomes a mandatory, articulated and binding instrument, aimed at reporting in a clear, verifiable and standardized way, a series of indicators related to environmental impacts, climate issues, use of natural resources, respect for human rights, working conditions, governance arrangements and anti-corruption measures. Furthermore, such information must be certified by an accredited external auditor to ensure the reliability and comparability of the data reported. On the other hand the regulatory framework, for small and medium-sized enterprises (SMEs), which constitute the backbone of Italy's production system, is currently less binding but still evolving rapidly: the CSRD

represents a substantial innovation in this context, as it introduces ESG reporting requirements for listed companies, but in a streamlined manner compared to the requirements for larger entities. For instance, the number of indicators to be monitored is reduced, there is less complexity for reporting standards and a time scale in the implementation of obligations. Unlisted SMEs, conversely, remain excluded from direct obligations at this time, but still indirectly involved. This is due to two factors: firstly, there is an increasing participation in value chains where partners require certified ESG data, secondly, in many cases, access to soft funding or EU funds – particularly those linked to the ecological transition – is conditional on demonstrating concrete commitments to sustainability. Fenwick et al. (2023) point out that for many SMEs sustainability is gradually taking on a strategic dimension rather than just a regulatory obligation, becoming a central element in building resilient and competitive business models. The adoption of ESG practices, according to the authors, promotes not only access to capital and markets, but also the creation of shared value with stakeholders, thanks to greater transparency and trust. However, they also recognise the challenges SMEs face, in particular the lack of dedicated resources, specific skills and adequate institutional support, which can make compliance burdensome. The Guidelines for SME sustainability reporting developed by Confindustria (2020), previously analysed, also point in this direction, underlining the importance of a proportionate and gradual approach. Bielawska (2022) confirms this perspective, highlighting the benefits that SMEs can derive from socially responsible activity, such as improving their corporate image, customer loyalty and the attraction of talents. However, a balanced and contextualised approach is warned against, in order to avoid disproportionate burdens that could compromise the economic viability of the company itself. In this regard, the main difficulty lies in balancing regulatory and market pressure on the one hand and the internal capacities of SMEs on the other. This challenge is linked to a broader reflection by Gürlevük (2024), which analyses the impact of the European regulatory framework on SMEs, highlighting how, although it is true that there are operational barriers and compliance costs, the adoption of ESG reporting can become a strategic lever to access new forms of financing, improve relations with stakeholders and increase management efficiency. Moreover, he stresses that the success of such a transition requires an adequate support ecosystem, made up of public policies, digital tools and accessible reporting models.

In this sense, a number of international frameworks and initiatives have been developed to support SMEs in the process of integrating sustainability into business models. For instance, the Global Reporting Initiative (GRI), has developed a set of simplified standards designed specifically for SMEs, offering a modular and accessible guide that allows any organisation, regardless of size or sector, to identify, manage and communicate in a transparent manner its own impacts and ESG issues: the structure is articulated in Universal, Sectoral and Thematic Standards, facilitating a flexible but

comparable reporting<sup>47</sup>. Likewise, the International Sustainability Standards Board (ISSB) elaborates disclosure standards through a modular and scalable methodology. This enables the level of detail and complexity of ESG indicators to be adapted to the size and operational capacity of companies, thereby facilitating greater accessibility and applicability for SMEs<sup>48</sup>.

In light of this, other studies, such as D'Angiò et al. (2024), propose a simplified framework of ESG indicators built on the needs of SMEs, with a focus on materiality, economic feasibility and management utility: these tools, which are adaptable to local and sectoral contexts, are designed to transform reporting from a mere bureaucratic task into a strategic opportunity to enhance transparency, stakeholder confidence and the competitiveness of the company. From this standpoint, sustainability is no longer regarded as a regulatory constraint; rather, it is recognised as a driving force for innovation, resilience and attractiveness, in alignment with the demands of a progressively ESG-conscious market. This approach is especially appropriate for contexts such as Made in Italy, where production chains are highly fragmented but are culturally oriented towards quality and social responsibility.

In conclusion, although the regulatory framework clearly distinguishes between large companies and SMEs, the desirable direction is a convergence of intent: In both cases, sustainability should evolve from formal fulfilment to strategic leverage for innovation and competitiveness. However, a more subtle yet crucial question remains in the background: to what extent are these practices an expression of rooted values, and not merely tools of opportunity?

#### **1.4.2 Challenges and opportunities for the Luxury and Made in Italy sector**

In view of the findings, it is possible to identify a series of challenges and opportunities that characterise companies operating in the luxury and Made in Italy sectors, especially with regard to the integration of sustainability into business models and reporting processes. In particular, as has been demonstrated, small and medium-sized enterprises are facing increasing regulatory and market pressure for greater ESG transparency, but do not always have the resources, the skills or organisational structures necessary to fully comply with international standards. The main barriers identified in the literature include financial obstacles, cognitive and technological limitations, organisational difficulties, regulatory constraints and socio-environmental barriers (Setyaningsih et al., 2024). Nonetheless, in sectors characterised by high symbolic and value content, such as the one under review, the adoption of sustainable practices can represent a strategic opportunity: these serve

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<sup>47</sup> GRI (2022). *GRI Standards for SMEs*: <https://www.globalreporting.org/standards/>

<sup>48</sup> IFRS Foundation. (2024). *International Sustainability Standards Board (ISSB)*: <https://www.ifrs.org/groups/international-sustainability-standards-board/>

to strengthen an organisation's identity, improve its reputation, and respond to an increasing demand for ethical and responsible products. Prominent luxury *maisons*, including Gucci, Prada and Burberry, in addition to conglomerates such as Kering and LVMH, have long been integrating ESG principles into their corporate strategies, adopting recycled materials, investing in traceable supply chains and launching high-impact communication initiatives, able to combine innovation, responsibility and brand positioning: Gucci has launched a line of products known as "*Off The Grid*", which are manufactured using recycled and organic materials, setting itself the objective of achieving carbon neutrality by 2030. Prada has developed a project named "Re-Nylon", which involves the use of regenerated nylon derived from reclaimed materials. Burberry has committed to achieving carbon neutrality by 2040 and has eliminated the use of furs. Kering, with its Environmental, Social and Governance (ESG) framework, utilises the Environmental, Social and Governance (ESG) impact measurement tool to guide its *maisons* towards ambitious sustainability goals (cf. Gucci). Finally, LVMH, through its LIFE 360 programme, invests in renewable energy and ecological materials, promoting projects for biodiversity.

As posited by Kaur et al. (2024), the establishment of an authentic brand purpose that is in alignment with ESG values constitutes a pivotal competitive advantage within the contemporary luxury market, as well as a particularly effective approach in responding to the needs of new generations of consumers, more attentive to environmental and social issues and inclined to reward brands that demonstrate consistency and transparency throughout the product life cycle.

Another important aspect concerns the possibility of transforming sustainability from mere regulatory compliance to a competitive and cultural lever. In this sense, the concept of "sustainable luxury" is evolving towards forms of conscious luxury, where craftsmanship, quality, durability and respect for the environment become integrated elements in a single brand story. This model is in alignment with the founding principles of Made in Italy, where manufacturing excellence and territorial rootedness are combined with a responsible and long-term oriented identity (Kapferer & Michaut-Denizeau, 2020).

It is therefore evident that, if supported by appropriate tools, consistent public policies and accessible reporting models, SMEs can also benefit tangibly from the integration of sustainability. This can be seen in terms of access to finance and markets, but also in building a competitive advantage based on shared values, continuous innovation and trusting relationships with stakeholders. The main challenge remains, as mentioned above, to balance regulatory pressures and market expectations with the real operational capabilities of companies, so that sustainability becomes a path of concrete transformation and not a mere formal exercise.

## CHAPTER 2

### 2.1. ESG Criteria: fundamental concepts

#### 2.1.1 Definition and role of ESG criteria in the business context

In recent years, the growing focus on environmental, social and governance issues has significantly influenced the luxury sector. Traditionally, the luxury fashion sector is not immediately associated with sustainability, but rather with excess: energy consumption, pollution and waste of resources<sup>49</sup>. However, pressure from stakeholders and new generations of consumers regarding climate change has made it essential for companies to adopt and anticipate ESG practices. These have thus become a crucial reference point for assessing a company's environmental, social and governance impact. Luxury companies must adopt increasingly responsible practices in order to respond to these emerging demands. The crux of this lies in the consequences of implementation: improved brand perception, enhanced customer loyalty and increased business competitiveness. The luxury sector not only has the potential to positively influence consumer behaviour, but can also serve as an excellent example for the entire fashion industry; sustainability is no longer considered merely an ethical lever, but a real strategy for gaining a competitive advantage and enabling companies to navigate an ever-changing market effectively. For this reason, we can see that the concept of luxury itself is undergoing a transformation: while it remains synonymous with exclusivity and opulence, it is also redefining itself in terms of sustainability. According to recent studies, this market is worth over 58 billion dollars and is expected to grow at an annual rate of 9.75%, reaching almost 93 billion by 2029<sup>50</sup>.

The topic of sustainability in luxury has been the subject of much research, with a focus on the impact of ESG initiatives on consumer behaviour and corporate financial performance. Although the scientific literature on the subject is still limited, there is increasing evidence that the adoption of sustainable policies not only promotes compliance with the Sustainable Development Goals (SDGs) of the 2030 Agenda, but also enables companies to address systemic risks more effectively, such as environmental crises and economic instability. In particular, luxury companies must recognise the central role of ESG criteria also from a financial perspective, to attract investors, improve the transparency of their operations and identify strategic areas for improvement<sup>51</sup>. According to the BoF-McKinsey State of Fashion 2024 Executive Survey, the word most frequently used by fashion

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<sup>49</sup> P. Olatubosun, E. Charles, & T. Omoyele, *Rethinking Luxury Brands and Sustainable Fashion Business Models in a risk society*. *Journal of Design, Business & Society*. (2021).

<sup>50</sup> Statista. (n.d.). *Luxury goods – worldwide* <https://www.statista.com/outlook/emo/luxury-goods/worldwide>

<sup>51</sup> Jin, Y. (2024). *The effectiveness of ESG and sustainability on luxury brand*. *Transactions on Economics, Business and Management Research*, 13, Warwick Evans Publishing.

industry executives is ‘uncertainty’, thus the reflection of economic tensions and climate change challenges. The increase in extreme weather events in 2023 has put further pressure on companies, forcing them to strengthen their resilience. In the absence of concrete action, it is estimated that the industry could suffer losses of up to USD 65 billion in clothing exports by 2030; meanwhile, consumer environmental awareness is steadily growing. As the public demands more transparency and accountability from brands, companies must adapt by reviewing their production and communication models. In particular, there has been a growing attraction to younger consumers since the post-pandemic phase, namely Generation Z (18–24 years old) and Generation Y (25–39 years old). These two generations alone will account for more than two-thirds of luxury goods buyers by 2025. These new generations place a strong emphasis on environmental and social issues, incorporating these values into their purchasing decisions. In order to meet these expectations, luxury brands are rethinking their policies and integrating sustainability and innovation into their business models in multiple ways:

- Conscious choice of raw materials, preferably natural, organic, recycled and certified. The use of organic cotton, ethical silk and FSC viscose reduces environmental impact while promoting quality and durability.
- Use of innovative materials with low environmental impact, such as vegetable skins derived from apples, mushrooms, leaves or pineapples, produced with closed-loop technologies that reduce water consumption and CO<sub>2</sub> emissions.
- Advancement of circular fashion by promoting fabric reuse and recycling.
- Adoption of sustainable technologies that reduce emissions, minimise waste and optimise water use, to ensure more efficient production processes.
- Social responsibility and an ethical commitment that translates into support for social projects, respect for workers' rights, the promotion of local crafts, and philanthropic initiatives.
- Use of renewable energy sources, such as wind, solar, geothermal, hydroelectric and biomass, to power production facilities.
- Experimentation with emerging technologies, including 3D printing, artificial intelligence, and biotech textiles, to help reduce waste and improve the traceability of materials.

Naturally, adopting these practices also raises critical issues. Production costs are higher, which affects pricing policies. Significant investments in traceability and compliance are also required to truly integrate sustainability throughout the supply chain. Furthermore, preserving brand exclusivity is challenging in a context that demands greater accessibility and transparency. Despite these difficulties, the integration of ESG criteria now appears to be an essential condition for remaining

relevant and combining craftsmanship excellence, social responsibility, and sustainable innovation. Being sustainable is no longer optional, but a strategic imperative.

### **2.1.2 Connection between sustainability and corporate profitability**

In more detail, the analysis in question aims to assess the effectiveness with which the aforementioned factors implement corporate profitability.

Several studies show that companies with high ESG ratings tend to benefit from a lower cost of capital, in terms of both debt and equity, due to increased investor confidence and a perceived reduction in risk. According to Spiliakos (2018), the adoption of sustainable practices can improve economic performance while strengthening public support and creating a lasting competitive advantage. Moreover, in particular, the study by Aydoğmuş, Gülay and Ergun (2022) published in the Borsa Istanbul Review represents an in-depth quantitative analysis of the impact of ESG performance on firm value and profitability. Using an international dataset of listed companies, the research is based on standard indicators such as Tobin's Q (a measure of market value versus book value) and return on assets (ROA), thus addressing two key dimensions of financial performance. The key findings are as follows:

1. **ESG combined score:** found to be “*positively and significantly related to enterprise value*” (Tobin's Q).
2. **Social and Governance dimensions:** found to have a significant and positive impact on the same value indicator (Tobin's Q).
3. **Environmental dimension:** surprisingly, it does not show a significant correlation with market value, suggesting that reputational and strategic benefits may manifest themselves in other ways.

In contrast, all three ESG components are significantly and positively associated with corporate profitability (ROA).

In other words, this analysis shows that, firstly, ESG performance tends to increase the market value of companies, mainly due to the governmental and social components, and secondly, internal profitability benefits from all ESG practices, including environmental sustainability. These results reinforce the idea that investments in ESG are not just about compliance or reputation; they actually translate into measurable economic performance recognised by both the market (Tobin's Q) and internally (ROA). Therefore, we can conclude that sustainability is not only an ethical or reputational imperative, but also a tangible means of creating economic value with concrete impacts on brand

equity and image. Indeed, customers implicitly expect luxury brands to be sustainable, although sustainability is not always a primary consideration when purchasing goods.

According to other authors, such as Kapferer and Michaut (2015), citing Gardetti and Torres (2014), sustainable development has now become a crucial issue for luxury companies. This is because brand reputation — which is crucial for price positioning and perceived value — is particularly vulnerable in a context where public opinion is paying increasing attention to social and environmental responsibility. Confirming this, Francois-Henri Pinault, CEO of the Kering group, stated that an approach based on sustainability can be a lever to generate new sources of revenue and build a long-term competitive advantage.

Another relevant aspect is the circular economy. In response to the growing demand for durable, reusable or reconditioned products, many luxury companies are investing in reselling, second-hand, and closed-loop production models. Although such initiatives are initially more costly, they generate long-term savings and allow greater resilience against global crises. This was evident in the post-Covid period, when sustainable companies showed greater resilience. While luxury and sustainability may initially appear to be incompatible, the negative impact on market value associated with sustainability diminishes as sustainability becomes the norm. Based on the information presented, it appears that strong ESG performance can lead to increased profitability. This hypothesis will be tested in the following chapter.

## **2.2. Insight into the three ESG Pillars**

### **2.2.1 Environment**

#### *CO<sub>2</sub> emissions management and carbon neutrality*

The environmental component of the ESG strategy is an increasingly relevant dimension for luxury companies. Growing regulatory pressure, consumer sensitivity and global climate urgency have prompted many maisons to reconsider their commitment in this regard, redefining their production, procurement and distribution methods to be more sustainable. In particular, the key areas that will be analysed concern CO<sub>2</sub> and carbon neutrality, the circular economy with waste reduction and the adoption of green innovations (such as sustainable materials and low-impact production processes). One of the most ambitious environmental goals today is to achieve carbon neutrality — balancing emissions produced with those removed or offset throughout the entire product life cycle. This goal is particularly challenging for the luxury sector, which is characterised by long, global and often difficult-to-track value chains.

The “*Greenhouse Gas Protocol*”<sup>52</sup> aids this process. It is a set of standards and tools developed by the World Resources Institute and the World Business Council for Sustainable Development (WBCSD), to measure and manage greenhouse gas emissions arising from operations in both the public and private sectors, including value chains and associated mitigation strategies. Specifically, emissions are classified into three *Scopes*:

- **Scope 1:** Direct emissions from sources that are directly owned or controlled by companies or production facilities;
- **Scope 2:** Indirect emissions related to energy consumption that are created indirectly through purchased energy;
- **Scope 3:** Indirect emissions that occur along the entire value chain, including suppliers, transport, product use and end-of-life.

The principal greenhouse gases—such as carbon dioxide, methane, and nitrous oxide—retain heat within the Earth’s atmosphere, thereby contributing to global warming. Rising temperatures are responsible for various environmental problems, including an increase in extreme weather events, rising sea levels, and the loss of biodiversity. The US Environmental Protection Agency (EPA) states that human activities such as burning fossil fuels to produce energy are the main cause of climate change<sup>53</sup>. Reports by the Intergovernmental Panel on Climate Change (IPCC) state that urgent action is required to keep global warming below 1.5 °C (2.7 °F) compared to pre-industrial levels<sup>54</sup>.

