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The role of sustainability report in oil & gas sector: the IP Api Group case

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Summary

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THE ROLE OF SUSTAINABILITY REPORT IN OIL & GAS SECTOR: THE IP API GROUP CASE

ABSTRACT

Lo scopo di questo studio è di analizzare come una vera azienda appartenente al settore oil & gas gestisca e comunichi le proprie performance di sostenibilità, attraverso il proprio Bilancio di Sostenibilità. Il principale motivo per cui si è scelto di indagare tale tematica è riconducibile al fatto che in letteratura vi siano da un lato, molti studi relativi alla produzione del bilancio di sostenibilità, ma dall'altro, pochissimo materiale in merito a come delle aziende "ritenute controverse" come quelle oil & gas, gestiscano le varie dimensioni della sostenibilità.

Per questo motivo, data la reputazione negativa di queste aziende, si ritiene possa essere interessante indagare come un'adeguata comunicazione delle proprie performance di sostenibilità, effettuata attraverso gli strumenti più consoni, possa evidenziare il loro effettivo contributo apportato alla sfera socio/ambientale e le relative implicazioni che ciò potrebbe avere sulla reputazione aziendale.

L'azienda scelta come caso di studio è un'organizzazione italiana Leader nel settore oil & gas, ossia il Gruppo IP Api che redige volontariamente il bilancio di sostenibilità ormai da 4 anni. Nello specifico, lo studio si svilupperà in tre macro-

aree (ognuna di esse approfondita sia dal punto di vista teorico che dal punto di vista dell'azienda caso di studio):

Una prima sezione in cui si effettuerà un'analisi introduttiva delle principali tematiche che verranno trattate in corso d'opera come il valore della sostenibilità aziendale, il bilancio di sostenibilità ed una panoramica generale del settore oil & gas.

Una seconda sezione dedicata all'approfondimento del bilancio di sostenibilità che si concentrerà su un'analisi effettuata sia dal punto di vista teorico che pratico del processo di rendicontazione e dei vari principi e linee guida del reporting non finanziario.

Ed infine una terza sezione dedicata all'analisi dei contenuti del bilancio di sostenibilità effettuata attraverso l'applicazione dei principali standard di reporting e di assurance.

I risultati ottenuti da questo studio sottolineano, contro ogni stereotipo, un coinvolgimento attivo delle aziende oil & gas verso il perseguimento di performance socio/ambientali positive (tale aspetto si è evidenziato soprattutto attraverso le analisi di benchmark con i competitors). Infine, nonostante ci siano naturalmente alcuni aspetti da migliorare, si denota un atteggiamento proattivo delle aziende oil & gas verso i grandi cambiamenti richiesti dal processo di transizione energetica, un atteggiamento piuttosto positivo che se mantenuto in futuro, apporterà sicuramente un contributo significativo alla transizione sostenibile.

CHAPTER 1

INTRODUCTION TO NON-FINANCIAL REPORTING: THE SUSTAINABILITY REPORT AND THE IP GROUP CASE

1.1 THE HISTORIC EVOLUTION OF SUSTAINABILITY

The concept of sustainability has a long and complex history that begins approximately between 1960 and 1970, the years in which began the first environmental movements. A very important role was played by some key events that marked the beginning of the focus on sustainability at a global level. Some of these events were positive and very emotional such as the first image ever taken of Earth from space, while others were negative and destructive such as the Bhopal Chemical disaster in 1984 and Chernobyl nuclear catastrophe in 1986. Terrible events that showed to the world the catastrophic effects that human accident can cause to the environment.

Was right between these events that the World Commission for Environment and Development issued in 1987 the Burtland Report, inside which there was the very first definition of what the "sustainable development" is. They defined it as "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*". That definition was extremely

important, because it contained within it two key concepts (Tregigda, Unerman, 2021)[1]:

- The concept of needs, in particular the fact that we should prioritize the poor's needs.
- The concept of limited resources, in particular the fact that if the present generation consumes all the available resources the future generations will not have nothing left to consume or to use.

After 1987, many other important events took place around the world, the most important were:

- Earth Summit Rio in 1992: it produced the Rio Declaration and its 27 universal principles in addition to some conventions and declarations about environmental "hot topics" (such as bio diversity management, forests management, climate change...)
- The Kyoto Agreement in 1997: it introduced the establishment of flexible market mechanisms and Emission Trading System.
- The Rio + 20 in 1992**:** to monitor the progresses that countries have been made since Rio 1992.
- The Paris Climate Agreement in 2015: it goal is to limit global warming.

[1] Sustainability Accounting and Accountability, "Background and global context", pp. 13. Laine, M., Tregidga, H., & Unerman, J. (2021).

- UN SDGs launched in 2015: there were introduced 17 sustainable development goals to achieve by 2030.[2]

At the end of this regulatory path, sustainability borders have expanded, and thanks to the evolution of CSR, sustainability gained three different dimensions: environmental sustainability, economic sustainability and social sustainability, these dimensions represents the three pillars of sustainability concepts (Tregigda, Unerman, 2021). In particular, each of these three areas necessary because: "*economic sustainability provides people with future income and resources, environmental sustainability provides a stable ecosphere that supports and protects life, including the provision of food and water and social sustainability provides well-functioning societies that protect and enhance quality of life and safeguard human rights"* (Hopwood, Unerman, Fries, 2010)[3].

An interesting thing to see is how the definition of CSR given by the European Commission has changed between 2001 and 2011. According to the first definition, the CSR *"is the concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."*[4]

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[2]Sustainability Accounting and Accountability, "Background and global context", pp. 14. Laine, M., Tregidga, H., & Unerman, J. (2021).

[3] Accounting for Sustainability Pratical Insights, A. Hopwood, J. Unerman, J. Fries, 2010, pp. 3-4.

[4] Commission Green Paper 2001 "Promoting a European Framework for Corporate Social Responsibility", COM (2001)366 Final.

On the other hand, in 2011 the CSR was defined as "the company responsibility for its social impacts". At first sight the 2011's definition may seem more simple than the previous one, but actually its content is very complex because it has introduced the concept of "being social responsible". It means that in order to be social responsible, companies should not be limited to compliance with duties imposed by the law, but in addition they must take into account the needs of each part which is involved and its own impact produced (social, environmental and economic) from the strategic definition stage.

1.2 THE DRIVERS THAT LED COMPANIES TO BE RESPONSIBLE TOWARDS SUSTAINABILITY

Clearly, the various changes of the legislative context are not the only reason why companies started to engage in sustainability, but during the last decades, many different factors have played an important role in this transition process.

We are talking about two different categories of drivers, those that belong to the corporate internal sphere and those that are external to it.

External drivers are strictly related to social changes and to preferences of different social categories; the first driver are, in fact, social megatrends[5], which are global trends that influence the economy, society and the cultural system, such as

[5] Megatrend e sostenibilità per investire sul futuro, FocusRisparmio, G. G. Fedi., November 5, 2020.

demographic growth, urbanization and the technological advancement. The second external driver is the developing of "green financial markets[6]" and the shift in investor expectations**,** which have started to prefer social responsible investments to "brown" investments (such as investments in fossil fuel market). Furthermore, the European Parliament - in order to facilitate sustainable investments - has issued the Taxonomy Regulation that is a classification of various criteria that companies should follow to be considered "low-impact". The last external driver that we must consider are the changes of consumers' purchasing preferences[7] motivated by a general increase of environmental and social sensitivity. Awareness campaign organized by NGOs (such as Greenpeace or WWF) and a better accessibility of information influenced for sure the consumers' behavioural evolution and an interesting study carried out by Dara O'Rourke in 2008 demonstrate that NGOs market campaigns *appear to be having important impacts on consumption and production practices in the sectors they target.*[8].