In the case of luxury companies, Scope 3 emissions frequently represent more than 90% of their total emissions, primarily because of intricate global supply chains, the use of refined raw materials, and extensive distribution networks. For companies such as the Kering Group, over 95% of the total environmental impact is attributable to Scope 3 emissions, primarily in the outsourced sourcing and production phases. The group was one of the pioneers in developing the “*Environmental Profit & Loss Account (EP&L)*”, an environmental accounting system that quantifies impacts along the entire production chain. It is defined as: “*a new way to develop our activity while preserving natural resources*”<sup>55</sup>. Burberry has committed to becoming climate beneficial by 2040, going beyond neutrality through investments in regenerative projects<sup>56</sup>. Chanel, on the other hand, has issued a

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<sup>52</sup> World Resources Institute & World Business Council for Sustainable Development. (2004). *The Greenhouse Gas Protocol: A corporate accounting and reporting standard* <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>53</sup> United States Environmental Protection Agency. (n.d.). *Frequently asked questions about climate change*. <https://www.epa.gov/climatechange-science/frequently-asked-questions-about-climate-change#scientific-consensus>

<sup>54</sup> Intergovernmental Panel on Climate Change. (2023). *AR6 Synthesis Report: Climate change 2023* <https://www.ipcc.ch/assessment-report/ar6/>

<sup>55</sup> Kering. (n.d.). *What is an EP&L?* <https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/what-is-an-ep-l/>

<sup>56</sup> Burberry. (2021). *Burberry: Beyond Climate Positive 2040* <https://www.burberryplc.com/content/dam/burberryplc/corporate/documents/impact/impact-documents/climate-positive-2040.pdf>

sustainability-linked bond worth EUR 600 million, the interest rate of which is linked to the achievement of verifiable environmental targets<sup>57</sup>. Further empirical confirmation of the effectiveness of such strategies comes from the recent study by Zhang, Iqbal and Shahzad (2024), who examined the role of ESG investments in the transition to zero net emissions. According to their analysis, companies that integrate ESG strategies and natural capital - such as forests, water and biodiversity - demonstrate a greater capacity to reduce total emissions. In particular, integrating these practices stimulates the adoption of low-carbon technologies, accelerates the use of renewable energy (through instruments such as Power Purchase Agreements), and enables more effective offsetting through certified environmental projects. These actions are not merely responses to external pressure; they are genuine instruments of strategic innovation. Commitment to carbon neutrality entails financial benefits, such as reduced operating costs and regulatory risks, as well as reputational and competitive advantages, including improved consumer perception and the ability to differentiate in the market. It is clear, therefore, that the path towards carbon neutrality requires an integrated vision involving governance, technological innovation, sustainable finance, and relations with stakeholders and suppliers.

It is not simply about minimizing negative environmental impacts, but about renewing and reshaping the enterprise as a whole.

### *Circular Economy and Waste Reduction*

Another crucial aspect of the analysis, mentioned earlier, concerns the circular economy. This is understood as a regenerative model that aims to reduce the consumption of virgin resources and extend the life cycle of products through reuse, repair, recycling and resale. Today, it is arguably one of the most relevant strategic levers for reducing the environmental impact of producing luxury goods. Consider, for example, the numerous luxury resale platforms, such as Vestiaire Collective, which aims to provide a global marketplace for pre-owned luxury products, with the declared objective of promoting more responsible and sustainable consumption, while enhancing the uniqueness and quality of the articles. This boom in the high-end second-hand market thus reflects the growing interest in sustainable and circular luxury. Not only third-party platforms, but also brands are incorporating circularity into their strategies by selling pre-owned or second-hand collections directly on their official platforms. Hugo Boss, for example, has a Pre-Loved section on its website. This is because material waste, overproduction and rapid obsolescence represent significant critical issues in

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<sup>57</sup> Chanel. (2024). Sustainability Report FY2023 <https://www.chanel.com/puls-img/1730888036332-chanelslbupdatefy2023pdf.pdf>

the fashion and luxury system. It is interesting to look at the issue from another point of view, the operational one, where circular economy translates into advanced practices of sustainable and regenerative design, which therefore start from the product conception phase. This involves rethinking the creative process to take into account modularity, ease of disassembly, and the selection of single-component or compatible materials to facilitate end-of-life recycling or reuse in new production cycles. This approach, known as “*Ecodesign*”<sup>58</sup>, considers not only the aesthetics and functionality of the product, but also its environmental resilience throughout its life cycle. A notable example of this is the use of regenerated, certified or compostable materials, which is being increasingly adopted by brands such as Stella McCartney and Gucci Off The Grid. Their products are designed to be fully recyclable or easily repaired, drastically reducing waste. However, it is necessary to mention another transformative element that has increased in importance alongside the ever-growing technological advances in the adoption of traceability technologies. In order to achieve greater transparency for customers and empower stakeholders throughout the supply chain, tools such as dynamic QR codes, RFID and blockchain-based systems have been designed to provide detailed information on the origin of raw materials, production processes, emissions associated with each stage and the overall environmental impact. In particular, Saberi et al. (2019) point out that integrating blockchain into supply chain systems promotes sustainable and verifiable management of value chains thanks to immutable data and decentralised information, increasing reliability. This is even more evident in the textile and clothing industry, where digital traceability is often the only way to credibly verify the sustainable origin of materials and ensure a closed product cycle. In this sense, Agrawal et al. (2021) show how a blockchain framework applied to fashion allows not only to map the various phases of a garment’s life cycle, but also to identify and reduce waste, fraud and greenwashing, helping to build a truly effective circular economy.

In parallel, the introduction of the so-called Digital Product Passport (DPP) represents a crucial regulatory and technological breakthrough in this context. These digital passports, provided for in the Action Plan for the Circular Economy and formalised by the recent Sustainable Products Regulation (SPR) introduced by the European Commission, is designed to guarantee full and standardised traceability of product information across the entire life cycle. The DPP contains detailed information on the product's composition, the origin of its materials, its production method, its environmental impact, its repairability and recyclability, and its end-of-life. While the mandatory adoption of this tool within the next few years poses an operational challenge for luxury companies, at the same time, it offers companies a valuable chance to stand out in a market that is becoming ever more focused on

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<sup>58</sup> European Commission. (2024). *Ecodesign for sustainable products regulation*. [https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/ecodesign-sustainable-products-regulation\\_en](https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/ecodesign-sustainable-products-regulation_en)

transparency and environmental responsibility. Thanks to the DPP, consumers will have direct and immediate access to reliable, verifiable information, overcoming greenwashing phenomena and improving the perception of the brand as genuinely sustainable.

### *Green innovations in the fashion industry*

From what has been said so far, it can be concluded that environmental innovations play a key strategic role in reshaping the current landscape of the fashion world. In this sense, green innovations are primarily realised through the development and use of regenerated and natural fibres, alongside innovative production processes that maximise the recycling and regeneration of raw materials.

In-depth research by Al-Den et al. (2023) has identified a number of sustainable innovations, particularly in materials. A notable example is the use of textile fibres obtained from the recycling of plastic materials, particularly PET bottles, which are transformed into high-quality fabrics. This innovative solution not only reduces plastic pollution, but also provides an alternative and sustainable source of raw material for the textile industry, therefore meeting the growing demand from luxury brands for transparency and traceability, in a moment which consumers are increasingly attentive to environmental issues.

Meanwhile, research into and use of regenerated natural fibres, such as hemp, flax, bamboo and nettle, is ongoing, with these fibres taking on a central role due to their technical and ecological properties. These fibres, compared to traditional crops, require less water and pesticides, with clear environmental benefits throughout the life cycle, reflecting sustainability not only in the raw material but also in the agricultural process and textile production. In addition, innovations in chemical recycling are opening up new possibilities for recovering and regenerating fibres from end-of-life textiles, garments and industrial waste. This allows us to close the product lifecycle and reduce our dependence on virgin resources. Although these technologies are still in development, they represent a promising frontier for achieving sustainability across the entire textile industry. There are also eco-friendly dyeing and finishing processes, with reduced use of harmful chemicals and lower consumption of resources such as water and energy. Using natural dyes and low-impact finishing techniques contributes significantly to reducing the ecological footprint of the final product. Finally, there is still the issue of sustainable design, through the application of principles of modularity, repairability and upgradeability. These elements extend the product's lifespan, limit waste production, and reinforce the notion of responsible luxury, where quality, aesthetics, and environmental awareness are combined. As mentioned earlier, Many luxury brands have already taken this innovative approach. Gucci, for instance, has developed collections made with regenerated

and sustainable materials, including sneakers made from recycled polyurethane and the *Off The Grid* line, which uses regenerated ECONYL® nylon derived from marine litter. Stella McCartney, a long-time pioneer of sustainability in luxury, uses certified organic cotton and regenerated fibres, and is actively working on low-impact production processes, paying particular attention to the entire supply chain. Burberry has introduced programmes to reduce textile waste and transform waste materials into new products, focusing on innovations that combine aesthetics and sustainability.

## 2.2.2 Social

### *Working conditions and human rights in Luxury supply chains*

The protection of human rights and working conditions along the supply chain is another fundamental aspect of any business, as well as one of the most critical and debated challenges of the entire social dimension of ESG. While many brands nowadays focus on sustainability, recycling and renewable materials, not all of them address working conditions or the treatment of workers. According to the International Labour Organization (ILO), about 75 million workers were directly or indirectly employed in global production chains in 2021, representing more than 25% of total employment in countries such as Thailand, Vietnam, and Singapore<sup>59</sup>: these figures confirm that a significant proportion of the global workforce is employed in the textile and fashion industries, which has a significant impact on working conditions. At a macro level, Global South countries provided around 91% of the total working hours required for global production in 2021, yet received less than 50% of the economic output generated by this work<sup>60</sup>. Indeed, even in districts located in advanced countries, workers are often involved in opaque subcontracting, receiving low wages for working excessive hours without regular contracts. Unsurprisingly, investigations in the textile district of Prato have revealed exploitative conditions related to subcontractors employed by luxury brands. Fortunately, however, there are also many examples of brands that are actively committed to respecting workers by adopting ethical codes and social audit programmes. Once again, the Kering group stands out, having formalised a “*Human Rights Policy*” integrated into its Environmental Profit & Loss Account, supported by internal controls, specific audits for salary conditions and safety, and due diligence, which includes analysis of the working climate in subcontractors. Chanel, a giant in the industry, has also introduced unscheduled audits and collaborations with NGOs (e.g. the Fair Labor Association)

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<sup>59</sup> International Labour Organization (ILO). (2022). *Decent work in global supply chains*.

<sup>60</sup> Hickel, J., Hanbury Lemos, M., & Barbour, F. (2024). *Unequal exchange of labour in the world economy*

and local governments to improve workers' conditions, particularly in sensitive agricultural sectors such as the rose industry in Turkey. These are just two examples, but more and more companies rely on international standards such as the SA8000 or the OECD guidelines on Responsible Business Conduct, which define strict criteria for respect of human rights, safety at work and freedom of trade union association.

Another approach is the use of digital technologies such as blockchain-based data blocks and advanced supply chain mapping. These technologies are being presented as vital tools for tackling one of the most serious structural issues in contemporary luxury fashion: a lack of transparency in the initial stages of the supply chain where hidden exploitation often occurs.

As Badhwar, Islam and Tan (2023) point out, blockchain technology enables the creation of decentralised, immutable records that can be shared by multiple stakeholders in the supply chain. These can contain detailed information on the origin of materials, the location of suppliers, working conditions, environmental certifications, and practices. This enables continuous, verifiable traceability that is independent of brands' unilateral control, thus reducing the “grey areas” in which exploitation, child labour or unsafe conditions can lurk. The study particularly highlights that blockchain can be applied in the fashion industry at both the macro level (mapping and auditing the global supply chain) and the micro level (tracking the life of each individual garment or raw material). This dual perspective is particularly effective for luxury brands, where the complexity of the supply chain — often spanning multiple countries in the Global South — makes it difficult to exercise systemic control through traditional tools alone, such as periodic audits.

In addition, according to the authors, blockchain not only increases the effectiveness of due diligence policies, but can also act as a reputational accountability tool: providing consumers with immediate and certified access to ethical-data products, a virtuous circuit of pressure and awareness is created. This becomes particularly important in the context of luxury, where authenticity and social responsibility are taking on a growing role in building perceived brand value. It is certainly still in a progressive and experimental phase - because of barriers represented by high costs, as well as high standardization and collaboration required - but it is definitely crucial for the empowerment of brands. Nevertheless, there are already some notable examples in this field.

Maison Chloé has implemented the *Social P&L*, an innovative and transparent platform developed jointly with the Institut Français de la Mode (IFM) and the Conservatoire National des Arts et Métiers (CNAM). The platform collects key data on wages, working hours, health and hygiene conditions, gender, and the well-being of workers, and ensures this is verified through independent audits of

suppliers.<sup>61</sup> Another important initiative is the Aura Blockchain Consortium, founded by LVMH, Prada and Cartier, which has expanded the functionality of blockchain by including specific information on suppliers: from compliance with the conventions of the International Labour Organization (ILO), occupational safety practices, to responsible procurement policies. Through the use of QR codes or embedded NFC technologies, the consortium has already tracked over 50 million items, providing end consumers with verified information on the provenance, production, and social and ethical impact of their purchases<sup>62 63</sup>.

In conclusion, social justice is now an essential issue in the luxury sector: to be truly sustainable, a luxury product cannot be the result of an unfair or opaque supply chain. In an increasingly ethical market, respect for human rights is an added-value element that can strengthen a brand's reputation and help it respond to growing regulatory pressure, such as that exercised by the European Union through the proposed Corporate Sustainability Due Diligence Directive (CSDDD).

The future of ethical luxury is therefore a shared responsibility where value is determined not only by aesthetic quality or the rarity of materials but also by the social justice inherent in production.

#### *Diversity and inclusion: specific challenges in the Made in Italy context*

In the context of Made in Italy, the debate on diversity and inclusion cannot be separated from a deep reflection on the internal dynamics of the fashion manufacturing sector, where forms of vertical segregation and gender disparities remain as evident as they are structural. Although women make up a majority of the labour force - around 60% in the textile and clothing sectors - their presence is mainly concentrated in low-income and precarious jobs, with limited access to managerial and decision-making roles.

The leather and tanning sector, for example, employs a female workforce of 66%, but only 31% of management positions are held by women. The situation is worse in the textile sector, where the proportion of women managers falls to 17%. Furthermore, the high prevalence of part-time contracts among women — over 70% in textiles and 58% in leather — negatively impacts growth opportunities and pay. These contracts tend to offer lower hourly wages, less protection, and poor advancement prospects, thus contributing significantly to the gender pay gap.

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<sup>61</sup> Chloé. (2023). *Chloé Mission Report, Social P&L approach details*. [https://www.chloe.com/cloud/chloewp/uploads/2024/07/Chloe%CC%81\\_Mission\\_Report\\_2023.pdf](https://www.chloe.com/cloud/chloewp/uploads/2024/07/Chloe%CC%81_Mission_Report_2023.pdf)

<sup>62</sup> Richemont. (n.d.). Partnerships. <https://www.richemont.com/about-us/partnerships/>

<sup>63</sup> Vaughan, L. (2023, October 31). *The blockchain playbook: From LVMH's Aura to Arianee*. *Vogue Business* <https://www.voguebusiness.com/technology/the-blockchain-playbook-from-lvmhs-aura-to-arianee>

According to INPS data from 2022, women in the textile sector earned an average of €80 per day, compared to €107 for men. Within the leather and tanning industry, women received on average €82 per day, compared to €100 for men. This equates to an average pay gap of 19%, meaning women earned 81 cents for every euro earned by a man (Global Fashion Agenda & PwC Italia, 2024).

Another critical issue is maternity. Women are often forced to reduce their working hours or abandon their careers after having a child — a choice that is rarely voluntary, but rather dictated by a lack of flexibility and support in business settings. This imbalance is fuelled by family responsibilities that are still unevenly distributed, with women shouldering most of the household burden. True transformation therefore requires corporate welfare policies that value parenting without penalising career progression, promote flexibility, and encourage the greater participation of fathers.

Nevertheless, signs of change are beginning to emerge. The presence of women on the boards of Italian fashion companies increased from 21.3% in 2020 to 27% in 2023, supported both by equality regulations and by a stronger internal commitment to gender balance. Large companies and trade associations play a crucial role in spreading best practice and promoting profound cultural change in this respect.

Similarly, the inclusion of ethnic minorities also presents a significant professional in creative and decision-making roles within Italian companies has remained extremely low. A Vogue Business survey of over 600 fashion professionals revealed that 52% of Black respondents said their ethnicity had negatively impacted their career, compared to just 6% of white respondents. Initiatives such as “*We Are Made in Italy*”<sup>64</sup> promoted by Stella Jean and the Afro Fashion Association, have drawn attention to this marginalisation. In 2020, Milan Fashion Week featured a showcase dedicated to five BIPOC designers, yet their visibility remained limited. “*Nothing has worked, and diversity, equity and inclusion (DE&I) has failed*”<sup>65</sup>.