Internal drivers, as the name suggests, are factors and corporates' internal mechanism that lead companies to integrate sustainability in their strategies and organizational structures. The first one is the corporate culture[9] that is the

[6] Gli investimenti sostenibili in Italia; "Tendenze e prospettive di mercato", Forum per la Finanza Sostenibile.
[7] https://ec.europa.eu/environment/pubs/pdf/factsheets/scp/it.pdf, pp. 3.
[8] Market Movements, "*Nongovernmental Organization Strategies to Influence Global Production and Consumptions"*, D. O'Rourke., 2008.
[9] Sustainability as corporate culture of a brand for superior performance, S. Gupta. V. Kumar.

company's commitment towards environmental, social and economic challenges that requires radical changes. The corporate culture is of course, a key element to achieve success, and it depends not only on corporate values, but it also reflects the country's values in which the company is located such as religion and political condition. The second key element is the management's vision, or rather, the management's value system; vision and values indicates what the company want to be in the future and they represent its ambitions. Given this, if a company is engaged in sustainability, that commitment will be nothing but a reflection of its values.

Other elements that can influence the company's capability to integrate sustainability in their structure are its ability to understand all the risks and opportunities related to the adoption of sustainable behaviours, and its capability to understand and satisfy its stakeholders' expectations[10]. In particular, the "stakeholder engagement" process is essential in order to formulate ad-hoc strategies or corporate' policies that are suitable to meet their needs.

Finally, yet importantly, the sustainability integration process strictly depends on the company's corporate Information System[11] that must be complex enough to allow the company to quantify the impacts produced on its environmental, social and economic dimensions. Unfortunately, having this type of corporate Informative

[10] Integration of Sustainability into the Corporate Strategy, N. Oertwig., M. Galeitzke., H. Kohl., H. Schmieg. January 2017.

[11] Information systems and ecological sustainability, Department of Management Information Systems, Terry College of Business, University of Georgia, Athens, Georgia, USA, A. J.W. Chen, M. Boudreau and R. T. Watson.

System can be very hard for small businesses, because that is generally very expensive both financially and organisationally.

One last important driver that we must mention is the drafting of the EU Green Deale that "*is a set of policy initiatives by the European Commission with the overarching aim of making the European Union (EU) climate neutral in 2050*[12]".

The Green Deal was presented in December 2019 and it contain policy initiatives that can makes EU's countries carbon neutral by 2030. The Green Deal includes many legislative proposals aimed to introduce new laws about circular economy, bio-diversity preservation, agriculture and innovation.

Now there are not many studies about Green Deal's policies results considering that it has been a short time since its issuance. But in literature have already been carried out the first simulation studies of the hypothetical future impacts of them especially on the Agricultural Economy, but it is so early to draw conclusions.

1.3 TOOLS USED TO MEASURE THE CORPORATES' SUSTAINABILITY

As we previously said, not every type of company is legally obliged to report its sustainability performances because this duty depends on the nature of the concerned business (public-interest companies) and on its dimensions.

[12] Tamma, P.; Schaart, E.; Gurzu, A. (2019-12-11). "Europe's Green Deal plan unveiled". POLITICO. Retrieved 2019-12-29.

For this reasons, during the past few years was rather unusual finding companies that even if were not legally bound, still decided to report and measure their non-financial aspects, but luckily this trend is undergoing a turnaround for many different reasons (corporate reputation, stakeholder expectations, general increase of sensitiveness…). Therefore, to recap, we saw what non-financial reporting is, why is important, what documents it incorporate and who is required to do it but we have not yet examined how to measure non-financial aspects linked to the three dimensions of sustainability. Here we are introducing the sustainability accounting, a set of data collection tools that includes, budgeting procedures, calculations and all forms of performance measurement instruments.

Sustainable accounting is "*the practice of measuring, analysing and reporting a company's social and environmental impacts*[13]"; in other words, form sustainability accounting are extracted the information needed to make sustainability assessment and sustainability reporting. Moreover, all of the information produced by this type of accounting depends of course, on the sustainability strategy carried out by the company and on the subjects for whom they are intended. Sustainable accounting is in effects a strategic tool for a company considering its role. In facts, accounting has a "*variety of important roles to play in the effective response to the challenges of balancing financial, environmental and social sustainability at the*

[13] What is sustainability accounting? What does ESG mean? We have answers. J. Adetunji. February 2, 2021.

organizational level". In this purpose, accounting "*can help organizations to identify their past and potential future environmental and social impacts and benefits"*. Moreover, it can "*provide forward-looking information to help organizations both formulate and implement strategic solutions and respond to the challenges of sustainability"*. Lastly, it can "*support risk management through the identification and analysis of, and response to, sustainability-related risks and opportunities*"[14] (Hopwood, Unerman, Fries, 2010)

In this respect, we can introduce two different approach to sustainability performances' measurements: the inside out approach and the outside in approach[15].

The "inside out" approach focuses on performances improvement; in particular, the data and information produced must be functional to the achievement of business strategies.

For those reasons, the choice of indicators and measurements methods must support the internal decisions.

Due to the importance of its purposes, companies must be sure of the quality of the information that should be included in the reports, for that reasons, the company

[14] [14] Accounting for Sustainability Pratical Insights, A. Hopwood, J. Unerman, J. Fries, 2010. pp 15.
[15] Inside out and outside in: twins between sustainability strategy, performance management, and reporting and stakeholder involvement. M. Johnson, S. Schaltegger. 2015.

should check the sustainability data's quality as rigorously as they check financial data.

Furthermore, internal recipients of the information needs analytics information and because of that, they mostly require analytical performance indicators about production processes, production plants or products. Those indicators must be adapted to the specific cases for whom they are required and they must focus on the achievements of performances improvement.

On the other hand, the scope of the "outside in" approach is the opposite from the other, because its principal aim is to allow stakeholders to evaluate the different impacts and company's issues. The performance measurements are made internally, but its communication is intended for external purposes, in particular, for making clear and comparable the impacts produced by the company so that stakeholders can consider them.

Anyways, the connection between performance and reporting is deeply influenced by social expectations and by the reporting standards. For those purposes, indicators must be standardised, measurable and comparable in space and time. This is the reason why exists international reporting standards and guidelines such as GRI or IIRC. Furthermore, considering that in this approach information are produced for the stakeholders, there is the risk for companies to commits greenwashing (when companies claims to be sustainable for reputational reasons even if they do not contribute to sustainable developments or do not create value for the society).

Anyways, in order to get data through sustainable accounting is very important for companies to take advantage of analytical accounting tools, because general accounting is not capable to give to management the information needed in order to make choices and evaluations of strategic and economic aspects (it also heal the black box effect). Furthermore, analytical accounting is a very important part of the strategic controlling process.

Given this, there are many others tools useful to the sustainability assessment process:

- Life Cycle Costing: LCC together with life cycle assessment and social life cycle assessment is a component of the life cycle sustainability assessment process, a method that allows understanding the input, output and production impacts in each phase of the product's life cycle. In particular, life cycle costing "*is the process of compiling all costs that the owner or producer of an asset will incur over its lifespan*[16]".
- Material Flow Cost Accounting: is the principle tool used to identify the potential inefficiencies and to reduce environmental impacts, by tracking and quantifying the material and stock flows that are within the production processes. More specifically, we can define it as "*a management tool that assists organizations in better understanding the potential environmental and financial*

[16] Life cycle costing definition, AccountingTools, May 24, 2022.

consequences of their material and energy practices and seeks to improve them via changes in those practices[17]". This method is very useful to assess how good and sustainable the company's resources management is.