However, some initiatives promoting openness and social responsibility are slowly emerging, particularly among luxury brands. For example, Chloé was the first luxury brand to obtain B Corp certification, which recognises not only environmental performance, but also adherence to strict diversity, equity and inclusion (DEI) criteria. The brand has demonstrated a concrete commitment to improving gender representation within its decision-making bodies, as well as actively involving suppliers and local communities in inclusive projects, as detailed in the 2023 Mission Report. Gucci also distinguishes itself through its structured programmes. Through the “*Gucci Changemakers*” initiative, the Kering Group has launched a long-term plan in the US and Europe to promote racial

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<sup>64</sup> Cardini, T. (2020, September 30). “*We Are Made in Italy*”—A Milan Fashion Week showcase celebrates the work of five BIPOC designers. *Vogue*. <https://www.vogue.com/slideshow/afro-fashion-association>

<sup>65</sup> Webb, B., & Shoaib, M. (2023, September 5). *Debunking the dream: Who is allowed to succeed in fashion? Vogue Business*. <https://www.voguebusiness.com/fashion/debunking-the-dream-who-is-allowed-to-succeed-in-fashion-success-survey>

and cultural diversity in the fashion sector. This involves offering scholarships, mentoring and community-building projects aimed at young creatives from underrepresented backgrounds. Since 2019, millions of dollars in grants have been awarded to support access to education and employment in the creative sector, particularly for ethnic minorities. While these efforts are important signals towards a more equitable and inclusive sector, they remain exceptions in a landscape that, overall, struggles to adopt systemic and transparent practices. A lack of public data on the ethnic and social composition of employees, particularly at senior levels, makes it difficult to measure real progress. Nevertheless, initiatives such as those demonstrated so far demonstrate that change is possible if it is supported by structured actions and measurable accountability.

### *Social impact and local community relations: some practical examples*

From what has emerged so far, it is evident that the attention of enterprises towards social issues is not only growing, but taking an increasingly active and concrete form. In the contemporary context, in fact, it is no longer enough to simply declare oneself socially responsible: a company's commitment is defined by its ability to positively impact communities and generate tangible value through consistent and continuous practices. Italy is a prime example of this, given the large number of luxury companies that have historically based their production in local manufacturing districts, contributing significantly to job creation, the transmission of craft knowledge, and the socio-economic development of these areas.

A notable example of this is Brunello Cucinelli, who coined and developed the concept of “*humanistic capitalism*”: a business model where profit serves humanity, culture and beauty, placing the individual at the core of the business model. As is clearly visible in the village of Solomeo, Cucinelli has created a community laboratory that has restored and enhanced the area's architectural, cultural and social heritage: craft schools, a theatre, a library and monuments are an integral part of company and local life. This vision actually comes from a deep harmony between nature and land, where beauty, labor, and moral sustainability coexist in a calm and creative balance. In a context known as “*new business ethics*” the centrality of people and communities becomes an integral component of the business model, implying that luxury can and should be modern, elegant, and culturally radical. This approach is firmly rooted for long-term sustainable competition, aligned with ESG principles, and capable of producing long-term societal impacts in the region<sup>66</sup>.

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<sup>66</sup> Brunello Cucinelli. *Il capitalismo umanistico e la sostenibilità umana*:  
<https://www.brunellocucinelli.com/it/humanistic-capitalism-and-human-sustainability.html>

Gucci has organised its social responsibility initiatives under the “*Gucci Equilibrium*” platform, introduced in 2018 to advance environmental and social projects with measurable and concrete impact. On this front, the brand has launched initiatives aimed at promoting Italian craftsmanship and helping the local community, particularly in manufacturing districts where their production has historically been radicalized. One example is *Gucci ArtLab* in Scandicci, Tuscany, which is not just a centre of excellence for innovation and production but also a location where the company invests in training, inclusivity, and dignified working conditions. In the same way, the initiative “*CHIME FOR CHANGE*” focuses on empowering women and people of all genders, supporting initiatives in over 90 countries and directly involving vulnerable communities. Gucci also encourages diversity and inclusion through internal programs like the “*Global Equity Board* and the *Changemakers Program*”, which provide funding and support for professional development for young talent from marginalized or minority groups, both within and outside of Italy. These examples demonstrate how social responsibility, in the case of Gucci, has been viewed as a structural way to create not only economic value, but also cultural and social, within the internal business ecosystem<sup>67</sup>.

Finally, Valentino also emerges as a significant example of a company that can translate social responsibility into tangible, structured action. This qualifies it as a cultural and territorial actor.

Founded in Rome in March 2025, the Valentino Garavani and Giancarlo Giammetti Foundation<sup>68</sup> is the culmination of a strategy aimed at celebrating beauty, art and inclusivity. The foundation hosts events, workshops and artistic productions in collaboration with the local community.

The brand has also launched the Valentino Vintage project, which provides five archive pieces to six major international fashion schools (IED Milan, CSM London, Parsons New York, etc.). This initiative gives young talent the chance to restore and reinterpret the stylistic heritage.

In keeping with its inclusive and circular vision, Valentino has partnered with the French non-profit organisation *La Réserve des Arts* to salvage materials from the Haute Couture SS23 runway. The set, including the curtains and rugs, is now available in the Paris and Resa boutiques for over 10,000 professionals in the creative industry. Proceeds from these sales will go to the “*Bottega dell'Arte*”, an in-house training school for fashion established in 2015. As of 2023, it has 35 students, many of whom are alumni of the institution. The Valentino Sleeping Stock initiative, born from a collaboration with “*Tissu Market*” (Paris), provides artists in theatre, film and fashion with archival materials, sending them to the “*Bottega dell'Arte*” in a replicable circular economy model with social impact.

This activity demonstrates that Valentino's social model goes beyond philanthropy, instead being organised using systematic strategies: artistic labour, training, creative recovery and community

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<sup>67</sup> Gucci. *Gucci sustainability strategy*: <https://equilibrium.gucci.com/it/gucci-sustainability-strategy/>

<sup>68</sup> <https://www.vogue.com/article/fondazione-valentino-garavani-giancarlo-giammetti-opening-interview>

building are all integrated into a sustainable and rigorous project that can value labour and territory in a structurally and durably sound manner<sup>69</sup>.

### 2.2.3 Governance

#### *Board structure and transparency*

To conclude the in-depth discussion on sustainability, we can say that governance is the organizational foundation on which the environmental and social strategies of a company are based. Its effectiveness is measured by the structure of the board, the quality of leadership, the transparency of decision-making processes, and the integration of ESG criteria into the management culture. Once again, and especially in the luxury sector, these elements play a crucial role in attracting responsible investors and consolidating the reputation and social legitimacy of the brand. However, according to the report “*Unpacking Pay Equity in Fashion*”: *Italy*, published by the Global Fashion Agenda (2024), the Italian fashion sector still shows significant gaps in terms of transparency and participatory governance. Fewer than half of the analysed companies (45%) publish up-to-date, structured information on board composition, and only a minority (30%) make public the criteria by which directors are selected, including independence or ESG expertise.

These data show that, although transparency is recognised as a strategic lever, it is not yet systematically implemented. From a gender equality perspective, progress is also slow: in 2023, women occupied 27% of board seats at Italian fashion companies, up from 21.3% in 2020, but still below the equilibrium threshold (Global Fashion Agenda, 2024). Furthermore, women remain underrepresented in executive or strategically delegated roles. Some large groups are trying to reverse this trend by adopting more structured, sustainability-oriented governance models. Gucci, for example, has decided to make public its commitments and progress in areas such as diversity, human rights and climate, focusing more on voluntary reporting in anticipation of future demands of the CSRD directive (Gucci, 2024). Kering, Gucci's parent group, has instead established internal committees dedicated to sustainability and ESG compliance, taking a more formalised top-down approach to ensure accountability. Internal reporting practices will be discussed in more detail below. To understand the delays and discrepancies in the sustainable governance of the fashion sector, particularly in Italy, it is important to consider the current regulatory framework. We recall D. Lgs. 254/2016<sup>70</sup>, which transposes Directive 2014/95/EU and introduced the obligation for companies

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<sup>69</sup> Valentino. *Our projects*: [https://jobs.valentino.com/content/OUR-PROJECTS/?locale=it\\_IT](https://jobs.valentino.com/content/OUR-PROJECTS/?locale=it_IT)

<sup>70</sup> Governo della Repubblica Italiana. (2016). *Decreto legislativo 30 dicembre 2016, n. 254*

classified as 'public interest entities' (EIPs) to draw up a non-financial declaration (DNF). These companies must have an average of more than 500 employees and exceed certain turnover or balance sheet thresholds (Art. 2, paragraph 1). These companies must report annually on their policies, risks and results in areas such as the environment, society, personnel management, human rights, fighting corruption and diversity in administrative and supervisory bodies. However, the industrial structure of the Italian fashion sector, which is largely composed of SMEs, family-run companies and unlisted companies, means that many players in the sector are excluded from this obligation, as provided for by Art. 3, which exempts companies that do not meet the size criteria. As discussed earlier, this regulatory exclusion could explain why sustainability and transparency are not yet structural elements in the governance mechanisms of all fashion companies, despite the growing market and public attention. The voluntary adoption of tools such as ESG reporting or the publication of ethical codes remains sporadic and is strongly linked to the initiative of individual brands or industrial groups that are more exposed to international reputational or financial pressure. At the same time, while the Corporate Governance Code promoted by *Borsa Italiana* in 2020 is a key reference point for listed companies, it remains voluntary (“*comply or explain*”) and is only relevant to a small part of the sector. The Code recommends the presence of independent directors and the utilisation of diverse and non-traditional skills within boards, including those in the field of ESG (Principles I and II). It also calls for the establishment of internal committees, such as a Sustainability Committee or a Control and Risk Committee, to oversee environmental and social issues in a structured manner. However, the absence of obligation and concrete sanctions still leads many companies to adopt a formal, faceless approach without any real cultural or organisational change. Overall, therefore, the current framework for analysis appears somewhat unbalanced: it is too selective in imposing transparency obligations, and too weak in ensuring effective accountability, even for non-listed companies which play a central role in the production chains of the Italian fashion system. In this sense, the expected implementation of the Corporate Sustainability Reporting Directive (CSRD) from 2025 could be a significant step towards extending transparency obligations and strengthening sustainable governance throughout the sector.

### *Business ethics and anti-corruption*

In the world of luxury, the issue of business ethics and corporate integrity plays a major strategic role: the length and complexity of production and supply chains, the global nature of operations, and the market's recent focus on traceability and corporate social responsibility pose obvious corruption risks. This risk is accentuated by companies specialising in the production, conformation and/or distribution

of intermediate goods, which also pose risks such as sculpturing and other opportunities for illicit practices.

In Italy, the reference source is the D. Lgs. 231 of 2001<sup>71</sup>, which governs the administrative liability of entities for offences committed in the interests of, or for the benefit of, companies by directors, managers, or employees. This legislation focuses particularly on corruption and bribery offences. Companies are therefore required to adopt organisational management and control models, internal ethical codes and reporting systems, ideally related to whistleblowing. These are, in short, a fundamental tool for avoiding illegal behaviour and its adverse consequences on credit and reputation risk<sup>72</sup>. However, the effectiveness of these instruments also depends on solid governance structures, as set out in the Code of Self-Regulation for listed companies issued by *Borsa Italiana*<sup>73</sup>. Section 3 of the Code emphasises the need for an adequately composed and functional Board of Directors to ensure transparent and accountable management. It emphasises the importance of independent directors and diversity in terms of skills, gender and age, as well as clear rules for the appointment and remuneration of directors. These principles are essential to ensure that compliance policies, including anti-corruption organisational models, are integrated into an effective and comprehensive control system that can monitor the entire value chain and prevent illegal behaviour, rather than remaining mere formalities.

From a practical point of view, many leading luxury companies have developed sophisticated compliance strategies that extend beyond basic regulatory compliance. The Kering Group is a prime example of this, having formalised a strict Code of Ethics that excludes all forms of corruption, including the emerging phenomenon of “*environmental corruption*”, and requires employees to participate in specific annual training courses. Kering also extends these principles to its suppliers through stringent contractual clauses, thus ensuring compliance throughout the supply chain. These practices align with the OECD Guidelines for Responsible Due Diligence in Textiles and Footwear, which have been adopted by over 50 member states and represent an international benchmark for preventing corruption and human rights violations.

However, implementing these policies is not without its challenges. The complexity of supply chains, which are often made up of numerous subcontractors and local producers, makes it difficult to carry out detailed checks, leaving loopholes in the prevention of illegal practices<sup>74</sup>. According to the OECD

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<sup>71</sup> Italia. Decreto Legislativo 8 giugno 2001, n. 231. *Disciplina della responsabilità amministrativa delle persone giuridiche, delle società e delle associazioni anche prive di personalità giuridica*.

<sup>72</sup> PwC. (2020). *Anti-Corruption Policy* <https://www.pwc.com/it/it/legal-privacy/anticorruzione/anti-corruption-policy.pdf>

<sup>73</sup> Borsa Italiana. (2020). *Codice di Autodisciplina delle società quotate*. Sezione 3. <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>

<sup>74</sup> OECD. (2025). *2025 OECD Forum on Due Diligence in the Garment and Footwear Sector*

and data provided by Transparency International, Italy continues to be positioned in the highest risk category among European Union countries for the perception of corruption, which has a negative impact on investor and consumer confidence. This demonstrates that having formal models in place is not enough to ensure an ethical and transparent corporate culture.

Another important aspect concerns the role of public and private procurement, highlighted by the World Bank<sup>75</sup>: in a globalized and highly competitive sector such as fashion, corruption in procurement processes is one of the greatest vulnerabilities. To tackle these phenomena effectively, the World Bank suggests an integrated approach involving collaboration between companies, public institutions and civil society organisations, promoting transparent monitoring tools, accountability systems and incentives for ethical purchasing practices.

However, despite the efforts and tools deployed, the critical and provocative position developed by academic literature cannot be ignored. According to Goworek et al. (2018), the growing focus on corporate social responsibility (CSR) in the fashion sector risks becoming a form of *ethical “greenwashing”*, whereby anti-corruption policies and declarations of intent are adopted primarily to improve public image rather than generate deep, systemic cultural change. In this scenario, CSR can become a form of *“performative compliance”*, which does not decisively address the root causes of inequalities and illegal behaviours, but rather serves to reassure stakeholders and consumers without questioning established power dynamics.

### *Reporting practices and internal control*

In the context of corporate governance, the quality of reporting systems and internal controls is also a key pillar in ensuring transparency, managerial accountability, and the reliability of financial and non-financial information. From an accounting and regulatory perspective, the reporting and internal control framework comprises three complementary levels: international accounting standards, binding European rules, and national implementing provisions. IAS 1, *“Presentation of Financial Statements”*, provides a general framework for preparing corporate financial statements by requiring that the information presented is reliable, comparable, relevant and understandable. It expressly requires an entity to present a complete set of financial statements at least once a year, including

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<sup>75</sup> World Bank. (2010). *Corruption in Public Procurement: Causes, Consequences and Cures*. <https://documents1.worldbank.org/curated/en/494361468333857366/pdf/477910NWP0Focu10Box338866B01PUBLIC1.pdf>

comparative data from the previous period for each item, as well as in the notes<sup>76</sup>. In particular, a complete set of financial statements under IAS 1 includes:

- The Balance Sheet at the end of the period;
- The Income Statement, which includes both the profit or loss for the period and the components of other comprehensive income not recognised in profit or loss (“*Other Comprehensive Income*”); The organisation has the option of disclosing the two sections either in one combined statement or in distinct ones;
- The Statement of changes in equity;
- The Financial Statement;
- The explanatory notes, which include a summary of significant accounting policies adopted and other relevant information;
- A Balance Sheet at the beginning of the earliest comparative period, if new accounting policies or error corrections are applied retrospectively

Although the focus is formally purely on financial information, there is also an implicit obligation to report clearly on aspects that are not strictly numerical, for example in the notes either in the financial statements or in the related management report.

IFRS Practice Statement 1 — Management Commentary provides a qualitative extension of these obligations. While not mandatory, it offers fundamental guidelines for supplementing financial reporting with an integrated management commentary. This tool enables management to provide a comprehensive overview of the company's performance, strategies and operating environment, offering more than just a numerical presentation. The guiding principle is “*narrative reporting*”, which emphasises the need to explain how the company creates value over time, its future prospects and how strategic risks are managed. In this sense, it must be consistent with accounting reporting and provide forward-looking elements, highlighting the role played by governance bodies and internal control systems in strategy definition and risk monitoring<sup>77</sup>. This approach is fully consolidated within the new European regulatory framework, particularly through the CSRD (EU Regulation 2022/2464) and the ESRS (European Sustainability Reporting Standards). In particular, ESRS G1 – Governance, Risk Management and Internal Control<sup>78</sup> represents a radical turning point. It requires companies to publish detailed information on the composition and functioning of governance bodies,

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<sup>76</sup> IFRS Foundation. (n.d.). *IAS 1 Presentation of Financial Statements*. <https://www.ifrs.org/issued-standards/list-of-standards/ias-1-presentation-of-financial-statements/>

<sup>77</sup> IFRS Foundation. (n.d.). *Management Commentary: Practice Statement*. <https://www.ifrs.org/issued-standards/list-of-standards/management-commentary-practice-statement/>

<sup>78</sup> EFRAG. *Draft ESRS G1 – Governance, Risk Management and Internal Control* Exposure Draft April 2022, requisiti G1-1 – G1-8 (board, nomination, diversity, risk e internal controls). [https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ED\\_ESRS\\_G1.pdf](https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ED_ESRS_G1.pdf)

the management and supervision of environmental, social and governance (ESG) risks, and internal control instruments: examples of such tools include whistleblowing mechanisms, internal auditing, and risk management systems. In this scenario, the role of internal control is no longer limited to verifying financial reporting; it becomes a structural lever to ensure consistency between stated sustainability commitments and actual operating practices. Making this transformation operational was the publication of the XBRL Taxonomy ESRS Set 1 by EFRAG, which enables the digitisation of disclosures in machine-readable format, ensuring that ESG reporting is interoperable with financial reporting and compliant with ESMA/ESEF standards<sup>79</sup>. This development necessitates a fundamental rethinking of corporate information flows, with direct implications for accounting, control, and reporting.