- Sustainability Balanced Scorecard: was defined by Kaplan and Norton as "*a management tool that supports the successful implementation of corporate strategies"*[18]. In fact, the SBSC is a strategic tool that integrate environmental and social aspects into the business's principal activities; this method allows the top management to understand better how to achieve its sustainability and economic goals.

1.3.1 THE IMPORTANCE OF INTANGIBLE ASSETS: THE INTELLECTUAL CAPITAL

"The intellectual capital regards the intellectual properties of an organization such as the brand, labels, patents, software the knowhow and all of the intangible assets that improve the corporate asset value. In particular, the intellectual capital is composed of three different capitals that are the human capital, the structural capital ad at least the relational capital"[19] (O. Cucaro, 2018).

[17] Environmental management – Material flow cost accounting – General framework. BSI Standards Publication. 2011. ISBN 9780580765452.
[18] The Sustainability Balance ScoreCard – Theory and Application of a Tool for Value-Based Sustainability Management – F. Figge, T. Hahn, S. Schaltegger, M. Wagner. 2002
[19] La disclosure sullo sviluppo sostenibile, la CSR disclosure sull'ambiente e il maggior valore riconosciuto all'azienda dagli users, O. Cucaro, November 2018.

The human capital is the set of the "*skills, know-how, knowledge, good health and education possessed by the company's employees*[20]*"* and the company does not own it. The structural capital is the transformation of the "intangible knowledge" into the "physical knowledge" and consist of *"the supportive infrastructure processes, and databases of the organisation that enable human capital to function*[21]". The company does own this capital. The relational capital is "*the value inherent in a company's relationships with its customers, vendors, and other important constituencies. It also includes knowledge, capabilities, procedures and systems which are developed from relationships with external agents*[22]".

As you may imagine, is very hard for companies to quantify the actual worth of this kind of capitals because is not easy to express them as quantitative data. At the same time, is important for companies to measure the intangible asset value both for making self-evaluations and for financial statement evaluations.

Given this, the main method used to measure the intangibles are the construction of indicators (such as: measuring the turnover index for human capital and measuring the number of databases owned for structural capital) and the analysis of target

[20] Goldin, Claudia. "Human Capital". In Claude Diebolt; Michael Haupert (Eds.). Handbook of Cliometrics. 2016

[21] Maddocks, J. & Beaney, M. 2002. See the invisible and intangible. Knowledge Management, March, 16-17.

[22] Khavandkar E., Theodorakopoulos N., Hart M., & Preston J. (2016). Leading the Diffusion of Intellectual Capital Management Practices in Science Parks. In H. Shipton, P. Budhwar, P. Sparrow, & A. Brown (Eds.), Human Resource Management, Innovation and Performance (pp. 213–231). London: Palgrave Macmillan UK.

market's key success factors, competitors, weaknesses and opportunities that exists for each resource with whom the company has relationships.

1.4 THE SUSTAINABILITY REPORT: INTRODUCTION TO NON FINANCIAL REPORTING AND CURRENT LEGISLATION

As we know, every company, from the biggest to the smallest one survives over time thanks to its own value creation process, and most of all, due to the distribution of that value to the company's stakeholders.

In the 50's the economic theory that was prevalent was the Neoclassic Theory, whose economists, believed that the main goal that companies had to achieve was just to maximize its profits, excluding any other business-related factor such as environmental or social ones[23]thus following the one bottom line approach.

Over the decades, thanks to the development of CSR things has changed drastically and now days, a company doesn't exist just in order to make profits, but it must also produce - with its activities - a positive contribution to the general environment in which it is placed.

[23] Milton Friedman was the economist who formulated this theory, which is called the "Shareholder's theory"

We are talking about a different approach than the one mentioned above, the triple bottom line prospective a sustainability framework that measures business's success in three key areas: profit, people, and the planet[24].

This new prospective of what the "value created" by a company is, has brought many changes, both in the ways and in the instruments, in which companies communicates with their stakeholders, and that's because by now, every stakeholder, before making any decision, takes into account not only economic factors but also environmental and social aspects.

For example:

- Investors tends to evaluate ESG ratings before making any investment choice, because green bonds, for example, can have a different return and risk compared to the "standard ones". In fact, the integration of ESG aspects in companies' financial sector seems to be related to the access that they have to both debt and equity finance. In particular, they seem to have "*an improved access to debt financing, lower cost of capital through lower perceived risk and the impact of increased shareholder value on their ability to raise capital through debt and equity markets"*[25]. (Hopwood, Unerman, Fries, 2010)

[24] Harvard Business School, "The triple bottom line: what it is and why it is important", Kelsey Miller, 08 December 2020.
[25] Accounting for Sustainability Pratical Insights, A. Hopwood, J. Unerman, J. Fries, 2010. pp. 14.

- Governments may offer advantages to the companies that are involved into sustainability. Some of these advantages "can *be an increased ability to obtain planning permissions and of winning government contracts"*[26]. (Hopwood, Unerman, Fries, 2010)
- Consumers have radically changed their purchasing habits that can be conditioned by the packaging of a product, if it is organic or if it is made of recycled materials. For example, in a 2008 study by the European Commission Attitudes of European Citizens towards the environment, 75% of respondents agreed that they were ready to buy environmentally friendly products even if they cost a little more[27]. (Hopwood, Unerman, Fries, 2010)
- Local communities can boycott companies that are perceived as very polluting or that does not respect the local flora or fauna. In fact, companies that are involved in sustainability are less subjected to the risk of being boycotted through negative campaigns by NGOs[28]. (Hopwood, Unerman, Fries, 2010)

These are just few example of how different stakeholders takes into account sustainability, but as you can imagine now days is very important for companies to communicate in the right way what they do in terms of sustainability to the parties which are engaged to them.

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[26] Accounting for Sustainability Pratical Insights, A. Hopwood, J. Unerman, J. Fries, 2010., pp 14.
[27] Accounting for Sustainability Pratical Insights, A. Hopwood, J. Unerman, J. Fries, 2010., pp 11.
[28] Accounting for Sustainability Pratical Insights, A. Hopwood, J. Unerman, J. Fries, 2010., pp 14.

Since more and more companies have started to include sustainability in their strategies and in their organizational structure, private and public institutions began creating new instruments and frameworks, which are suitable for measuring and communicating sustainability performances. These instruments are capable of capturing not only quantitative information but also qualitative ones (because unfortunately, is hard to quantify environmental and social aspects).

Anyways, the most important document that a company use to communicate is the Financial Statement (which is mandatory by law) *that is a collection of summary-level reports about organization's financial results, financial position, and cash flows. Of course, Financial Statements are useful to determine the ability of a business to generate cash, and uses of that cash, or to determine whether a business has the capability to pay back its debts*[29]. However, it also has many limits, because sometimes the traditional accounting tools are not capable of quantifying some "value creations processes".

For example, the intangible assets are not properly enhanced, the focus is on the short term, and most of all the Financial Statement measures how much value a company has created but not why the value has been created by the company (black box effect).

[29] AccountingTools, "Financial Statements Definitions", article of 10 May 2022.

All these factors have led to the implementation of new kind of documents, which have different structure and content, and most of all, that are meant to heal the "informative gaps" of the Financial Statement.

We are referring:

- Environmental Report[30]: Is an informative report in which are described the principle relations between the company and environment, its publication is voluntary and a company use it to communicate directly with its interested stakeholders. The environmental report is composed by two parts:
  - Qualitative: it contains general information about the business, the main environmental issues in which the company is involved, the details about its production processes and how aligned is the company to environmental policies.
  - Quantitative: it contains information and data about production, consumptions and impacts produced by the company with its activities.
- Social report[31]: is an informative and voluntary document that a company use to inform its stakeholders about the "social impact" of its activities. In general, this document is composed by 3 sections; Business identity, production and distribution of the value added and social report about results achieved

[30] Cosa si intende con il termine Bilancio ambientale? Frareg.com
[31] Bilancio Sociale, Cantiere Terzo Settore.

- Sustainability report: is an informative and voluntary document that a company use to communicate its performance and impact (positive or negative) in environmental, social and governance matters. The European Union define it as "*the voluntary integration of companies' social and environmental concerns in their business operations and relations with stakeholders*[32]".

There are also other kinds of documents (such as, global report, integrated report or the intangible assets report) that for simplicity we will not deepen, because this study will be mainly focused on the sustainability report. However, before deepening into this particular document it is necessary to do a brief overview over the current legislation about non-financial reporting in Italy in order to understand what a sustainability report should contain and who are the subjects obliged to draft it.

In this purpose, as we previously said, one of the most important driver of the changes of business strategies and companies' organizational structures was the evolution of Corporate Social Responsibility. In particular, the evolution of CSR started in the 1950s where for the first time was beginning to talk about social responsibility, a concept consolidated and that took a more definite shape during the 1960s (i.e. Davis, 1960, McGuire, 1963). Authors started to talk about the "social power" and "*in the 1970s, the CSR construct was further developed into*

[32] Libro Verde della Commissione delle Comunità Europee, 2001

"corporate citizenship" and understanding the "multiplicity of interests" began to emerge". In the 1980s, more empirically grounded research emerged and this led to the suggestion of alternative or supplementary themes such as corporate social performance, stakeholder theory and business ethics theory (Beckman, 2006). Finally, between 1990s and 2000s the CSR became a framework through which the companies "*can formulate and implement social goals and programs as well as integrate ethical sensitivity into all decision making policies and action*" (Carroll 1991, pp. 40)[33].

On the other hand, from a regulatory standpoint, the evolution of CSR began in 1947, when UN established "The Human Rights Commission" (composed by 53 government representatives). The aim of the Commission was to promote and encourage the respect of human rights and fundamental freedoms, and this purpose was realized through the drafting of Universal Declaration of Human Rights, that now days is one of the most relevant, and important document in human rights protection.

As you can imagine, that was a turning point for companies, because for the very first time they became "legally" responsible for the wellness of its employees, and this responsibility in the following decades, would extend to the environmental field, as we will see.

[33] Strategic CSR Communication, S. Beckmann, M. Morsing, 2006, pp. 15-16.

The 25 of September 2015, UN released the 2030 Agenda for Sustainable Development, which contains 17 Sustainable Development Goals that countries and companies should pursue in order to obtain "*a better and more sustainable future for everyone". The SDG's are integrated, they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability*[34].

Meanwhile in Italy between 1991 and 2016 there were many changes in the legislative system; the most relevant were:

In 2003, the European directive 2003/51/EC has made the reporting of non-financial information mandatory for companies. In 2007, Italy has transposed this directive with the Legislative Decree 32/2007 inserting in the Management Report financial indicators, and non- financial indicators (which depends on the company activities).

In 2009 the CNDCEC has defined what environmental or social information must be included or can be included voluntarily in Management Report.

In 2014 was issued the European directive 2014/95/EU, which is the "non-financial reporting directive", which has been transposed in Italy through the Legislative Decree 254/2016 that finally made the reporting of "non-financial statement" mandatory for big companies.

[34] https://www.undp.org/sustainable-development-goals

In particular, this Legislative Decree provides that large public-interest companies are obliged to report specific non-financial information, but who are large public-interest entities? In addition, what kind of non-financial information companies should report?

The European Union defines Large public-interest companies as entities that during financial year have had on a consolidated basis more than 500 employees and a total asset of over 20 million or net revenues exceeding 40 million (Legislative Decree 254/2016 Art 1.b). These companies include listed companies, banks, insurance companies and other companies designated by national authorities as public-interest entities[35].

On the other hand, the main duty provided by the Legislative Decree is to include in Non-Financial Statement information about six different themes that are "*environment, social, diversity, employees, fight against corruption and human righ*ts*"*[36]**.** These themes should be deepened on three levels that are the business model of company activities, the business policies adopted by the company and the principle risks generated or suffered by the company and linked to its activities.

[35]https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

[36] Corporate sustainability reporting, European Commission website.

1.5 SUSTAINABILITY REPORT'S STRUCTURE, CONTENTS AND ADDRESSEES

The necessary attention toward sustainability has lead organizations to determine their own sustainability performances through the identification and communication of their economic, social and environmental impacts (Tenuta, 2009)[37] . In this purpose, we can consider the Sustainability Report as a strategic tool, which companies needs to communicate its sustainability performances and the impacts produced in three different key areas, which are environment, social and governance. This document allows the companies to be clearer about risks and opportunities that they have to face while carrying out their management activities. In technical terms, the Sustainability Report is "*an instrument to measure, communicate and to take responsibility towards internal and external stakeholders, in relation to business performances addressed to the achievement of sustainability goal*[38].

The European Commission has described what a Sustainability Report is inside the "Commission's Green Paper" which read as follows: "*The sustainability report is the voluntary integration of companies' social and ecological concerns into their*

[37] Indici e Modelli di sostenibilità, P. Tenuta, Franco Angeli, 2009.
[38] Esg360, bilancio di sostenibilità: che cos'è, quali sono gli obbiettivi e le caratteristiche. 2021

business operations and their interactions with stakeholders"[39] (European Commission, 2001).

In summary, we can say that a Sustainability Report must provide a balanced and reasonable representation of an organization's sustainability performances, including not only the positive impacts generated, but also the negative ones. In particular, a survey made by the Boston College Centre for Corporate Citizenship and E&Y has revealed that being clear and reporting positive actions are the two most important ways for a company to build a strong relationship with its business targets. Moreover, that survey revealed that more than 50% of respondents (who have issued a Sustainability Report) stated that their Sustainability Report has contributed to improve significantly the company's reputation[40].

After this brief overview, in which we described what a sustainability report is, we can move on to discuss who are the subjects to whom the report is address and how it should be structured.

The Sustainability Report is aimed at all company stakeholders, but who are they? There are many different definitions of what a stakeholder is, but throughout this study, we will use the definition given to us by Donaldson and Preston, which read as follows: *stakeholders are persons or groups with legitimate interests in*

[39] Green Paper of European Commission, July 2001

[40] Value of Sustainability Reporting A study by the Centre for Corporate Citizenship and Ernst & Young LLP

procedural and/or substantive aspects of corporate activity. Stakeholders are identified by their interests in the corporation, whether the corporation has any corresponding functional interest in them[41] (Donaldson, Preston, 1995).

In summary, we can say that a stakeholder is someone who can influence corporate activities, or can be influenced by them, but we will discuss better this topic in the next chapter.

At the moment we can just say that the main stakeholders can be: customers, suppliers, local communities, media, investors, banks, governments and many others, and the Sustainability Report is aimed to properly inform every stakeholder in order to make them conscious about the company's sustainability impacts, so that they can take them into account in their decision making process.

With regard to the report's contents, usually a Sustainability Report can be structured with discretion because there are not any constraints about the form of the document, the contents or about the information arrangement inside of it. Therefore, we can say that the writer of the document is almost free to choose the methods or the tools that he prefers, but this "freedom" has both advantages and limits.

[41] "The stakeholder theory of the corporation: concepts, evidence, and implications", T. Donaldson, L. E. Preston, 1995 vol. 20.