To respond effectively to these needs, companies must adopt an integrated approach that includes:

- Harmonisation of financial and ESG KPIs, which are often collected through ERP systems or integrated control platforms;
- Internal audits dedicated to verifying the quality of ESG data and reporting to the board or audit committee;
- The adoption of anti-fraud measures and whistleblowing policies, supported by document tracking procedures, is also envisaged;
- Technical preparation for XBRL tagging through multidisciplinary teams (Finance, IT, Sustainability and Compliance).

From another perspective, academic literature has also emphasised the importance of these mechanisms. According to research by Chalmers, Hay and Khlif (2019), a well-designed and implemented internal control system can strengthen reporting credibility, improve reported earnings quality and reduce agency cost<sup>80</sup>. Luxury companies, which often operate in environments with high reputational and operational risk, can benefit greatly from a structured internal audit framework that ensures independence, objectivity, and the timely detection of anomalies. Furthermore, Fadzil, Haron and Jantan (2005) demonstrate that internal audit practice is closely linked to the effectiveness of internal control systems, especially when supported by adequate resources, direct reporting to the board, and a favourable ethical environment<sup>81</sup>. This is essential in industries where brand equity and stakeholder trust are crucial yet intangible assets. This is taken as a starting point for the analysis in

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<sup>79</sup> EFRAG. Press release “EFRAG publishes the ESRS Set 1 XBRL Taxonomy”, 30 agosto 2024.

<https://www.efrag.org/en/news-and-calendar/news/efrag-publishes-the-esrs-set-1-xbrl-taxonomy>

<sup>80</sup> Chalmers, K., Hay, D. and Khlif, H. (2019), "Internal control in accounting research: A review", *Journal of Accounting Literature*.

<sup>81</sup> Hanim Fadzil, F., Haron, H. and Jantan, M. (2005), "Internal auditing practices and internal control system", *Managerial Auditing Journal*.

the next chapter, bearing in mind that, like everything else analysed so far, there is always an ulterior motive behind rules, accounting standards, and compliance, which is to be one step ahead of the competition, thus enhancing business performance.

## **2.3. Criticism and limits of the application of ESG criteria**

### **2.3.1 Difficulties in standardisation and comparability of ESG indicators**

A key limitation in the implementation of ESG principles concerns the difficulty of ensuring uniformity and comparability across the indicators employed for their assessment. As Fometescu, Hațegan and Cuc (2024) point out, regulatory and methodological fragmentation in ESG reporting has generated a multiplicity of heterogeneous approaches, lacking a shared basis. Companies adopt different frameworks - such as GRI, SASB, TCFD - each proposing different definitions, metrics and calculation methods for the same concept. For example, as far as greenhouse gas emissions are concerned, the GRI (Global Reporting Initiative) requires reporting Scope 1, 2 and 3 emissions with ample transparency on the calculation methodology and emission factors used, while the SASB (Sustainability Accounting Standards Board), while also addressing emissions, does so in a more selective and sectorial manner, sometimes requiring only Scope 1 or 2 and with less articulated metrics. This implies that two companies operating in the same sector and emitting similar quantities may report profoundly different ESG values simply on the basis of the standard adopted. A second example concerns gender diversity in the corporate board: according to the GRI, the gender composition of the entire governing body and top management is to be reported, whereas the SASB may only require the percentage of women on the board, without considering other hierarchical levels. The TCFD (Task Force on Climate-related Financial Disclosures), on the other hand, does not provide specific indicators on diversity, focusing on climate governance. Again, a difference in scope definition and granularity of data can lead to very low levels of comparability between companies that formally conform to one standard but not another. To exacerbate this, the authors show that these differences can also be present between companies operating in the same sector, thus making ESG data poorly reliable as a basis for benchmarking. A further critical issue noted by Fometescu et al. concerns the quality and availability of ESG data, especially in emerging markets and among small and medium-sized companies.

In these contexts, the collection of environmental, social and governance data takes place in a piecemeal fashion, often without external audits, and with approximate methodologies: once again, therefore, the problem actually reflects on comparability, as companies with greater reporting

capacity may appear to be more sustainable than competitors with similar performance but less complete data. A particularly problematic aspect is the divergence between the ESG ratings produced by different rating agencies. The literature explicitly speaks of an “*ESG ratings gap*”: according to data reported in the volume edited by Antolín-López and Ortiz-de-Mandojana (2023), only about 60 per cent of ESG scores between agencies converge, compared to 99 per cent convergence in credit ratings. This discrepancy can be attributed to the fact that each agency employs proprietary models, opaque algorithms and arbitrary weightings to aggregate heterogeneous and qualitative indicators, leading to markedly different outcomes and causing confusion and difficulties for stakeholders, regulators and investors. A recent study by Choi and Lee (2024) highlights a counterintuitive but significant dynamic: increased comparability in accounting financial statements, achieved through stringent regulations and uniform accounting practices, can have negative effects on ESG performance. The two authors, analysing a large sample of South Korean companies, show that greater comparability of financial information pushes managers to favour short-term decisions that are easily justifiable in the eyes of investors, while neglecting ESG investments that, while having positive long-term impacts, may be less immediately quantifiable and standardisable. In other words, the goal of making financial statements more comparable ends up discouraging virtuous environmental and social behaviour, introducing a real trade-off between accounting transparency and sustainable commitment. Overall, the difficulties of standardisation and comparability of ESG indicators do not only derive from technical or informational shortcomings, but reflect a broader systemic challenge: the absence of a common and shared language that allows corporate sustainability to be assessed objectively and transparently. The plurality of standards, the diversity of metrics and the opacity of some assessment systems risk undermining the credibility of the entire ESG framework, generating confusion among investors and limiting the effectiveness of corporate accountability mechanisms.

To overcome these limitations, it is not enough to promote more data: it is necessary to develop a harmonised regulatory framework, based on clear, verifiable criteria and oriented towards the actual impact of business practices on the environmental, social and governance level. The emergence of global initiatives such as the IFRS-ISSB or the European CSRD regulation goes in this direction, but it remains crucial that these instruments are adopted in a consistent and coordinated manner at the international level. Only in this way will it be possible to transform ESG into a reliable system for assessing sustainable value, capable of supporting informed decisions and fostering a real transition towards more responsible economic models. Ultimately, the problem of comparability is not only technical, but cultural: it requires a convergence of vision between institutions, companies and stakeholders on what “creating sustainable value” really means and how to measure it credibly.

### 2.3.2 Risk of greenwashing: communication strategies vs. concrete actions

*“Today it is difficult for consumers to make sense of the many labels on the environmental performance of products (both goods and services) and companies.*

*Some environmental claims are unreliable, and consumers trust in them is extremely low. Consumers can be misled, and companies can give a false impression of their environmental impacts or benefits - a practice known as greenwashing” (European Commission)<sup>82</sup>.*

The risk of greenwashing represents one of the most critical issues in contemporary ESG reporting. Increasing pressure from markets, investors and public opinion has driven many companies to adopt sustainability-oriented communication strategies, but these are often not accompanied by concrete and verifiable actions. The problem lies precisely in the discrepancy between what is communicated and what is actually implemented at the operational and management level. This split risks emptying ESG commitments of meaning, turning them into marketing tools rather than levers for organisational change.

Greenwashing practices manifest themselves through vague, selective or decontextualised environmental claims (Ben Mahjoub, 2025), which place emphasis on secondary aspects while ignoring more relevant negative impacts; these are compounded by the proliferation of self-declared environmental labels lacking independent certification, which contributes to growing confusion among consumers and stakeholders. It highlights that this is unfortunately not a marginal phenomenon, but rather a now widespread strategy, facilitated in part by still fragmented regulation and the lack of globally unambiguous standards.

The academic point of view of Delmas and Burbano (2011) then highlights that it is not only a problem of opportunistic intentionality, but also a structural weakness at the level of coordination between the corporate functions responsible for communication and operations. Specifically in their research, they make a distinction between “*intentional*” and “*unintentional*” forms of greenwashing, and identify internal factors (such as information asymmetry between communication and operations departments) and external factors (pressure from investors or NGOs) as the main causes of the phenomenon. Aligned with this perspective, ESMA (2022) and the OECD (2022) have emphasised the risks linked to misleading environmental claims, calling for tighter regulation of ESG rating agencies and for greater clarity in the methodologies companies employ in their non-financial disclosures.

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<sup>82</sup> European Commission. (n.d.). *Green claims*. Directorate-General for Environment  
[https://environment.ec.europa.eu/topics/circular-economy/green-claims\\_en](https://environment.ec.europa.eu/topics/circular-economy/green-claims_en)

What is of greatest concern, and indeed the most problematic effect of greenwashing, is the erosion of stakeholder trust; Torelli et al., 2020 have shown that when the public perceives inconsistency between the communicated message and actual company practices, the reputational effect can become negative, generating image damage and reducing the overall credibility of the ESG sector. And, at the same time, as highlighted by Amel-Zadeh and Serafeim (2018), investors are also at risk of making wrong decisions, overestimating the actual sustainability of a company due to distorted or unverifiable metrics. In fact, in this regard, it should be noted that the risk of greenwashing is amplified precisely because of investors' growing interest in sustainable financial instruments: capital is attracted on a global scale as more and more investors - both institutional and retail - seek to combine financial returns with positive social and environmental impacts. This interest has fostered the exponential growth of ESG products, such as:

- Green bond: bonds issued to finance specific projects with a low environmental impact (e.g. renewable energy, energy efficiency);
- Sustainability-linked bonds: securities whose yield may vary depending on the achievement of certain ESG objectives;
- ESG funds: mutual funds or ETFs that select securities on the basis of environmental, social and governance ratings or filters.

This is not to say that these investments do not exist, or are fictitious; it is to emphasise that with the increasing focus on sustainability in today's society, the demand for the same instruments has been growing, thereby creating distorted incentives. Many companies, in order to gain easier access to capital on favourable terms, rush to declare themselves “green” or ESG compliant without having a real structural change at the base. This selection mechanism rewards declarations rather than results, and fuels the risk of sustainability being interpreted as a reputational strategy rather than an operational value. In the absence of stringent due diligence and credible accountability mechanisms, there is a risk of channelling capital towards companies that do not have real environmental or social merits, but know how to construct an effective narrative. Consequently, it becomes essential to strengthen verification and control systems, promoting greater transparency, data traceability and shared materiality criteria. The European authorities, including through the action of the ESMA (European Securities and Markets Authority), are gradually introducing guidelines and constraints to combat greenwashing, but the challenge remains open, especially in less regulated markets.

In the following chapters, we will analyse how effectively implemented ESG practices contribute to increasing corporate profitability and improving overall company performance. It is this substantial link between sustainability and results that distinguishes authentic practices from mere window-dressing.

The contents that have been analysed so far have been and will be useful in highlighting how the actual application of ESG criteria in the sector under consideration has a double dimension. While there is certainly nowadays a strong reputational and regulatory pressure that pushes more and more towards these sustainable practices, there are indeed a number of structural and sometimes cultural challenges, related to the delicacy of the topic, the attention of the public, and also to the specificity of the sector. The peculiarity of this analysis will be precisely to show how all sustainable practices are intertwined, how there is not just one dimension. Although a more common and/or relevant one will undoubtedly emerge, we will see how the environmental peculiarities of the fashion supply chain intertwine with strongly identifiable social elements – craftsmanship, the valorisation of local traditions and the role of small family businesses – that we often find handed down from generation to generation. In this context, therefore, governance also takes on a predominant role, as we have seen both in the management of transparency and reporting, but at the same time in the promotion of a usual ethical culture. Following this in-depth study, the complexity of the ESG system has thus emerged, whose integration is not only dictated by standard adoption, but is a choice of awareness and distinction, respecting coherence between corporate identity, operational processes and impacts generated.

In the following chapters, this will be analysed even further, also looking at whether and to what extent these practices produce tangible value for companies in the sector or remain confined to a purely communicative dimension.

## **2.4. Theoretical framework: ESG as a driver of corporate performance**

### **2.4.1 Main theoretical models of ESG impact**

#### *Stakeholder theory*

This theory is relevant to business ethics and organisational management.

Analysing the article by Mahajan et al. (2023)<sup>83</sup> provides a systematic and bibliometric analysis of the theory, as it is based on a systematic literature review consisting of a sample of n = 988 articles, in the time span from 1969 to 2021. This offers a well-rounded view of the growing impact of TS in contexts related to sustainability, business ethics and ESG governance. In particular, four macro-areas emerge from the analysis, ST and sustainability, ST and organisational performance, ST and strategic management, and ST and stakeholder management.

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<sup>83</sup> Mahajan, R., Lim, W. M., Sareen, M., Kumar, S., & Panwar, R. (2023). Stakeholder theory. *Journal of Business Research*

ST can be defined as a theory that “(i) encourages organisations to acknowledge and consider their stakeholders, which exist internally or externally to the organisation, (ii) promotes understanding and managing stakeholder needs, wants, and demands, and thus (iii) represents a holistic and responsible framework that goes beyond the focus of shareholders in decision-making processes, which, in turn, (iv) enables organisations to be strategic, maximise their value creation, and safeguard their long-term success and sustainability”. As early as the 1960s, it emerged from research by the Stanford Research Institute that organisations need the support of their stakeholders, but above all to exist and succeed. Subsequently, arriving at a more systematic view, the analysis of theory became important for assessing current performance, improving and developing knowledge, and identifying gaps. Thus, according to the authors, promoting the continuous analysis of theory within business makes for a holistic approach to decision-making, capable of balancing all needs, “upholds ethics”, making organisations more responsible in their strategies, manages risks, anticipating and mitigating them, promotes innovation, using them as a source of inspiration, and safeguards legitimacy. But, indeed, who are these stakeholders? And why are they so important, especially in today's context? As cited in Freeman's 1984 book “*Strategic Management: A Stakeholder Approach*”, stakeholder is defined as “any entity (e.g., individual or group) who can influence or is influenced by mission-driven organisations (i.e., set out to accomplish objectives)”. Donaldson and Preston (1995) added to this that companies “possess a moral obligation to consider the interests of all stakeholders, and that effective stakeholder management can contribute to long-term profitability”. There has been more arguing, until the present day in which, precisely, stakeholders are considered as “critical consideration across all aspects of decision – making” (Ahmed et al, 2023; Azam, 2023; Castillo, 2022; Jones-Khosla and Gomes, 2023; Kopelman, 2022), “with different strategies developed and implemented to engage with them effectively” (Acquah et al., 2023; Bansal et al., 2023; Ismail and Hilal, 2023; Lim, 2023a, 2023b; Saha et al., 2023). The subsequent expansion of the theory has been seen from several perspectives. For instance, in the context of business ethics, Roberts (1992) shows how CSR disclosures should not only be interpreted as a function of financial performance, but as an expression of a decision-making process that integrates a plurality of social factors; this is also complemented by Gibson (2000), who emphasises the central role of ethics in stakeholder theory, pointing out that business decisions should be based on moral as well as economic principles.

In the field of strategy, Matos and Hall (2007) apply the theory to integrate sustainable development practices into supply chain management, suggesting the use of Life Cycle Assessment (LCA) as a tool to identify sustainability-related risks and opportunities, asserting that a sustainability-focused strategy can be a source of competitive advantage. Finally, in the field of accounting and finance,

Stakeholder Theory has made it possible to go beyond the traditional view according to which the sole objective of the company is the maximisation of shareholder value, but demonstrating that a stakeholder-oriented approach is not only compatible with economic performance, but can also represent a competitive advantage and positive spill-over effects on financial results (Berman et al., 1999). In this sense, Jensen (2002) proposes a vision that attempts to reconcile the logic of shareholder value with the ethical and relational instances promoted by the Stakeholder Theory, arguing that respecting stakeholder expectations can strengthen the company's ability to generate sustainable value. It is therefore not an alternative between economic efficiency and social responsibility, but a strategic complementarity. It is certainly these pressures from external actors that play a relevant role in this process, influencing the environmental practices adopted by companies and directly affecting their financial performance (Banerjee et al., 2003). At the level of reporting, Van der Laan Smith et al. (2005) point out that social disclosure is not solely determined by internal choices, but also depends on the institutional, economic and cultural context in which the company operates, indicating that transparency can be interpreted as a strategic response to stakeholders' environmental expectations. This orientation is also reflected in the composition and functioning of governance bodies. Liao et al. (2015) analyse the role of factors such as gender diversity in boards, the independence of directors and the presence of environmental committees, finding a correlation between these characteristics and a greater propensity to disclose greenhouse gas emissions: from this point of view, therefore, the TS is here configured as a valid interpretative tool for understanding why companies with more inclusive governance structures are also more transparent and sustainability-oriented. In conclusion, the results obtained through the science mapping of this article show that TS has not only contributed to redefining the conceptual foundations of responsible business, but also offers a useful framework to address emerging issues related to legitimacy, transparency and stakeholder engagement.