The biggest advantage is of course about the fact that every Sustainability Report is highly customizable in every aspect, but the biggest limit is that because of it, is extremely hard to compare different reports between them.

To heal this problem, many companies rely on Reporting Frameworks that contains inside of them guidelines and standards to follow in order to make the Report contents comparable between them. We will focus on Reporting Frameworks in the next chapters.

Given this, is very important to stress the difference between Non-Financial Statement and Sustainability Report because is actually easy to think that they are the same.

The main difference is by the legislative point of view, because[42] the Sustainability Report is an incentive for the companies that are not obliged to report the Non-Financial Statement (the large public-interest companies)[43]. This report is a document that a company draws up every year to communicate the non-financial results of its activities, such as the impacts on environment, society and on its own governance. In order to make a Sustainability Report effective is necessary adopting reporting standards. On the other hand, the Non-Financial Statement is a reporting instrument, which guarantee equability to the ways to disclose information.

[42] Tecno, "Dichiarazione non finanziaria e bilancio di sostenibilità: quali sono le differenze"? art. 28/12/2021

[43] We described which types of company are obliged to draft the Non-Financial Statement in chapter 1.1 paragraph b.

It contributes to the transition towards sustainable economic systems, and it makes information accessible to the company's investors.

The Non-Financial Statement was born with the Directive 2014/95/EU, while the Legislative Decree 254/2016 defines the subjects obliged to draft it and the themes to treat inside of it.

1.6 THE OIL & GAS SECTOR AND INTRODUCTION TO API GROUP'S STUDY CASE

1.6.1 RESEARCH METHODOLOGY

In this section, after a quick overview about Oil & Gas sector, we are going to introduce the company that is at the centre of this study, which is The Api Group. The aim of our study is to examine how an oil & gas company manages sustainability through the analysis of their sustainability report. In particular, we are going to deepen how they handle the reporting procedures, the methodology chosen, the finalities of their report and who the main addressees of the document are.

The data about our study case's company have been extrapolated through documented analysis of their sustainability report, their website and from direct interviews with Mastrangelo Lorella, who is the Api Group's Sustainability Manager, Press Department Manager and Communication Manager and with

Francesco Luccisano who is the Manager of the External Relations, Communication, Corporate Academy and Corporate Sustainability function.

1.6.2 THE SUSTAINABILITY IN THE OIL & GAS SECTOR

We talked a lot about the importance of making social and economic systems "greener" and more sustainable, in fact, as we said, many progresses have been made by the legislative point of view.

In order to understand more deeply the reasons why the transition process is needed, it is imperative to analyse how the global economy is structured, what are the economic global activities which are more profitable and which of these activities are critical for the humanity's survival.

We are talking principally about the three economic sectors without whom no economic system would ever exist:

The primary sector that comprehend all of the raw materials' extraction activities, the secondary sector that is composed of manufacturing industries and the tertiary sector which includes all of the service companies that makes possible the distribution, transportation and selling of the products produced in the secondary sector[44].

[44] "Settori economici: cosa e quali sono?"., April 21, 2021.; Università Cusano Bari.

Together, these three sectors compose every existing economic system, but in turn, these sectors in order to exist must be powered by something, by the energy.

Form the industrial revolution onwards, the energy has increasingly turned into the driving force of the development[45]and in the 21st century, the peak of its importance has been reached (Ceccuti, Santoro, 2014).

Unfortunately, according to the 2020 IEA's report the 81% of global energetic demand is satisfied by the consumption of fossil fuels that are: non-renewable resources and harmful for the environment.

Non-renewable resources, because fossil fuels exist in limited quantities and considering the high level of dependence on them we would face catastrophic consequences if the stocks were to runs out. On the other hand, as evidenced by many researchers, fossil fuels are harmful for the environment because when burned, they release large amounts of greenhouse gases that traps heat in our atmosphere, causing global warming[46]. A 2020 research conducted by AGU has evidenced that "*human activities are elevating atmospheric carbon dioxide concentrations to levels unprecedented in human history*". Moreover, the "*CO_2 levels may indeed reach levels harmful to cognition by the end of this century,*

[45] "I nuovi equilibri energetici. Effetti economici e riflessi geopolitici"., C. Ceccuti, I. Santoro., November 28, 2014.
[46] "Fossil fuels and climate change: the facts"., Clientearth Communications., February 18, 2022.

and the best way to prevent this hidden consequence of climate change is to reduce fossil fuel emissions" [47](Karnauskas, Miller, Schapiro, 2020).

For these reasons is vitally important working on energetic transition, whose main goal is to gradually replace fossil fuels consumption with renewable energetic resources, but logically, this transition process cannot be immediate. Oil & gas industries have a very important role in this context, because they are not just the main actors involved in this process but most of all they are perceived by the public opinion as the main culprits of the global warming, climate change and pollution.

This negative perception of oil & gas industries has been very emphasised by environmental disasters that have occurred in the latest years such as the *Exxon Valdez* oil tanker disaster in 1989 and the *Deepwater Horizon* oil drilling rig disaster in 2010, which is considered as the worst environmental catastrophe that ever happened. Moreover, no oil and gas company will be unaffected by clean energy transitions, so every part of the industry needs to consider how to respond. That is why is required by oil & gas industries a firm commitment toward the energetic transition process, because with their contribution they can make to accelerate the pace of change[48] (IEA, 2020). In other words, the first phase of the transition must start from them.

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[47] Fossil Fuel Combustion Is Driving Indoor CO_2 Toward Levels Harmful to Human Cognition, AGU, K. B. Karnauskas, S. L. Miller, A. C. Schapiro, April 20, 2020.

[48] IEA fuel report, "the oil and gas industry in energy transitions", January 2020.

Given this, before talking about sustainability we must describe, in order to identify the most critical phases, how this particular industrial field works and what are the main industrial activities included in it.

The oil & gas sector is the industrial field that deals with oil/ gas and its industrial processes (Welker, 1985)[49].

- The production chain of the oil/gas industries generally includes the following steps:
- Oil/gas extraction: during this phase the petroleum/gas extraction is made by using oil/gas drilling rigs that can be either offshore for drilling into the ocean floor or land-based[50].
- Transport of the petroleum or gas using pipelines or oil tankers from oil/gas deposits to refineries.
- Transformation of the raw matters (crude oil or raw gas) into refined products.
- Commercialisation of refined products.

As you can imagine, each step of the production chain can be potentially dangerous for the environment considering the extremely flammable nature of oil and gas, because of that, the slightest mistake can cause a catastrophe.

[49] The Oil & Gas Book, Welker A., 1985.
[50] Types of Oil Drilling Rigs, T. Yirka., January 09, 2018.

Another critical aspect of this business is related to the location of refining plants, that for logistic reasons must be positioned near airports, railway stations, large ports and highways, which will also result in proximity to residential areas. This proximity is a very big problem for citizens, which unfortunately are exposed to bad smelling fumes that if constantly inhaled they can increase the risk of developing cancer[51] as evidenced by many medical and scientific studies (Onyije, Hosseini, Togawa, Schüz, Olsson, 2021). Lastly, the people who lives nearby refineries are the most exposed to risks in case of accidents.

For these reasons, for the public opinion is very controversial talking about sustainability in this particular industrial field, considering that local communities are extremely focused on the negative effect produced by these industries, which are perceived as extremely harmful and polluting for the environment. Given this, we can note that the principle risk that is related to oil & gas industries is their public reputation.

People tend not to believe that such a "polluting" business can be sustainable and this is the oil & gas industries biggest challenge: proving to their stakeholders that they can be sustainable and that with their activity they can contribute positively to both the environment and society.