### *Resource-Based View (RBV)*

The resource-based view (RBV) is one of the main theoretical approaches used to analyse the sources of a company's sustainable competitive advantage. Rather than focusing on external market conditions, the analysis centres on internal resources and capabilities. According to the RBV, resources that possess characteristics of value, rarity, inimitability and non-substitutability (VRIN), enable the company to distinguish itself from competitors in a lasting way. Traditionally, however, this framework focused mainly on tangible assets, technical capabilities, and advantages of scale. Recently, however, it has been expanded to include intangible resources related to sustainability, governance, and social impact. In this sense, the work of Bhandari, Ranta and Salo (2022), offered an interpretation of the RBV through the lens of a company's ecological, social and institutional

embeddedness. In a context where companies must respond to economic, environmental and social imperatives, the distinctive strategic element is the ability to develop resources that align with ESG principles. It is not a matter of conforming to external standards, but of embedding these concepts in organisational and cultural structures to transform them into effective internal resources of value. According to the authors, knowledge related to environmental management, relational skills with local stakeholders, ethically oriented organisational routines and the ability to translate ESG values into operational processes become VRIN-O resources. The 'O' ("*Organised to Capture Value*") indicates that companies need to be structured in a way that allows them to exploit these resources effectively. Indeed, it is only by combining the intrinsic qualities of the resource and the organisational capacity of the enterprise that its competitive potential can be determined. This interpretation aligns with the reflections of Wang et al. (2024), who address another related issue: how corporate digital transformation can be driven by an RBV-consistent strategy. The authors not only assert that ESG and digital innovation go hand in hand, but also propose a causal and circular relationship between sustainability-oriented resources and innovativeness. They identify innovation catalysts as intangible resources such as corporate reputation, ESG-oriented human capital, and visionary leadership. These ingrained factors fuel the propensity to explore new technologies, adopt responsible business models, and develop digital solutions that reflect environmental and social objectives. Interestingly, Wang et al. go beyond the simple classical RBV framework, speaking of "ESG-digital capabilities", i.e. integrated and dynamic competencies that enable the company not only to adapt to change, but to actively drive it.

The purpose of the present analysis is to emphasise that RBV also occupies a pivotal position in the process of redefining corporate strategy in a sustainable manner. It is no longer possible to remain fixed to standard concepts, which are certainly still valid to some extent. Indeed, it cannot be denied that assets such as plants, patents and proprietary technologies are either invalid or of secondary importance. However, it is also important to understand how things evolve. Often, it is necessary to combine certain theories with more recent paradigms that value not only financial assets, but also ethical, relational, cognitive and institutional ones. In this sense, we can affirm that, if it is effectively internalised in business processes, sustainability is no longer a constraint to be managed, but rather a generative source of competitive advantage. A company's ability to build and maintain these complex, interconnected and difficult-to-replicate resources is one of the most relevant strategic challenges today, ensuring not only survival, but also lasting success in an increasingly interdependent and normatively demanding economic environment.

### *Triple bottom line*

TBL is a theoretical yet practical approach to corporate sustainability. It challenges the traditional view that profit is the sole indicator of success, instead promoting an integrated perspective that considers economic, environmental, and social performance collectively. Introduced by John Elkington in the 1990s, this paradigm has evolved from a reporting tool into a managerial and strategic philosophy, becoming rooted in decision-making systems, production processes and corporate governance. In reference to the ST analysed above, this approach is more integrated, evaluating more factors. Corporate success is not only defined in terms of financial growth, but also according to the company's contribution to society and the ecosystem. Today's literature increasingly highlights that adopting TBL can produce tangible results in terms of productivity, competitiveness, and long-term sustainability. This is because synergies between the three dimensions can generate operational benefits, such as cost reduction through energy efficiency; reputational benefits, such as increased brand equity thanks to ethical management; and strategic benefits, such as access to ESG capital or markets regulated by stringent environmental and social criteria.

The evolution of this theory is clearly visible in the article by Birkel and Müller (2020), who explore the potential of Industry 4.0 in enhancing the sustainability of the supply chain aligned with TBL principles. Based on the review of more than one hundred scholarly contributions, the authors argue that emerging technologies—including IoT, artificial intelligence, cyber-physical systems, and blockchain—play a central role in enhancing visibility, transparency, and efficiency across the three sustainability dimensions. Specifically, advanced digital solutions allow firms to track emissions in real time, oversee working conditions in distant production sites, and optimise resource utilisation, thereby simultaneously improving environmental, social, and economic outcomes.

The study by Khan, Yu and Farooq (2022) provides further confirmation of the practical applicability of this theory. It analyses the link between green capabilities, green purchasing and TBL performance, and finds that companies which adopt green purchasing policies and develop in-house environmental skills — for example, through staff training, environmental auditing and eco-design — consequently register significant improvements in all three ESG dimensions of TBL.

From an economic point of view, specifically, an increase in operational efficiency and a reduction in costs resulting from energy inefficiencies or regulatory sanctions are observed. On the social side, there is an increase in employee satisfaction and stakeholder trust.

In environmental terms, the analysed companies achieve a substantial reduction in their ecological impact, which has positive long-term effects. The relevant finding is that sustainability, instead of being a constraint, turns out to be a source of systemic competitive advantage, turning TBL into a strategic lever for resilience. Crace and Gehman's (2022) study goes into even more detail, providing

insight into causal asymmetries as determinants of ESG performance. They point out that companies do not address the three dimensions with the same effectiveness and/or priority. This is because achieving high performance in all three dimensions requires the adoption of selective and contextual strategies adapted to the sector, company size, and regulatory environment.

In particular, endogenous divergences (organisational culture and governance structure) are distinguished from exogenous ones (regulatory pressure and investor expectations). The result of the analysis is that not all companies achieve maximum performance in all three dimensions simultaneously, but those that orchestrate these trade-offs strategically achieve superior performance in the medium to long term. Another interesting insight offered by Nogueira, Gomes and Lopes (2022) is that this has an impact on the entire local economic system, promoting collective sustainable development and facilitating alignment between companies, institutions and citizens in creating shared value. Therefore, we return to the same point: sustainability cannot be an optional ethical choice, but an imperative that determines the future prosperity of businesses and entrepreneurs.

# CHAPTER 3

## 3.1 Introduction to the methodology

This research aims to examine the link between the adoption of ESG (Environmental, Social and Governance) criteria and the corporate performance of companies operating in the luxury and Made in Italy sectors. The market context, dominated by fierce competition, high sensitivity to quality and growing reputational pressure, requires an understanding of whether and to what extent the use of sustainable practices can translate into a real advantage for companies, both in economic and strategic terms.

In particular, the study aims to establish whether companies that effectively apply ESG principles can distinguish themselves significantly in the market, not only for ethical reasons, but even more so for tangible results in terms of efficiency, profitability and financial attractiveness.

Luxury, by its very nature, has always been associated with exclusivity, craftsmanship and uniqueness: integrating sustainability into this framework represents a significant but potentially transformative challenge.

Without focusing directly on consumer behaviour, the research question takes into account the fact that adherence to ESG criteria can produce indirect benefits, such as enhanced reputation, customer loyalty and greater legitimacy among stakeholders. Starting from an overview of the context, already consolidated by supporting quantitative data, we will then use a qualitative survey to explore how companies interpret and implement sustainability within their strategic model, and what effects they perceive in terms of performance.

In 2021, LVMH launched its LIFE 360 environmental strategy plan, based on four pillars – creative circularity, biodiversity protection, climate, traceability and transparency – and characterised by targets for 2023, 2026 and 2030. It is a structured and concrete initiative that aims to reflect ESG principles in the production and creative processes of all the group's *Maisons*, with a view to strengthening positive environmental impact through concrete and measurable actions. In the climate domain, LVMH registered between 2019 and 2022 an 11% cut in Scope 1 and 2 emissions and a 15% reduction in Scope 3 emissions relative to added value, thus marking the group's first experience of decoupling revenue growth from emission trends. The 2023 calculation confirms an overall reduction in Scope 1-2 emissions of 28% and a share of renewable energy of 63%, significantly higher than the 47% achieved in 2022<sup>84</sup>. These advances have been achieved through investments in eco-design, energy efficiency and sustainable logistics. LVMH has launched a comprehensive internal and

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<sup>84</sup> LVMH. (2023a). *Environmental Report 2023*; LVMH. (2023b). *LIFE 360 Summit 2023: Results and Ambitions*; LVMH. (s.d.). *LIFE 360 Program Overview*; Vogue Business. (2023a). *Inside LVMH's LIFE 360 Strategy*

external ecosystem dedicated to circularity, covering repair and reuse across all Group companies: Louis Vuitton repairs more than 600,000 products per year; Berluti reports that 79% of its leather products are designed for repairability; RIMOWA has implemented a lifetime guarantee for its luggage; while Le Bon Marché has developed regeneration programmes covering footwear, timepieces, and fabrics.

The growth of these initiatives has been facilitated by the creation of “LVMH Circularity”, a platform that connects the many start-ups and internal platforms such as *Nona Source*, *Weturn* and *CEDRE* that deal with the recovery and reuse of waste and unsold fabrics. This circular approach has been supported by a solid economic and financial foundation.

The adoption of these sustainable practices has proven to be not only compatible with profitability, but also strategic: the group has enjoyed annual sector growth of 8%, with P/E multiples ranging from 21x to 50x (compared to a sector average of around 15x), demonstrating that ESG strategies have not been a drag on profitability but rather a lever for consolidating leadership, reputation and shareholder value<sup>85</sup>.

Kering has once again confirmed its position as another leader in the luxury sector in the ESG integration process. Ahead of the 21st and 25th years, the group has achieved many significant results: -40% environmental impact, -71% Scope 1 and 2 emissions and 100% energy supply from renewable sources. By focusing on the actual footprint of its activities and measuring it with objective and verifiable indicators, the model adopted is particularly robust. In March 2025, Kering received an “AAA” rating from CDP for climate, water and forests – the only luxury company to achieve this recognition in all three areas. This positioning strengthens not only the group's credibility in terms of ESG, but also its ability to attract capital and sustainability-oriented investors<sup>86</sup>.

It is also interesting to look at the sectors most affected. In the period 2023-24, the luxury sector recorded stable and robust growth, with an average increase in revenues of around +8% per annum. The sectors that achieved the best ESG performance showed gains above the sector average: sportswear achieved +15%, eyewear even +13%. Thélios, LVMH's business unit focused on high-end eyewear, is a prime example. By combining sustainable design expertise, established supply chains and circular packaging, it has tripled its sales in just a few years, reaching €700 million in 2024. These figures show that integrating sustainability into products, collections and commercial communication not only meets growing demand but can also act as a catalyst for the expansion of new high-margin segments. This observation, supported by the fact that the highest performances

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<sup>85</sup> Milano Finanza. (2024). *Lusso ESG, ricavi in crescita e multipli elevati*; The Fashion Law. (2024). *Luxury ESG leaders outperform industry average*

<sup>86</sup> Kering. (2023a). *Progress Report 2023*; Kering. (s.d.). *Sustainability Performance Hub*; Kering. (2025). *Kering retains CDP AAA rating for climate, water and forests*; Kering. (2025b). *CDP rating confirmation*

come from the sectors most consistent with ESG, reinforces the hypothesis that sustainability is no longer an option but an essential condition for strategic growth<sup>87</sup>.

In addition to the direct impact of emissions, revenues, ratings and market multiples, luxury companies that have implemented established ESG strategies are among the top destinations for sustainable capital. ESG implementation is not only “valuation-based”, but also makes it possible to participate in ESG funds, with clear benefits for market position and financial performance. Among the funds that have selectively focused on luxury companies with particularly high ESG profiles, the following stand out:

- BNP Paribas Sustainable Thematic – Luxury ESG: a fund that selects European and global luxury brands based on advanced ESG scores. It includes companies such as LVMH, Kering, Hermès and Moncler. These companies represent over 65% of the portfolio<sup>88</sup>.
- Amundi S&P Global Luxury ESG: an ETF that tracks the S&P Global Luxury Index, excluding companies that do not comply with ESG principles (e.g. environmental, social or human rights violations). It has outperformed the average over the three-year period 2021–2024<sup>89</sup>.
- MSCI ACWI ESG Leaders – Luxury Exposure: benchmark that includes companies with the best ESG ratings in the consumer discretionary sector, including numerous European luxury brands (e.g. Ferragamo, Burberry, Richemont)<sup>90</sup>.

One example of a constant presence among the top holdings of high-end virtuous funds is LVMH (Candriam SRI, Pictet Sustainable Luxury, NN Group ESG Equity). Analysts describe it as an “*ESG magnet*” for institutional investors focused on sustainability<sup>91</sup>.

Access to these funds is not passive: it depends on subsequent checks on governance, the supply chain, environmental footprint and verifiable KPIs. Remaining in these funds is a market choice based on objective ESG criteria, and as such it provides an incentive to achieve and maintain certain standards and norms.

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<sup>87</sup> Vogue Business. (2024). *Sustainability boosts growth in sportswear and eyewear*; Vogue Business. (2023b). *Thélios: The eyewear engine driving sustainable luxury*.

<sup>88</sup> BNP Paribas. (2024). *BNP Paribas Sustainable Thematic - Luxury ESG Fund*

<sup>89</sup> Amundi. (2024). *Amundi S&P Global Luxury ESG UCITS ETF DR*; MSCI.

<sup>90</sup> MSCI ACWI ESG Leaders Index – *Luxury Exposure*; Morningstar. (s.d.). *ESG Fund Screener*

<sup>91</sup> Business of Fashion. (2024). *Luxury's ESG magnet: How LVMH is attracting sustainable capital*

Below is a summary table of what has just been discussed.

ESG strategy	Improved KPI	Measured Delta
<b>LIFE 360 (LVMH)</b>	GHG emissions, renewable energy, circularity	-28% emissions S1-S2; +63% renewable energy S3
<b>Luxury sector P/E Multiples</b>	Market valuation	21–50x vs 15x sector average
<b>Kering: early targets</b>	Emissions, renewable energy, CDP AAA rating	-40% environmental impact; -71% S1-S2 emissions
<b>Luxury sector revenues</b>	Segmented growth	+8% annual growth in the luxury sector; sportswear +15%, eyewear +13%
<b>ESG capital flows &amp; equity performance</b>	ESG fund returns, equity overperformance	+14% returns; statistical correlation with ESG positioning

Significant ESG initiatives in the luxury sector, as demonstrated by major players such as LVMH, Kering and Hermès, have resulted in improved operating performance (revenue, margins and carbon efficiency), better market perception (higher multiples and top ESG ratings) and greater access to responsible capital through inclusion in dedicated funds.

In other words, ESG adoption has been confirmed not only as an internal lever for performance but also as a gateway to elite financial circles and as a tool for fuelling a virtuous circle between sustainability and profitability.

This supports all the predictions that emerged and will be presented in the present research, which shows that sustainability can be transformed into a real competitive advantage in the luxury sector.

### 3.2 Formulation of research hypotheses

In light of the above, this thesis aims to verify the impact of the authentic integration of ESG criteria on the economic, financial and reputational performance of companies in the luxury sector. The investigation is based on the idea that, in addition to regulatory compliance and reputation, sustainability can represent a strategic lever capable of generating concrete competitive advantages. This analysis will therefore confirm and/or provide new insights to supplement the above quantitative findings.

With this in mind, the formulation of hypotheses is structured in two stages: a main hypothesis and two secondary hypotheses. These are designed to address the phenomenon of corporate sustainability from a broader perspective, capturing different facets and sparking discussion.

We will therefore proceed as follows:

- **Main Hypothesis H1:** *Adoption of ESG criteria improves business performance in companies in the Luxury, Fashion and Made in Italy sectors.*

- **Secondary assumption H2:** *ESG impacts vary according to the specific criterion (E, S, G).*
- **Third Hypothesis H3:** *ESG impact is conditioned by corporate commitment and the degree to which it is integrated into business strategy.*

The H1 represents the general assumption that emerges from the entire empirical investigation. The primary objective is to analyse whether and how the integration of ESG criteria is related to an improvement in company performance, as previously anticipated, in terms of both the economy and finance, and reputation. The focus will be on the luxury, fashion and 'Made in Italy' sectors. An overall vision relating ESG and performance variables will be presented to improve the strategic effectiveness of sustainability.

However, in order to study the phenomenon in even more detail, the main hypothesis and the secondary H2 and H3 hypotheses will be used to disaggregate and contextualise the framework, offering more details with respect to the ESG impact.

In particular, H2 explores the possibility that not all ESG criteria carry the same weight or effectiveness, as the sustainability impact could vary depending on the focus and actions considered in a given area (environmental, social or governance).

It will also be interesting to see each company's point of view on the main favoured areas and why, as well as whether there are implementation gaps in some areas. Next, it will be interesting to discuss H3, which aims to evaluate whether the degree of strategic integration of ESG principles constitutes a moderating or determining factor in the observed effects, essentially gauging the depth and authenticity of corporate commitment. Although it is the last hypothesis, it is very important as it is intended to stimulate discussion about corporate commissioning of these indices, providing food for thought and inviting criticism in this regard.

In conclusion, we will start with the general objectives of the research (H1) and introduce elements of in-depth analysis (H2 and H3) due to the complexity of the subject matter, opening up spaces for critical interpretation.

## **3.3 Methodology and analysis**

### **3.3.1 Research design and qualitative approach**

This research study employs a qualitative approach to investigate the adoption and perception of ESG criteria within enterprises in the sector under consideration. The choice of methodology is based on the fact that this approach allows to go beyond a numerical analysis, which, in this case, would not have led to the desired results, but rather to a sterile outcome. Instead, we focus on subjective meanings, motivations, operational strategies, and organisational dynamics created in the relationship with sustainability, with the aim of gaining a deeper understanding of the cultural dimension of the company.

This will be achieved through semi-structured interviews, which are considered suitable for analysing complex, multidimensional phenomena such as business sustainability. Semi-structured interviews strike a balance between structured and unstructured interviews, incorporating predefined questions to cover all relevant themes while allowing freedom for the interviewee to explore emerging aspects and delve into significant responses.

The right contextual input is therefore provided to proceed, but there is no limitation on in-depth content. The interviewer therefore assumes the role of a dialogue facilitator, guiding the conversation while adapting to the content that emerges during interaction and enriching the data collection with ideas that were not anticipated beforehand.

In this specific case, such interviews promise to investigate the actual degree to which ESG criteria are integrated into company strategy. They attempt to distinguish authentic practices from merely symbolic, obligatory and cosmetic ones. Additionally, the instrument will be suitable for grasping the complexity of motivations, resistance and perceived effects relating to the adoption of ESG criteria. Thus, the evaluation of the research hypotheses formulated in the previous paragraph is respected.

### **3.3.2 Structure of interviews**

The semi-structured interviews described above were designed according to a precise thematic grid that is consistent with the research hypotheses and the general objective of the research. This objective is to determine the extent to which the authentic integration of ESG criteria affects business performance in the luxury sector.

The questions were formulated to cover all three sustainable dimensions — environmental, social and governance — in a balanced manner. At the same time, they were designed to allow for more dialogue

in order to delve deeper into cross-cutting aspects such as strategic motivation, barriers to implementation, perceived impacts and the degree of commitment of the company.

In particular, six key areas emerged from the interviews:

1. **Environment:** questions related to the adoption of practices that reduce environmental impact (e.g. the use of sustainable materials and emission reduction measures, and compliance with the EU Taxonomy), and the management of the trade-off between sustainability and profitability.
2. **Social:** Exploration of the tools used to guarantee ethical working conditions throughout the supply chain, paying attention to recognised standards (e.g. SA8000 and Fair Wear) and measuring the effects on internal climate, attractiveness and reputation.
3. **Governance:** investigation of how the company structures its internal governance of ESG themes, including the presence of committees, monitoring systems, reporting principles, and the dual materiality approach.
4. **Motivations and strategic approach:** an attempt was made to understand whether the drive to adopt ESG criteria derives from intrinsic motivations (values, culture, leadership) or external pressures (e.g. regulations, the market, stakeholders), also considering the concepts of 'authentic sustainability' and *façade*.
5. **Barriers and enabling factors:** Identification of the main obstacles to integrating ESG criteria (e.g. resources, know-how and organisational culture) and the factors that facilitate this process.
6. **Perceived impacts and outcomes:** call for concrete examples of where an ESG policy has generated a positive competitive, financial or reputational impact. There is also a focus on discrepancies between initial expectations and actual results.

The objective is to gather not only opinions, but also concrete cases, strategic reflections and practical examples from key figures within the company who are capable of providing an informed and responsible point of view. The questions were deliberately formulated to be open and non-suggestive, to stimulate a free but focused narrative and reduce the risk of inductive biases.

The responses are recorded and transcribed in full to enable subsequent qualitative analysis through categorisation and comparison techniques, as illustrated in the following paragraph.

#### *Follow-up example questions*

Below are some of the most representative questions included in the interview grid. The selected questions cover all the main ESG dimensions and reflect the semi-structured approach adopted, which

is aimed at stimulating open reflections, references to concrete cases, and strategic assessments. This is not an exhaustive list, but rather a selection of the questions considered most significant for gaining a preliminary understanding of the adopted approach.

Macro-area	Sample Questions
<b>Environment</b>	<i>How do you integrate the reduction of environmental impact into your products and processes (e.g., use of recycled materials, CO<sub>2</sub> reduction, energy efficiency)?</i>
<b>Social</b>	<i>What tools do you use to monitor and ensure respect for human rights and ethical working conditions along your supply chain, especially in non-EU countries?</i>
<b>Governance</b>	<i>How is ESG governance structured within your company, both in terms of roles and responsibilities (e.g., dedicated committees, board KPIs) and in terms of controls on the consistency and reliability of ESG reporting, such as external assurance or adopted standards to mitigate greenwashing?</i>
<b>Strategy and Cross-Sectional Impacts</b>	<p><i>To what extent is your ESG strategy integrated into the top management's decision-making process? Could you provide a concrete example of a strategic decision influenced by ESG considerations, even at the expense of short-term economic returns?</i></p> <p><i>Can you indicate an ESG investment (or policy) that has led to a measurable positive outcome in terms of financial or competitive performance?</i></p> <p><i>Do you prefer a more limited but deeply rooted and concrete sustainability approach, or broader projects even if occasionally symbolic? How do you position yourselves with respect to the concept of "greenwashing"?</i></p>

### 3.3.3 Sampling process

The sample was selected using a qualitative approach with purposive sampling, aimed at identifying corporate entities with direct experience of managing ESG policies in luxury companies.

As outlined in the introduction (para. 3.1, which presented an initial overview based on quantitative data and sources, the construction of the sample was preceded by an exploratory analysis on documentary and financial bases. Tools such as AIDA (for balance sheet data, company structure and economic dimensions) and the Refinitiv ESG Screener (for evaluating declared ESG policies) were used to identify companies in the luxury and Made in Italy sectors that had implemented, or planned to implement, structured strategies in environmental, social or governance areas.

Using these tools made it possible to select companies that have sectoral and economic relevance and are already partly involved in traceable and documented ESG activities and reporting. This provides

a solid foundation for the subsequent qualitative investigation, ensuring that those involved could contribute meaningful content and concrete references to the proposed themes.

Selected respondents include:

- ESG Managers and Sustainability Managers, involved in the strategic and operational definition of ESG initiatives;
- Controller or CFO, to analyse the impact of ESG practices on economic-financial performance;
- Apex or executive figures (e.g. CEO, COO), for a broader and more strategic vision of ESG integration.

These participants are chosen for their ability to provide a strategic and comprehensive overview of how the company integrates sustainability into its operations and internal governance. Involving senior or directly responsible figures was considered a priority to ensure the information provided was detailed, credible and relevant with respect to the research objectives.

While the sample size is not statistically representative, the expertise and experience of the selected individuals guarantees interpretative depth and qualitative significance.

## **3.4 Interpretation of the results**

### **3.4.1 Empirical findings**

The qualitative analysis is not simply intended to confirm or deny the hypotheses; rather, its objective is to provide a critical perspective on the implementation of ESG objectives. First, it aims to verify, through direct testimonies, whether authentic integration of the three dimensions actually results in reputational, competitive and financial advantages. In particular, the analysis is expected to accurately evaluate the main hypothesis that the conscious and systematic adoption of ESG criteria improves performance. At the same time, the analysis is expected to refine the research through secondary hypotheses: firstly, the variability of the ESG impact according to the dimension considered (E, S or G); and secondly, the degree of commitment and strategic integration as a possible discriminant of the results obtained.

This will be accompanied by the identification of best practices and virtuous approaches implemented by companies in the sector (examples of which will be listed during the interviews), which can act as a benchmark or source of inspiration for similar organisations. These practices may include the use of robust and measurable ESG indicators, the adoption of audit and transparency tools throughout the supply chain, or innovative organisational models for internal sustainability governance.

Likewise, common critical issues, recurring obstacles and areas of weakness are to be highlighted, such as lack of resources, difficulties in finding specific skills, fragmentation of initiatives or poorly structured ESG governance.

Overall, a common thread for these companies in the same sector is to be highlighted, and this is composed of both recurring patterns and transversal trends, but also relevant anomalies. Therefore, cases capable of deviating from the average are to be identified, providing even more food for thought. The aspect on which insistence will be placed is that of façade sustainability. A broader vision that goes beyond things that can actually be answered is what is wanted to be offered. Through interviews, a sharper, but always subjective, overall vision of how much ESG practices are actually rooted in business strategy and not merely adopted for compliance or communication will be achieved.

The expected outcome is therefore to critically re-evaluate the adoption of ESG as a strategic lever in the luxury sector, based on the direct input of key leaders. The qualitative approach provides access to a deeper dimension of corporate discourse comprising ambivalences, insights, successes and limitations. In this sense, the added value of the research lies not only in evaluating hypotheses, but also in offering a broader, more contextualised reflection on sustainability as a cultural and competitive process that is neither linear nor uniform, but rich in nuances.

# CHAPTER 4

## 4.1 Summary of the results

The analysis conducted offers a broader and more detailed overview, highlighting how companies operating in the luxury sector are progressively integrating Environmental, Social and Governance (ESG) criteria into their corporate strategies. This transformation is turning ESG criteria from mere regulatory compliance tools into levers for long-term value creation. This transition is becoming increasingly proactive, with the adoption of sustainable practices no longer being driven solely by external pressure from regulations and stakeholders. Instead, it is now an integral part of the development policies of leading companies in the sector, with significant repercussions in terms of organisation and competitive positioning.

Most companies are now aware of the strategic value of ESG, and many do more than just draw up sustainability reports or respond to regulatory requirements; they integrate these criteria into their daily decisions. This is reflected in the adoption of permanent ESG committees, cross-functional policies involving multiple business functions and the inclusion of environmental and social indicators in budgeting and resource allocation processes, for example. As one interviewee pointed out, *“Today, every strategic decision must undergo an ESG assessment. It is no longer conceivable to treat it as a secondary factor”. It is no longer possible to treat ESG as a secondary factor.”*

However, a detailed analysis reveals significant differences between the three ESG dimensions. These differences are explained below.

### *Environment*

From an environmental perspective, luxury companies have embarked on structured initiatives to reduce the impact of their activities, investing in innovations related to the use of recycled materials, improving energy efficiency and progressively reducing CO<sub>2</sub> emissions throughout the value chain. Increasingly, these companies are adopting carbon footprint calculation and reporting systems, as well as consumption and emissions monitoring tools, in line with the parameters defined by the EU Taxonomy. This mapping process not only allows for greater transparency towards investors and supervisory authorities, but also promotes alignment between sustainability objectives and investment decisions; thus facilitating the planning of capital expenditure (CapEx) and operating expenditure (OpEx) in line with European standards.

Several sustainability managers have indicated that adopting carbon footprint calculation systems and monitoring tools compliant with the EU Taxonomy is a priority. In some cases, these practices have

already had an impact on investment decisions: *“We have excluded suppliers who did not meet our environmental standards, even if this meant increasing costs in the short term.”*

However, a small group of respondents reported operational difficulties: lack of reliable data from suppliers, high implementation costs, and technical challenges in making innovations scalable globally.

### *Social*

The social dimension, on the other hand, is more complex. There is a growing focus on ethical and responsible supply chain management, which is recognised as one of the most critical areas for brand reputation and resilience. Luxury companies operating in a globalised context, who are often dependent on suppliers in non-EU countries, are developing stringent control mechanisms to ensure compliance with human rights, working conditions, and safety standards. This can present a real daily challenge. By adopting binding codes of conduct, due diligence processes and socio-environmental audits, companies aim to reduce the risk of disputes relating to labour exploitation, child labour or environmental violations within their supply chains. Added to this is a growing commitment to internal training initiatives aimed at raising awareness of ESG issues among employees and collaborators, helping to build a corporate culture oriented towards social responsibility and sustainability.

As one respondent stated, *“It is not enough to monitor direct suppliers; you have to go down to the third level of the supply chain if you want to be credible.”* However, achieving this deep level of monitoring is not always feasible. Some admitted that, due to resource constraints and the complexity involved, monitoring remains focused on the first two levels of the supply chain.

Social commitment also extends to internal training: almost all respondents described Environmental, Social and Governance (ESG) awareness programmes for employees, with the aim of building a corporate culture oriented towards responsibility.

### *Governance*

Governance is the real enabler of successful ESG strategies and remains the most established dimension. Leading luxury companies have set up dedicated governance structures, consisting of specialised teams and sustainability committees tasked with defining priorities, monitoring the progress of initiatives and ensuring consistency with long-term objectives. At the corporate governance level, internal and external audit processes ensure the reliability of the information disclosed, limiting the risk of greenwashing and consolidating stakeholder confidence. The integration of ESG objectives into strategic decisions, supported by strong involvement from top management, encourages the adoption of sustainable investment policies, steering future growth towards more responsible and innovative models.

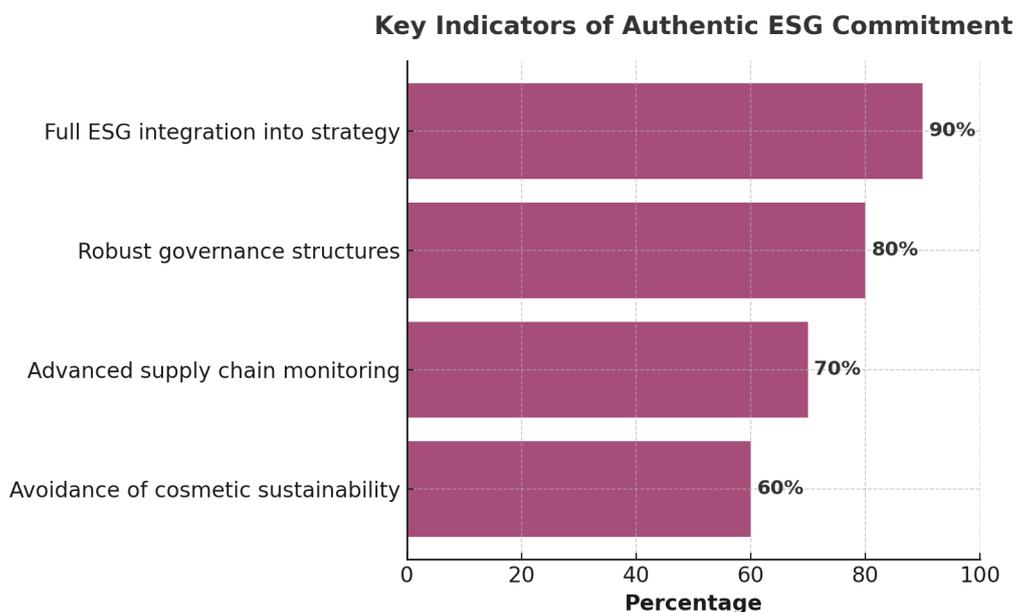
Many respondents confirmed that sustainability is now a regular item on board meeting agendas: *“Every strategic decision is also subject to an ESG assessment, not just a financial one”*. In some companies, variable management remuneration is already linked to ESG KPIs, although this practice is still not widespread.

However, it should be noted that a minority of companies still have ESG governance that is merely “cosmetic”, with responsibilities fragmented across departments and a lack of an integrated vision.

Overall, ESG practices translate into advantages not only in terms of reputation but also competitiveness, allowing companies to access dedicated sources of financing, reduce legal and operational risks, and strengthen the bond of trust with consumers, investors, and institutions. However, a significant challenge remains in relation to the difficulty of measuring the direct economic impact of sustainability initiatives in a timely and standardised manner, especially in a sector characterised by a high degree of heterogeneity in terms of products, processes and target markets.

Overall, ESG practices generate reputational and competitive advantages, but it remains difficult to measure their direct economic impact. The main problem is the lack of standardised and universally recognised KPIs, especially in a sector as diverse as luxury goods.

The chart summarises the main findings from the interview analysis, showing the percentage distribution between positive and negative perceptions of ESG practices in the luxury sector. The majority of Sustainability Managers highlighted the full integration of sustainability into corporate strategies, the presence of robust governance structures and advanced supply chain monitoring. However, a minority reported critical issues related to actual implementation and the risk of “cosmetic” sustainability.



Another finding emerged concerning the variety of ways in which luxury companies interpret and integrate ESG criteria. This difference appears particularly pronounced when considering company size and organisational structure. Large international groups, with their economic resources and highly specialised human capital, can translate sustainability into a cross-cutting strategy that permeates multiple business functions. The interviews revealed that these companies have committees dedicated to sustainability and digital supply chain traceability systems, as well as emissions monitoring procedures that fully align with international standards (GRI, SASB and CSRD). These tools enable compliance with regulatory requirements and influence strategic decisions, such as real estate investment policies and the allocation of capital to projects that align with the EU taxonomy.

Small and medium-sized enterprises (SMEs), on the other hand, adopt a more limited and less formalised approach. Lacking financial resources and complex internal structures, these companies tend to focus on targeted actions with an immediate environmental impact.