[51] "Cancer incidence and mortality among petroleum industry workers and residents living in oil producing communities: a systematic review and meta-analysis", F. M. Onyije., B. Hosseini., K. Togawa., J. Schüz., A. Olsson., April 20, 2021.

However, how they can do this? Communication with stakeholders is the key; as we said before, most of their stakeholders (local communities, local entities and media) are extremely focused on the negative effects produced by their business, overlooking the many positive aspects related to it.

To give you some examples (the following data are extracted from the sustainability reports and web sites of the five worlds 'largest oil companies that are Sinopec, PetroChina, Saudi Aramco, Royal Dutch Shell ad BP):

Oil & gas industries must guarantee the highest safety standards both for their employee and for their workplaces to minimize the risk of accidents. Each company above-mentioned, has very strict security protocols and provides its employees with flame protective garments. In particular, all of them adopts the *international Association of Oil & Gas Producers Life-Saving Rules* that are the most effective techniques for preventing fatalities[52].

Moreover, many oil & gas industries offer welfare programs for their employee that comprehends health insurances and medical services, in order to prevent any health problem that is related to their working activities. By the examination carried out results that all of the companies above-mentioned offer a full or partial coverage of medical costs and periodic health checks to their employees. Sinopec and PetroChina also offer to employees' psychological support by providing them with

[52] IMCA, IOGP Life Saving Rules.

psychologists and counsellors. Moreover, their welfare programme includes many other benefits such as free public transportation, corporate holidays, and scholarships for the employees' children and a lot more.

Another example is about the fact that Oil & Gas companies generally put in place compensatory measures for the emissions produced, and moreover, they invest a lot in sustainable R&D. Royal Dutch Shell for example has started a very ambitious initiative about recycling plastic wastes in order to using them as chemical feedstock in their processes thus supporting circular economy. Saudi Aramco for its part is pioneering the use of hydrogen as an energy source, in particular for the use of blue ammonia (a low carbon method of producing chemical compound)[53].

Lastly, Oil & Gas companies are generally very active on the social front, for example Sinopec has launched the mission of "better energy for better living" that is a social contribution system with the core aims to reduce poverty and improve social, brand and environmental welfare.

These were just few examples, but it is therefore clear that the right communication of their activities can have very positive effects to companies' perception and reputation. For these reasons in the following chapters we will see how our study case's company uses the sustainability report to communicate with its stakeholders, for what purposes, which reporting criteria they use and a lot more.

[53] N BUSINESS., What is blue ammonia? J. Gnana., May 24, 2021.

1.6.3 THE API GROUP STUDY CASE

The Api group is an Italian company that have been in the energy field for over 80 years. The history of this company begins in 1933, when Api, a small company from Marche region, was taken over by Ferdinando Peretti, an Italian entrepreneur that in less than twenty years turned the Falconara Marittima warehouse in a refinery.

The development of the business continued until 1980 when the refinery turned into the Api refinery of Ancona SpA, a society controlled by Api that become the centre of all industrial activity of the group. In 1989 the group started to focus on energy diversification sectors and on development of renewable ways to produce energy (wind, biomass and methane), and during the following years the company will continue to expand both financially and in terms of size.

In the last couple of decades, the company has achieved some important certifications such as the UNI ISO 9002, the European Ohsas 18001 for the Api refinery's' employee safety and ISO 14000 for its environmental compliance.

Despite the focus on renewable energy sector has diminished, the company is still strongly engaged to environmental topics. In particular, they turned the focus on renewable energy to the developing of less impactful fuels that are best performing, safer, less harmful for the environment and most of all that are affordable for

everyone, in order to lead the transition starting from replacing, at the same price, high-impact fuels with fuels that are eco-friendlier.

The reason behind this choice relates to the fact that unfortunately currently, is impossible replacing fossil fuels with renewable energy. In particular, the transport sector, both private and commercial (from which comes the main users of Api products), is strictly bounded to the use of fossil fuels, just think of the fact that during 2019 in Europe the 66,7% of road transports were powered by diesel, while the 24,55% by gasoline[54] (European Parliament, 2022). As we previously said, the European Commission wants to reach zero emission for car and vans by 2035, moreover, by the same year, there will be the selling deadline of cars powered by gasoline, diesel, gpl, methane and that are hybrids. This change will be crucial for the transition process, but despite will no longer be possible purchasing combustion cars, they will continue to exist for a long time yet, especially because in addition to cars there are all other existing vehicles that cannot be powered except with fuel such as ships, planes or special vehicles.

Given this, Api Group in order to contribute to the transition process and while the technological advance continue, has launched two revolutionary products: Optimo diesel and Optimo gasoline. They are new fuels that contributes to the reduction of environmental impacts, consumptions and a general improvement of the car

[54]European Parliament, "C02 emissions from cars: facts and figures", June 15, 2022.

performances but most of all as already mentioned, Optimo products have the same price of the standard products in order to make the "change" accessible to everybody.

The principle Italian Api Group's competitor is Eni Group (Ente Nazionale Idrocarburi) that is the largest Italian energy/oil-producer company and the Italian company with the biggest turnover. Obviously, these two companies are not comparable considering their extreme dimensional difference; just think to their 2021 turnovers, Eni Group revenues were 76.56 billion while Api Group revenues were 4.56 billion. Given this, in the following chapters we will do some benchmark analysis between their sustainability reports just to prove that the company's dimension does not affect negatively the content's quality of their sustainability report. We will see this particular aspect, especially about the calculation of the direct/indirect emissions (scope 1, scope 2, and scope 3).

CHAPTER 2

THE REPORTING PROCESS AND ITS ORGANISATIONAL IMPACTS ON BUSINESS MANAGEMENT

2.1 THE NON-FINANCIAL REPORTING PRINCIPLES, STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS.

As already mentioned in the first chapter, the sustainability report is a voluntary document that contains non-financial information related to business management and it is used to communicate to company's stakeholder information and data about the environmental, social and economic corporate's performances.

However, who is responsible for the drafting of the document? In reality, we cannot answer to this question in just one way, because drafting a sustainability report is a very long and complex process and depending on the size of the company or its nature, different business figures may be involved in the drafting process.

As a rule, the effective writing of the document is made by the company's sustainability manager together with its team, but since not every company has "sustainability experts" in their corporate staff is, very common rely on sustainability consultants that are external to the company[55].

[55] https://www.tuttoambiente.it/commenti-premium/esperto-bilancio-sostenibilita/

Sustainability experts, both external and internal, are not limited to the reporting activities and stakeholder engagement procedures but they are even responsible for the definition of sustainability strategies and for monitoring the results achieved. Of course, all of the activities carried out by sustainability managers or consultants must be aligned to the long-terms business strategies and goals, which are defined by the company's top management. In the next paragraphs, we are going to deepen how our study case's company organize the reporting procedures, and to whom is entrusted the drafting activity.

Once defined the reporting's process owner we can move on to examine the sustainability report's contents. As already mentioned, do not exist content constraints that must be respected while drafting a sustainability report but as you may imagine, without guidelines to follow every document would be different from the others, and then, not comparable between them. For these reasons, GRI standard issued some principles that companies must consider to make their report "useful" for the addresses.

We can divide these principles in two categories: Content principles and Quality principles.

The reporting principles are extremely important in order to realize a high quality reporting activity. The following principles are the ones proposed by GRI standard but in broad terms, they represent what a sustainability report should always

contain, and as we previously said, principles are divided in two different categories.

First, "*The reporting principles for defining report content help organizations decide which content to include in the report. This involves considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders*"[56] (GRI, 2016).

There are four different principles:

- Stakeholder inclusiveness: after having identified their stakeholders, the company will have to explain how they responded their expectations[57].
- Sustainability context: the report must show the company's performances in both three sustainability areas[58].
- Materiality: all of the information contained in the report must be "material" for the company, which means that they are relevant for both stakeholders and company[59].
- Completeness: "*The report shall include coverage of material topics and their Boundaries, sufficient to reflect significant economic, environmental, and social impacts and to enable stakeholders to assess the reporting organization's performance in the reporting period"*[60].

[56] GRI 101: reporting principles 2016, pp. 7.
[57] GRI 101: reporting principles 2016, Stakeholder inclusiveness, pp. 8.
[58] GRI 101: reporting principles 2016, Sustainability Context, pp. 9.
[59] GRI 101: reporting principles 2016, Materiality, pp. 10.
[60] GRI 101: reporting principles 2016, Completeness, pp. 12.

On the other hand, "*The Reporting Principles for defining report quality guide choices on ensuring the quality of information in a sustainability report, including its proper presentation. The quality of information is important for enabling stakeholders to make sound and reasonable assessments of an organization and to take appropriate actions*" (GRI, 2016). In fact, the business practice requires that a good sustainability report, in addition to have quality contents, should be constructed in such a way as to make them accessible to stakeholders. In this purpose, sustainability report's contents should have some essential features[61] (G. Castellani, 2015).

There are six different principles:

- Balance: the report must contain both positive and negative information about the company's performances[62].
- Comparability[63]: "*The reporting organization shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyse changes in the organization's performance over time, and that could support analysis relative to other organizations"*.

[61] Responsabilità Sociale d'impresa: ragioni, azioni e reporting., Linee guida per il Bilancio di Sostenibilità: caratteristiche generali., G. Castellani., Maggioli Editore, 2015
[62] GRI 101: reporting principles 2016, Balance pp. 13.
[63] GRI 101: reporting principles 2016, Comparability, pp. 14.

- Accuracy: the information must be enough detailed to allow stakeholders to make accurate decisions[64].
- Timeliness: reporting must be done regularly in order to promptly provide information's to stakeholders[65].
- Clarity: the information must be understandable and accessible to stakeholders[66].
- Reliability: "*The reporting organization shall gather, record, compile, analyse, and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information*"[67].

As we can notice, the term "stakeholder" occurs in almost each principle and that is because the sustainability report is the most important tool that companies have to communicate with them, in this purpose, we will deepen more specifically who are companies' stakeholders and how a company can engage with them.

According to Bryson 1995 definition: "*A stakeholder is defined as any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output*"[68] (Gomes, 2006). The

[64] GRI 101: reporting principles 2016, Accuracy, pp. 13.
[65] GRI 101: reporting principles 2016, Timeliness, pp. 16.
[66] GRI 101: reporting principles 2016, Clarity, pp. 14.
[67] GRI 101: reporting principles 2016, Reliability, pp. 15.
[68] Stakeholder Management in the Local Government Decision-Making Area: Evidences from a Triangulation Study with the English Local Government, R. Gomes, 2006.

"stakeholder" concept was formulated in 1963 by the Stanfort Research Institute but became relevant in 1984 when R. E. Freeman with its Stakeholder Theory stated that "*the organization's effectiveness is measured by its ability to satisfy not only the shareholders, but also those agents who have a stake in the organization*"[69] (Gomes, 2006). That was a revolutionary concept for those years, because at that time the leading theory was the M. Friedman's Shareholders Theory, which stated "*an entity's greatest responsibility lies in the satisfaction of the shareholders*" not contemplating other types of subjects [70] (CFI Team, 2022). These two theories were completely opposite one from the other, but thanks to the developing of CSR, the Stakeholder Theory became an important piece for the corporate sustainability's development, and nowadays the role of stakeholders and their relations with companies are topics object of study for researchers, given the influence that these subjects can have on corporates' performances.

Nevertheless, more specifically, who are the subjects that we name stakeholders?

In order to answer this question, it is necessary to mention M. Clarkson who gave an important contribution to the study of stakeholders dividing them in two categories: primary stakeholders and secondary stakeholders.

[69] Stakeholder Management in the Local Government Decision-Making Area: Evidences from a Triangulation Study with the English Local Government, R. C. Gomes, 2006.
[70] Friedman Doctrine, CFI Team, February 27, 2022.

Primary stakeholders are those subjects "*without whose continuing participation the corporation cannot survive as a going concern*"[71] while secondary stakeholders are "*those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival*"[72] (Benn, Abratt, O'Leary, 2022). At first sight, primary stakeholders (such as shareholders or investors) may seem more relevant than secondary stakeholders are (local communities, associations, media...), but in reality, each stakeholders' category – based on their characteristics – can have different impacts on corporate management. For example, a 2018 study highlights "*those primary stakeholders have a direct influence on organization's environmental policies"*, while secondary stakeholders "*can exercise their influence on organization's environmental policies via primary stakeholders*"[73] (Charan, Murty, Shubham, 2018). For these reasons, companies should take care of all of their stakeholders and assign them the right importance.

However, how can a company identify and get in touch with its stakeholders? Through stakeholder engagement procedures.

[71] Defining and identifying stakeholders: Views from management and stakeholders, Benn, S.; Abratt, R.; O'Leary, B., pp. 2. 2022.
[72] Defining and identifying stakeholders: Views from management and stakeholders, Benn, S.; Abratt, R.; O'Leary, B., pp. 3. 2022.
[73] Secondary stakeholder pressures and organizational adoption of sustainable operations practices: The mediating role of primary stakeholders, Shubham, Parikshit Charan, L.S. Murty. 2018.

According to the AA1000 standard definition: the "*Stakeholder engagement is the process used by an organization to engage relevant stakeholders for a clear purpose to achieve agreed outcomes. It is now also recognized as a fundamental accountability mechanism since it obliges an organization to involve stakeholders in identifying, understanding and responding to sustainability issues and concerns, and to report, explain and answer to stakeholders for decisions, actions, and performance. Stakeholder engagement is the process used by an organization to engage relevant stakeholders"*[74]. Therefore, the stakeholder engagement is the main lever for monitoring and managing the quality of company's relations and given its importance, it must be embedded in the organization's culture and core functions.

According to AA1000 standard, it should promote[75]:

- Inclusivity*: "Organizations should actively engage with stakeholders to understand their expectations about the organization's governance, policies, strategies, practices and performance".*
- Materiality: "*Organizations should be transparent in how they report their performance on issues that are material to stakeholders".*

[74] Stakeholder Engagement – Meaning, Definition & Strategies, youmatter.
[75] Borealis, What you need to know about the AA1000 Stakeholder Engagement Standard, J. Thiry, September 17, 2020.

- Responsiveness: "*Organizations should develop innovative and sustainable responses to issues that matter to its stakeholders – not only for today, but for tomorrow"*.

Given this, once defined the engagement's scope and the identity of relevant stakeholders, the company will be able to put in place a solid stakeholder engagement process.

In particular, the AA1000 standard recommends the following 4-stage process:

- Plan: the aim of this first phase is to define a "stakeholder's map", that is a matrix in which the company inserts its stakeholders depending on their influence/power on the business and on the interest that company has on them. The stakeholder map is fundamental in order to determine the engagement level and methods (AA100 standards). Unfortunately, very often happens that organizations do not maps all of the stakeholders categories, but just primary stakeholders such as clients, suppliers, shareholders and investors leaving aside secondary stakeholders (that are as important as primary stakeholders). For this reason, the experts are expecting a "stakeholders mapping procedure" improvement in the next years, and a better involvement of secondary stakeholders in engagement processes[76] (D. Galli, R. Torelli, 2021).