Although reducing energy consumption, using eco-friendly packaging and introducing recycling initiatives are common measures, they are often disconnected from a comprehensive governance framework. In such instances, sustainability tends to be reactive and fragmented, driven primarily by the need to respond to external pressures (e.g. customers, suppliers and regulators) rather than by a long-term strategic vision.

This therefore leads to two distinct approaches. On the one hand, there is the '*strategy-driven*' approach, which is typical of large groups and transforms ESG into a real competitive advantage. On the other hand, there is the more '*compliance-driven*' approach, which is typical of SMEs and sees sustainability as an obligation to be fulfilled or a communication tool rather than a structural element of the business model. This difference is significant because it shows that the impact of ESG depends not only on stated policies, but also on the organisational context and the resources available.

Overall, a number of indicators consistently emerge as evidence of successful ESG practices. These include strategic alignment — the incorporation of sustainability into budgeting, resource allocation, and risk management processes — and the definition of clear, measurable KPIs over a multi-year horizon. Other indicators include the presence of external assurance on sustainability reports and the linking of management bonuses to the achievement of selected ESG objectives. Active stakeholder involvement through internal and external surveys, and the absence of material discrepancies between communication and implementation, are also concrete signs of genuine commitment.

## 4.2 Validation of the Research Hypotheses

### 4.2.1 Confirmation or Refutation of Hypotheses

Turning to the validation of the hypotheses, the results confirm the soundness of the theoretical framework set out in previous chapters. The first hypothesis (*H1*), which states that the adoption of ESG practices correlates positively with company performance in the luxury, fashion and 'Made in Italy' sectors, has been amply confirmed. This correlation is particularly evident in the qualitative and long-term effects rather than the immediate financial returns. The companies interviewed particularly highlighted benefits relating to risk reduction, increased employee engagement, and a strengthened external reputation, thus confirming the idea that ESG is primarily an investment in intangible capital.

With respect to the secondary hypotheses:

- The second hypothesis (*H2*), which postulated differences in the impact of the three ESG dimensions, was only partially confirmed. The results show that the three dimensions are often integrated and interrelated, but have different degrees of maturity. The social dimension remains the most difficult to implement, mainly due to the complexity of global supply chains, while governance emerges as the most consolidated and central pillar for the operationalisation of sustainability. The environment occupies an intermediate position: there is growing attention, but difficulties remain in accurately measuring impacts along the supply chain.
- The third hypothesis (*H3*), which linked ESG effectiveness to the level of strategic integration, was confirmed with particular force. It emerged that the presence of structured governance, with dedicated committees and alignment of top management, is the decisive factor in moving beyond a purely compliance-based approach to sustainability that is truly embedded in corporate strategy. Some companies reported real estate investment and capital reallocation decisions directly influenced by the EU Taxonomy criteria, signalling a real change in resource planning and allocation logic.

The table below, included to support this section, summarises the validation of the three hypotheses, immediately highlighting the degree of confirmation and the main insights that emerged.

Hypothesis	Statement	Validation	Key Insights
H1	Adoption of ESG practices positively correlates with corporate performance in luxury, fashion, and Made in Italy sectors.	<i>Confirmed</i>	Impact mainly qualitative and long-term, focused on intangible benefits such as risk reduction, employee engagement, and external reputation.
H2	ESG impacts vary according to the specific dimension (E, S, G).	<i>Partially Confirmed</i>	All three pillars are integrated and interrelated; however, the Social dimension—especially regarding supply chain management—is the most challenging to implement. Governance is more mature and central in operationalizing sustainability.
H3	ESG effectiveness is linked to the level of strategic integration.	<i>Strongly Confirmed</i>	Presence of structured governance, dedicated committees, and top management alignment is crucial. EU Taxonomy criteria influence strategic decisions, including capital allocation and real estate investments.

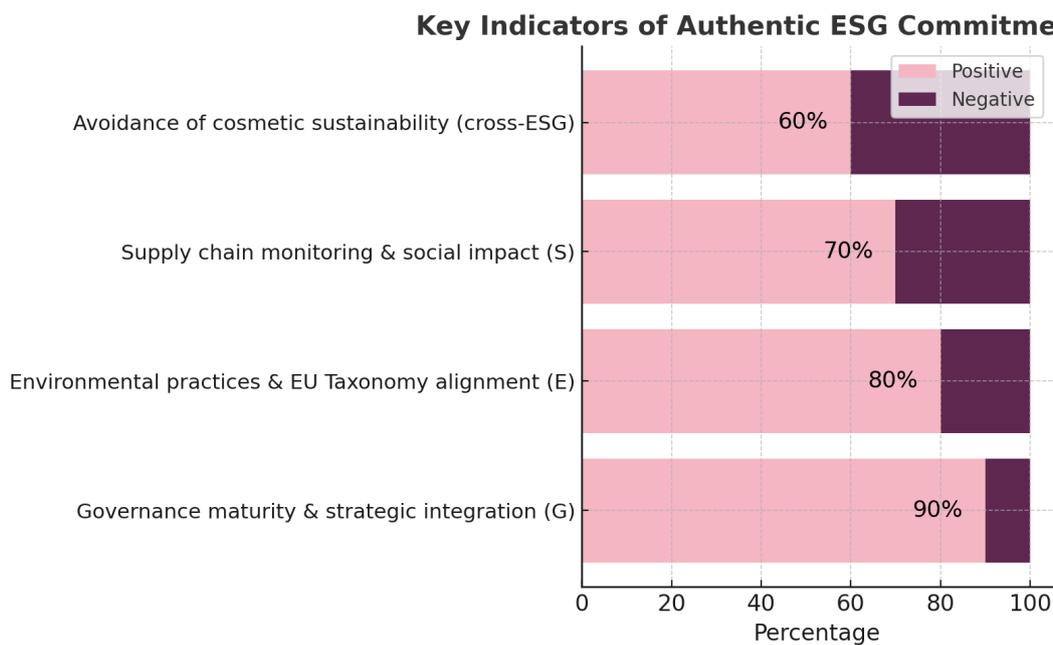
## 4.2.2 Discussion of the Dynamics Observed

Three key dynamics have emerged from the interview data:

1. Regulatory frameworks are both a driver and a constraint. The CSRD and EU Taxonomy are recognized as accelerators of sustainability adoption, but also require the development of robust data systems and cross-functional collaboration, especially in terms of CapEx/OpEx mapping and double materiality assessments.
2. Reputation risk management is central to ESG integration. In an industry where public image and brand equity are paramount, companies invest heavily in safeguarding against reputational damage. Survey participation, external assessments, and stringent supplier controls are not only compliance tools but competitive levers.
3. ESG performance is difficult to isolate and quantify. While internal surveys confirm improved employee satisfaction and external ratings support positive brand perception, there is still limited use of financial metrics directly linking ESG initiatives to operational outcomes. The

development of such KPIs, especially for ESG-linked executive compensation, remains a future goal.

The following chart highlights how the three ESG pillars (Environmental, Social and Governance) influence company performance in different ways. Governance emerges as the most mature and strategically integrated element, while the social dimension – in particular supply chain monitoring – is the most complex to implement. A minority of respondents reported discrepancies between public statements and concrete actions, indicating the persistence of greenwashing practices in some cases.



## 4.3 Real or Cosmetic Sustainability?

### 4.3.1 Analysis of the Evidence of Greenwashing

A key point that emerged from the interviews concerns the risk of greenwashing, a phenomenon that continues to represent one of the main critical issues in assessing the real scope of ESG practices in the luxury sector. Sustainability is often described using appealing and highly symbolic language, which, however, risks preceding or even replacing the concrete transformation of production and organisational processes.

Most respondents pointed out that, although companies have made significant progress in recent years in integrating ESG criteria into corporate governance, there remains a gap between what is communicated to the public and what is actually implemented. One manager in particular provided a somewhat strong but extremely interesting insight: *“In some cases, communication runs faster than the reality of internal processes”*. Marketing, in fact, sometimes risks preceding actual organisational change: for example, by publishing sustainability reports that are highly detailed but more narrative than substantive, or by launching “green” capsule collections and visually striking media campaigns that capture consumers' attention but do not always reflect profound changes in business processes. This disconnect between communication and operational reality can generate a boomerang effect, as the most attentive stakeholders quickly perceive the gap between image and substance, jeopardising the brand's credibility and fuelling accusations of greenwashing. As noted, *“Communication is necessary, but if it is not supported by profound operational changes, it risks generating a boomerang effect”*.

However, analysis of the interviews reveals some recurring elements that distinguish genuine commitment to sustainability from purely cosmetic practices. The first factor is the top-down integration of ESG strategy into decision-making processes. Companies that have demonstrated the most credible approach are those where commitment starts at the very top and influences every department. Top management's attention, translated into concrete strategic choices, appears to be a necessary condition for sustainability to extend beyond isolated or departmental initiatives.

A second element concerns the formalisation of dedicated governance structures, including clearly defined roles, procedures, and policies. Companies with ESG committees, cross-functional task forces, or managers directly responsible for the issue demonstrate a greater ability to translate statements into tangible actions. In this sense, governance acts as a guarantee of continuity and monitoring, preventing sustainability from being perceived as a temporary project.

Another distinctive feature is the adoption of international standards and certifications (such as SA8000 or ISO 26000) and the use of independent third-party audits. These tools not only help to

strengthen external credibility, but also introduce internal measurement and verification practices that reduce the risk of discrepancies between what is communicated and what is actually implemented.

The use of double materiality analysis, which many companies have begun to carry out at group level, is also particularly significant. This process allows for the parallel assessment of both the impact of corporate activities on the environment and society, and the risks that ESG factors generate on the business itself. The adoption of this tool reflects a mature and strategic approach that goes beyond mere compliance and allows investments to be directed in a more informed manner.

Finally, another distinctive feature concerns the style of initiatives: truly committed companies tend to favour gradual, consistent interventions that are integrated into operational processes rather than high-profile campaigns that are disconnected from business reality. The emphasis is on the continuity and depth of transformations rather than the spectacular nature of individual initiatives.

An overall reading of the data reveals a generally positive picture: most of the companies surveyed consider ESG to be an essential strategic factor, capable of generating value and strengthening the sector's international competitiveness. However, a minority of respondents expressed more critical views, pointing out that in some cases sustainability remains a phenomenon driven mainly by external pressures – regulatory and reputational – and is not yet fully integrated into business logic. According to this perspective, the adoption of ESG practices risks becoming a mere compliance tool or, worse, a marketing strategy, if not supported by concrete and verifiable investments.

This divergence of opinion suggests that the path towards sustainability that is truly embedded in corporate culture and practices is still ongoing and presents significant obstacles. The main challenge for the sector remains that of balancing regulatory and reputational pressure with genuine internal transformation capable of producing measurable and lasting results.

#### **4.4 Divergences and Critical Perspectives**

While the overall picture is largely positive, with a consensus emerging on the importance of ESG integration in the luxury sector, a minority of respondents expressed more cautious views than those illustrated in previous sections.

In particular, some professionals pointed out that translating ESG commitments into concrete results is not always immediate or guaranteed, especially in companies where sustainability is confined to specific functions and not fully integrated into all operating units' decision-making processes. As one respondent stated, *“The risk is that sustainability will be perceived as a parallel project, rather than a guiding criterion for all business decisions.”*

Another critical issue is the difficulty of measuring impact. Despite the adoption of increasingly sophisticated reporting tools, some argue that ESG KPIs still fail to provide a clear picture of direct economic returns. This means that some investments risk being called into question in contexts where margins are under pressure.

One respondent noted that *“it is not always easy to justify significant sustainability spending to a board of directors when the economic benefits only become apparent after many years.”*

Others expressed doubts about the depth of commitments made, arguing that highly visible and emphatically communicated initiatives can mask a lack of structural change. As one critical voice summarised, *“The risk is not so much intentional greenwashing, but rather an asymmetry between what is communicated and what actually changes in production processes.”*

While these minority views do not negate the general trend towards the strategic integration of sustainability, they do emphasise the importance of maintaining a vigilant and self-critical approach that balances ambition with practicality and ensures that the ESG narrative does not overshadow operational substance.

## **Contribution, implications, future developments**

This research project explored the evolution of sustainability in the luxury sector, with particular reference to the adoption of ESG (Environmental, Social, Governance) criteria and their impact on company performance. Starting with an analysis of European and Italian regulations, moving on to academic literature and finally conducting a qualitative empirical survey with sustainability experts in the sector, the thesis sought to understand whether, and to what extent, the authentic integration of sustainability can become a strategic lever for value creation and competitive strengthening of companies.

The analytical process highlighted how ESG is now a central issue in the contemporary business landscape, not only in response to regulatory constraints and market pressures, but also to consolidate the trust of investors, consumers and institutional stakeholders. However, a clear dichotomy has emerged between an authentic and measurable approach to sustainability and forms of cosmetic or superficial sustainability, often adopted for reputational purposes without any real transformative impact on business processes.

The main limitations of this work, possible lines of research development, the original contribution of the thesis and the operational implications for luxury and Made in Italy companies are set out in detail below.

### **Contribution of the Research**

This thesis contributes to the field of study in two distinct yet closely related ways: theoretically, by enriching the scientific literature, and practically, by providing useful results for companies in the luxury sector.

Theoretically, the thesis primarily contributes to confirming and updating the academic discussion on the relationship between adopting ESG practices and corporate performance. Previous literature has highlighted the potential long-term benefits of sustainability, particularly in terms of risk mitigation, reputational capital, and stakeholder engagement. However, demonstrating a direct, quantifiable correlation with economic and financial results remained controversial, at least with qualitative analysis. This analysis confirmed the existence of a positive correlation and showed how it manifests through intangible benefits that are difficult to monetize in the short term. Therefore, we must view it as the creation of reputation and value that builds increasingly and solidly over time.

In this sense, the thesis contributes to reinforcing the idea that sustainability is a lever for long-term value creation, which is measured more in terms of organizational resilience and the ability to

preserve social and reputational capital than in immediate financial returns. If we want to, therefore, the economic consequence is not direct, but rather a mediated effect, the result of consequences that develop progressively, precisely, on reputation, trust, and organizational resilience.

Still on a theoretical level, a further contribution concerns the distinction between authentic sustainability and cosmetic sustainability, which is often discussed in the literature but rarely explored in depth with specific reference to the luxury sector. As extensively analysed, the work has shown how the presence of clear governance mechanisms, double materiality processes, independent audits, and verifiable KPIs are the distinguishing elements between companies that are truly committed and companies that use ESG primarily as a reputational tool. This contribution is important because it provides an interpretative model useful for reading the managerial reality through critical categories capable of distinguishing between real commitment and greenwashing.

On a practical level, the thesis offers luxury and Made in Italy companies some operational guidelines that can lead to the adoption of more credible and deeply rooted ESG strategies. Analysis of the interviews has identified the best practices already in use:

- The creation of permanent ESG committees;
- The institutionalization of sustainability in decision-making processes;
- The traceability of the supply chain through in-depth due diligence;
- The use of digital systems for data collection and analysis.

In this way, sustainability is incorporated and rooted directly in the business model, going beyond the mere regulatory obligation to implement certain indices and practices.

Another important practical aspect concerns the role of marketing and communication. As discussed in Chapter 4, marketing has proven to be a double-edged sword: on the one hand, it is essential for conveying ESG values to the end consumer, but on the other, it is potentially risky if used to fill the gap left by weak metrics or initiatives that are not fully implemented. The thesis thus helps to clarify that sustainability cannot be reduced to a narrative exercise, but must be based on solid data, independent audits, and tangible transformations. Marketing, therefore, should not be considered something to be eliminated, but rather something to be harmoniously integrated with sustainability initiatives, so that communication and transformation go hand in hand. For companies, this means that communication should not be abandoned, but rather made consistent, proportionate, and transparent with respect to the results actually achieved.

Finally, the thesis also helped to confirm and further highlight the strong asymmetry that exists between international groups and all other entities, including SMEs and small artisans, which are often limited by resource constraints and a more tactical than strategic vision. Therefore, it was

important to emphasize the polarization, highlighting the necessity of institutional support and supply chain collaboration to bridge the gap and ensure that smaller businesses can also transform sustainability into a competitive driver with similar tools and regulations.

It is essential to clarify all the benefits that can be gained from this thesis: not only confirming that ESG has a positive impact on the performance of luxury companies, but also showing how this impact manifests itself, including risks, and which practices can make the difference between a genuine commitment and a superficial strategy. This analysis has therefore enabled us to provide comprehensive results and a realistic picture of the sector, which not only highlights successes but also considers critical issues and areas for improvement. In this sense, the value of the research lies in its ability to offer an interpretative tool that is useful not only in an academic context, but also for corporate and institutional decision-makers, providing concrete guidance for future strategic choices. The hope is that these reflections will contribute to strengthening the path towards truly integrated sustainability, capable of generating lasting value for companies, stakeholders, and society as a whole.

## Implications of the Present Thesis

The evidence gathered suggests that sustainability should no longer be considered a cost or a mere tool for regulatory compliance, but rather a strategic asset for the competitiveness of luxury companies. The authentic integration of ESG criteria offers benefits that go beyond reputation: it helps mitigate legal and operational risks, facilitates access to green capital, strengthens consumer trust, and promotes long-term value creation.

As we have demonstrated, in order to fully seize these opportunities, companies in the sector will need to adopt an integrated approach that includes robust governance, supply chain traceability systems based on verifiable data, uniform reporting standards, and decision-making processes that include sustainability as an evaluation criterion on par with economic objectives. It is essential to move beyond cosmetic sustainability, favouring concrete and measurable investments, even if they are less immediately “visible” in terms of external communication.

The implications are particularly relevant for Italian manufacturing, which bases its competitive advantage on craftsmanship, quality, and ties to the local area. Credibly integrating sustainability not only allows companies to comply with new European regulations and global expectations, but also to enhance the cultural and human capital that lies at the heart of Italian manufacturing excellence. A mature ESG model, rooted in corporate values and supported by innovation and transparency, can consolidate the role of Italian luxury as a world leader not only in creativity and prestige, but also in social and environmental responsibility.

The crucial issue that has emerged concerns the polarisation between large luxury groups and SMEs in their ability to integrate ESG criteria. This gap is not simply a matter of available resources, but has strategic and competitive implications that could have a profound impact on the future of the sector.

Large international conglomerates have now consolidated sustainability as a strategic and cultural pillar of their corporate identity. The existence of internal committees, formalized policies, digital traceability tools, and alignment with key international standards allows them to use ESG not only as a response to regulatory constraints, but as a lever for global positioning. In these contexts, sustainability becomes a criterion that even guides investment choices and capital reallocation, transforming itself into a true intangible asset capable of generating reputation, attractiveness for investors, and consumer loyalty.

SMEs, on the other hand, remain anchored to a more reactive and defensive logic. The measures implemented, often limited to reducing energy consumption, using eco-friendly packaging, or isolated actions in the supply chain, show a tactical and fragmented approach.

ESG is mainly seen as regulatory compliance or a communication opportunity, but rarely translates into a long-term strategic vision. This scenario risks creating a growing competitive gap: on the one hand, large players are consolidating their global leadership through advanced sustainable practices; on the other, SMEs are struggling to keep up, with the result that their ability to compete on international markets is gradually being eroded.

This asymmetry has profound implications. If left unaddressed, it could lead to a kind of two-speed sustainability, with large groups moving towards increasingly sophisticated ESG models and SMEs forced to play catch-up, limiting themselves to minimal interventions.

However, this challenge can be turned into an opportunity for convergence. Large groups, through their role as industry leaders, can become incubators of good practices, transferring tools, know-how, and skills to smaller companies. At the same time, institutions can play a decisive role by offering economic incentives, technical support programs, and regulations tailored to the needs of SMEs. The main implication is therefore that sustainability, in order to become a common language and not a privilege of the few, requires a joint commitment from companies, policy makers, and supply chain players.

In conclusion, the future implications of this thesis go beyond the boundaries of the individual company: they concern the ability of the luxury world to present itself as a sustainable and cohesive ecosystem, in which traditional craftsmanship and managerial innovation can coexist. The future of the sector will depend on the possibility of transforming the risk of polarization into a shared path of

sustainable growth, which strengthens not only the competitiveness of global brands, but also the vitality of SMEs that represent the soul of Made in Italy.

## Limitations of the Analysis

The first limitation concerns the empirical scope of the study. As explained in the methodology section, the qualitative survey was conducted with a limited number of leading companies in the sector. This reduces the possibility of generalising the results to the entire luxury sector, which is characterised by a high degree of heterogeneity in terms of business models, target markets, and levels of ESG maturity. The analysis therefore mainly reflects the experiences of more structured companies that are part of large international groups. The dynamics of small, independent *maisons* or SMEs in the 'Made in Italy' sector may differ significantly. However, this has enabled us to gain a deep understanding of these business logics. Nevertheless, we have found a 'biased' perspective towards the most advanced practices, which undoubtedly cannot represent the sector as a whole; otherwise, there would have been no need for this analysis.

A second limitation concerns the measurability of the direct economic impact of ESG practices. Although numerous intangible benefits have been identified in terms of risk mitigation, reputation, customer loyalty, employee engagement and improved relations with investors and institutional stakeholders, it has not been possible to establish a direct, quantifiable correlation with economic and financial performance.

In line with the literature, it has become clear how complex it is to isolate the contribution of sustainability in a context where performance depends on multiple internal and external factors. This lack of comparable and standardized data represents a methodological limitation, but also a broader challenge that affects the entire academic and managerial debate.

Another limitation is undoubtedly the evolving regulatory framework. Recent European initiatives, such as the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy and the proposed Corporate Sustainability Due Diligence Directive (CS3D), are radically redefining reporting requirements and sustainability management practices. However, many companies are still in the process of adapting their reporting and governance systems, and are therefore in an experimental phase. Consequently, the findings of this research reflect a transitional period rather than an established situation. This means that some of the evidence discussed may change significantly in the coming years, necessitating constant monitoring.

Furthermore, a critical issue that emerged in the previous chapter is the lack of clarity surrounding the communicative dimension of sustainability. The risk of greenwashing is real: companies sometimes emphasise ESG initiatives without them having any real operational impact. In this sense,

the research itself may have been influenced by the emphasis placed on results that are more easily exploited for reputational gain, to the detriment of less visible but perhaps more substantial initiatives. It is a fairly common belief that marketing is sometimes given too much priority over other things. This represents not only a methodological limitation, but also an epistemological one: investigating sustainability often means confronting a gap between what is declared and what is achieved, between narrative and implementation.

Finally, a time-related limitation should not be overlooked. Sustainability mainly produces its effects in the long term, while this research necessarily had a shorter observation horizon. This implies that some positive or negative impacts of ESG practices may not yet have emerged or been detected. Consequently, the conclusions presented here should be considered as a preliminary interpretative basis, to be supplemented by future longitudinal research.

However, it may seem that all these limitations could weaken and/or somehow diminish the actual value of the research. It is well known that this is not an easy topic to deal with and, above all, that sustainability is a relatively recent and still evolving concept. For this very reason, it is currently difficult to have a clear, complete and universal picture. Therefore, these results do not weaken the research, but rather contextualise it: they invite us to read the evidence with caution, recognising the complexity of a rapidly evolving phenomenon and the impossibility, at present, of providing unambiguous answers. At the same time, they highlight the urgent need to develop more robust and transparent tools to distinguish between genuine sustainability and cosmetic sustainability, preventing the gap between communication and reality from becoming an obstacle to the sector's credibility.

## Future Developments

Future research prospects lie along several main lines, which in turn open up areas for possible future research. These are linked both to the methodological limitations identified and to the empirical evidence that has emerged.

A first development concerns the expansion of the empirical base. The qualitative approach adopted in this thesis has allowed for an in-depth and detailed examination of the managerial perspective, but the database remained too small to reflect the complexity of the sector as a whole. In particular, the interviews mainly gave voice to large luxury groups, while SMEs and artisan Made in Italy companies, which are a fundamental part of the national entrepreneurial fabric, were underrepresented. Extending the research to a larger and more diverse sample would allow for a systematic analysis of whether there are different trajectories in the approach to ESG, due to factors such as company size, governance structure, availability of resources or degree of internationalisation.

This would make it possible to understand whether sustainability is becoming a shared language or whether, on the contrary, a “two-speed sustainability” is taking hold, separating large global players from smaller entities.

A second area of development is linked to the integration of quantitative methodologies. The choice of a qualitative approach has made it possible to highlight perceptions, strategies and organisational dynamics, but has not allowed for causal testing of the relationship between ESG and economic performance. Future studies should therefore use financial data, independent ESG ratings and comparable indicators in order to verify more rigorously whether and how the adoption of sustainable practices translates into measurable returns. Longitudinal designs, based on several years, would also make it possible to capture long-term effects and investigate the role of sustainability in the resilience of companies in scenarios of economic, pandemic or geopolitical crises. A quantitative approach of this kind would also help to reduce the space left to communication alone: as empirical analysis has shown, in the absence of verifiable metrics, companies tend to fill the gap with marketing, risking emphasising narrative rather than substantive aspects. Solid and comparable metrics therefore represent not only a methodological step forward, but also a tool for containing the risk of greenwashing and strengthening the credibility of companies.

Finally, a third area of research concerns ESG digitisation and traceability. The emergence of data analytics tools, blockchain and dedicated digital platforms now offers unprecedented opportunities to monitor the entire life cycle of luxury products and to assess the environmental and social impact of corporate activities in real time. Future studies will analyse how these technologies affect not only transparency, but also value creation and the strengthening of stakeholder trust. The application of these innovations in the luxury sector could also help to distinguish more clearly between authentic sustainability and cosmetic sustainability, reducing the risk that narrative prevails over substance.

Essentially, the main future development that can be pursued extends in two directions. Firstly, to extend and diversify the empirical basis in order to capture all the different nuances of such a complex sector; and secondly, to strengthen the methodological tools themselves, enabling a quantitative and technical contribution that effectively allows results to be verified, measured and made transparent, with the aim of proving an effective correlation with the economic performance of interest.

## Best practices for a Genuine and Measurable ESG Commitment

Analysis of the gathered evidence reveals a series of best practices adopted by luxury companies that have transformed sustainability from mere regulatory compliance into a driver of strategic value creation. These best practices are not only operational tools but also a cultural and managerial approach that deeply integrates Environmental, Social, and Governance (ESG) principles into corporate decisions. This approach overcomes superficial logic and lays the foundation for long-term competitiveness.

The following best practices emerged from observing the most advanced companies and critical reflection developed in this thesis, providing a guide for the sector.

One distinctive element is the structuring of clear, multi-level sustainability governance. Companies that have achieved the most credible and lasting results have established permanent ESG committees, assigned clear responsibilities to senior management, and defined internal monitoring and control procedures. In such contexts, sustainability becomes an integral part of strategic decision-making processes, not just a side project. Solid governance also ensures continuity and transparency, reducing the risk that sustainability will be perceived as a temporary phenomenon or as dependent on individuals.

A second pillar of best practices is responsible supply chain management, which is now considered one of the most critical areas for the luxury sector. Leading companies implement rigorous due diligence mechanisms, introduce mandatory codes of conduct for all suppliers, and carry out periodic social and environmental audits. They often use internationally recognized standards, such as SA8000 or ISO 26000, for these audits. Focusing on the supply chain mitigates reputational and legal risk and is a real competitive differentiator. The ability to guarantee the traceability and ethics of production processes adds value that consumers, investors, and institutional stakeholders increasingly appreciate. Another element of excellence is the development of advanced digital systems that collect and analyse ESG data. These systems can overcome current measurement difficulties and ensure the reliability and comparability of disseminated information. The most innovative companies are investing in IT platforms that can monitor environmental, social, and governance performance in real time throughout the value chain.

This allows companies to respond more effectively to the growing demand for transparency from regulators and investors. It also enables them to integrate ESG into their daily operational decisions, reducing costs, inefficiencies, and compliance risks.

Leading companies in the sector are experimenting with ways to integrate ESG objectives into management incentive systems. Linking variable remuneration to the achievement of environmental and social targets is a keyway to align corporate strategies with managers' actual behaviour. This

approach is still not widespread, but it is growing. It is a keyway to ensure alignment between a company's strategic vision and managers' operational choices. It promotes concrete, measurable accountability of senior management for achieving sustainable, not merely economic, results. This approach becomes part of everyday management logic.

## Recommendations for improving transparency and performance

Based on the evidence gathered and a comparison with existing literature, it is possible to outline some useful recommendations for luxury companies that intend to strengthen their ESG performance and increase the credibility of the initiatives undertaken.

It should be specified that the value of these initiatives must not only be at the sectoral level, but must include all actors in the supply chain, institutions, and all stakeholders involved in this transition.

Firstly, the transparency of information provided to stakeholders must be enhanced, going beyond mandatory reporting and adopting clear, comparable, and verifiable reporting standards by independent third parties. In this sense, the rigorous application of the principles of double materiality introduced by the CSRD is an essential step: companies should explicitly state not only the impact of ESG issues on their financial performance, but also the effect of their activities on the environment and society, giving a complete account of the externalities generated throughout the entire value chain.

Secondly, it is advisable to develop ESG performance indicators more closely linked to tangible economic results to overcome the difficulty of directly measuring the return on sustainability investments. Creating integrated KPIs that combine environmental, social, and governance metrics with operational efficiency, risk reduction, and brand value creation metrics would strengthen the link between sustainability and business performance. This would justify ESG choices to shareholders and investors with a short-term focus. Therefore, companies should build scorecards combining operational efficiency, risk reduction, and reputational value creation metrics with traditional economic and financial indicators.

Another recommendation is to avoid purely symbolic sustainability projects, as they risk accusations of greenwashing and can compromise the trust built with consumers and the public. Rather than initiatives that have a high media impact but are of little relevance from an environmental or social point of view, external communication should be based on solid, verifiable data and concrete results. Adopting independent certifications and third-party audit systems is key to ensuring the credibility and authenticity of declared ESG policies. This means prioritizing substance over form and continuity over one-off campaigns to demonstrate that sustainability is a deep-rooted cultural transformation, not just an image exercise.

Finally, the last piece of advice undoubtedly concerns an important aspect: creating a corporate culture geared toward sustainability. This can include promoting continuous training programs for employees and suppliers, incorporating green innovations into production processes, and investing in research and development of low-impact solutions. Luxury companies can only prevent sustainability from remaining a set of formal requirements and transform it into a stable source of competitive advantage and shared value for society through a profound cultural transformation supported by responsible and consistent leadership.

The future of the sector depends on translating these recommendations into concrete actions and transforming ESG into a shared lever for growth, reputation, and responsibility.

## CONCLUDING REMARKS

This thesis addressed a question that is as simple in its formulation as it is complex in its implications: is sustainability in the luxury and Made in Italy sector really a lever for value creation, or does it remain primarily a regulatory and reputational constraint? The analysis conducted showed that there is no single answer, but rather a combination of pressures, resistance and contradictions that make this a constantly evolving field.

Along the way, it became clear that ESG criteria have now taken on an undeniable central role. European and international regulations have transformed sustainability from a voluntary option to an essential requirement, profoundly affecting reporting models, transparency obligations and governance responsibilities. At the same time, the literature has emphasised that the benefits of sustainability go beyond regulatory compliance to include reputation, stakeholder trust and organisational resilience. However, when we get to the operational heart of businesses, the line between genuine commitment and cosmetic storytelling can become blurred.

The present empirical research, based on interviews and direct observation of business practices, has allowed us to get to the heart of this tension. While large international groups have been able to integrate ESG criteria into their strategies, transforming them into a pillar of governance and a key to accessing responsible capital, many SMEs show a more fragmented and defensive approach, often limited to specific initiatives with a strong communicative content. It is in this gap that much of the challenge for the future of Made in Italy lies: the ability to bridge the gap between those who have already transformed sustainability into a strategic language and those who still see it as an obligation to be fulfilled.

But beyond the numbers, regulations and concrete cases, what emerges above all is a cultural aspect. Sustainability in luxury is not an exercise in reporting, but rather a redefinition of identity: it means deciding whether and how tradition, craftsmanship and exclusivity can dialogue with the values of responsibility, transparency and inclusiveness required by today's global market. In this sense, the beating heart of the research lies in the question that has guided each chapter: understanding whether and how ESG can transform itself from a mere obligation into a strategic, deeply rooted choice. It is in this tension that the maturity of a company and, more generally, of an entire sector is measured.

This work does not claim to offer definitive answers: that would be illusory in a field where rules change rapidly and where the effects of sustainability are measured above all in the long term. What can be said, however, is that sustainability is now an essential condition for the social and competitive legitimacy of luxury companies. Ignoring it means condemning oneself to progressive isolation; integrating it authentically means paving the way for new forms of value, not only economic but also reputational, social and cultural.

The implications for Made in Italy are particularly significant. This sector is based on a constellation of small and medium-sized enterprises, custodians of a unique heritage of craftsmanship and cultural skills, which, however, risk being left behind if not supported by appropriate policies, supply chain collaborations and proportionate measurement tools. This is where institutions, associations and large groups can play a fundamental role: acting as bridges, incubators of good practices and catalysts for shared innovation. Only in this way can sustainability become a common language, rather than a privilege of the few.

Looking at the future, what emerges is not so much the contrast between real and cosmetic sustainability, but rather the need to transform this tension into a path of convergence. Because if it is true that communication sometimes runs faster than internal processes, it is equally true that this reputational pressure can act as a stimulus for a deeper change. The challenge is to find a balance between external visibility and internal transformation, between storytelling and substance, ensuring that the former does not prevail over the latter.

Ultimately, this thesis does not end with a full stop, but with an invitation to reflect. Sustainability in luxury and Made in Italy today appears to be a work in progress: a path made up of steps forward and contradictions, opportunities and risks, ambitions and limitations. Its evolution will depend on the ability of companies to transform ESG principles into concrete and measurable choices, and on the willingness of the system as a whole to bridge the gaps and build a future in which creativity, prestige and responsibility can coexist.

Italian luxury has already proven its ability to reinvent itself throughout history. The challenge it faces today is perhaps the most demanding: to demonstrate that beauty, craftsmanship and excellence are not incompatible with sustainability, but can in fact be its most powerful vectors. If this challenge is met, Italian manufacturing will be able to consolidate its role not only as a symbol of creativity and style, but also as a global example of responsible innovation.

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