[76] Il valore della sostenibilità, modelli emergenti di rendicontazione non finanziaria tra le imprese italiane leader e ESG, D. Galli, R. Torelli, 2021, Franco Angeli.

- Prepare: the aim of this second phase is to organize the engagement process, that means to mobilize the resources needed for the engagement, identify the engagement risks and prepare to face them (AA1000 standards).
- Implement the engagement plan: the aim of this third phase is to get in touch with the stakeholders identified, develop an action plan and start document the engagement process and its outputs (AA1000 standards).
- Review and improve: the aim of this fourth phase is to monitor, evaluate and reporting the engagement. This last phase is important for the company because thanks to the monitoring and reporting activities, it can learn from its mistakes and use them to improve in the future (AA1000 standards).

Of course the identified stakeholders shall be included in the company's sustainability report, moreover, the company will have to explain what are the expectations and interests of its stakeholders and how it intends to satisfy them, thus responding to Stakeholder inclusiveness principle. Once defined the subjects to whom the company is engaged, will be necessary take another step forward identifying what are the sustainability initiatives that the company intends to realize and how these initiatives can meet the needs of both stakeholders and company.

The GRI standard defines this phase as "Identifying material topics and their Boundaries" where *"material topics are those that an organization has prioritize for inclusion in the sustainability report*"[77].

Of course, in order to identify material topic, is necessary using the Materiality principle and the Stakeholder inclusiveness principle that however we have already discussed.

On the other hand, the Materiality principle identifies material topics based on *"The significance of the organization's economic, environmental, and social impacts"* (GRI 101), therefore the company is called to evaluate its impact, both positive and negative, produced in the dimension above-mentioned or *"Their substantive influence on the assessments and decisions of stakeholders"* (GRI 101), that means how relevant are the topics for stakeholders.

To summarize, in order to determine the company's material topics, will be necessary to conduct a "Materiality analysis" that *"is a method to identify and prioritize the sustainability issues that are most important to an organization and its stakeholders*[78]". Materiality analysis is fundamental for a company not just, because it enhances the corporate accountability, but it also improves the company's capability of managing its different capitals promoting a better comprehension of their interdependency.

[77] GRI 101: reporting principles 2016, pp.18.
[78] Materiality Analysis Definition, youmatter, March 3, 2020.

Of course, as materiality may be at discretion of companies to determine what is relevant, it is important to assess:

- The involvement of stakeholders in materiality process.
- What is material for the company's sector analysing other organisations reports or press releases for example.
- If the methodology used is reliable, comprehensive and accessible.
- The company's sustainability approach.
- If material topics responds to the sustainability context, in which the activity of the company is framed.
- If materiality is linked to SDGs.

However, how can a company identify its material topics? Methodologically, KPMG, a leader company in consulting sector, has issued a guide to the materiality process composed of seven phases[79]:

- Define purpose and scope: in this phase, a company must define what materiality means for the organization by identifying its objectives and audience.
- Identify potential topics: in this phase, the company has to create a long list of potential material topics.

[79] The essentials of materiality assessment, KPMG's guide to the materiality process, pp. 6.

- Categorize: in this phase, the company has to refine the list of identified topics by clustering them into categories.
- Gather information about the impact and importance of topics; in this phase, the company has to explore each material topic identified in order to understand its relevance to both company and stakeholders.
- Prioritize: in this phase, the company has to prioritize material topics based on their strategic relevance to the business.
- Engage management: In this phase, the company has to validate the results of the materiality assessment with key internal audit to test the outcome.
- Seek stakeholder feedback: in this last phase, the company has to get in touch with its stakeholders in order to get feedback on the material topics reported.

After this long process, the final output of the Materiality assessment should be the "Materiality matrix", that is the graphic translation of the material topics identified and their relevance for the company and its stakeholders. To be precise, the Materiality Matrix has on the horizontal axis the topics' relevance for the company while on the vertical axis the topics 'relevance for the stakeholder. Depending on the topics' position in the matrix will be possible identify the less relevant, relevant and highly relevant topics.

The Materiality Matrix shall be included in the companies' sustainability reports in order to make the Materiality Assessment process immediately understandable for the reader.

2.2 PHASES OF THE REPORTING PROCESS

At this point, after having analysed what is upstream of the reporting procedure, we can put the pieces together and formalize the different steps that a company has to take in order to draft a sustainability report.

Process Factory, an Italian company specialized in sustainability consulting has summarized the sustainability reporting phases as follows[80]:

The first three stages are of course the preparation of the project, the stakeholders mapping and materiality analysis. We can consider these stages as preliminary steps that are crucial to identify the report addressees and the sustainability topics that will be deepened inside the report.

Once these aspects have been defined, it will be necessary to model the structure of the report by building a panel of indicators that are capable to express qualitatively or quantitatively the topics that will be treated in the report. These indicators can be efficiency, output, process or outcome indicators and they must be significant, reliable and understandable for the company and its stakeholders. Of course, the information needed for the report's contents is provided by the corporate information system.

[80] Il Reporting di sostenibilità, Process factory, March 30, 2021.

At this point, the company can develop the report's contents that must contain the letter of introduction and methodology, the business identity, the social relation, the financial resources and asset, the improvement goals, glossary and the company's impacts.

More specifically, according to GRI standard[81], a sustainability report shall be divided in two section: the first section that is composed of the general disclosures (GRI 102) and management approach (GRI 103) while the second section contains environmental, social and economic impacts (GRI 200, 300, 400). We will deepen this topic in the next chapter.

Lastly, once the report has been drafted, the company will have to disclose it to stakeholders, gather their feedback and define an improvement plan for the next year, in order to adopt a perspective of continuous improvement.

The Copenhagen Charter, that is management guide to stakeholder dialogue and reporting, describes a similar reporting process to the one above-mentioned. In particular, the Copenhagen Charter claims that sustainability reporting carried out following the above-mentioned phases, can improve companies 'Corporate Social Responsibility and in doing so there will be a better creation of values shared with all the company's stakeholders[82] (Castellani, 2015).

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[81] GRI 103 management approach 2016, figure 1, pp. 3.

[82] La Responsabilità Sociale d'Impresa: ragioni, azioni e reporting, G. Castellani, Maggioli Editore, 2015, pp. 257.

In the next paragraph we are going to analyse how our study case's company manages its reporting process, how it has evolved in the years and we are going to focus on their material topics and stakeholder engagement procedures.

2.3 THE API GROUP'S REPORTING PROCESS AND ITS ORGANIZATIONAL IMPACTS

As we have already said many times, the aim of this study is to understand how an Oil & Gas company's use its sustainability report to handle and communicate its sustainability performances. However, before dealing with these aspects, will be interesting to focus on the creation process of their sustainability report and on how a real company manages its reporting procedure, in order to verify if the study case's company is sticking to the steps described in the previous paragraph.

Most of the information about the Api Group's reporting process were obtained through a phone interview with Mastrangelo Lorella, who we remember is the Api Group's Sustainability Manager, Press Department Manager and Communication manager. Other information about the sustainability report's contents, were obtained through a telematics meeting with Lorella Mastrangelo and Francesco Luccisano who is the Manager of the External Relations, Communication, Corporate Academy and Corporate Sustainability function.

Given this, the Api Group's reporting process starts every year in September when they organize a first meeting which will be attended by:

- The Corporate Academy and Corporate Sustainability function: that is composed of the heads of external relations and sustainability.
- The Working Group: that is composed of the heads of the entire business department and is coordinated by the Corporate Academy and corporate Sustainability function. This working group is responsible for the identification of the information and themes that are going to be included in the sustainability report.
- The Sustainability Committee: that is headed by the CEO and composed of members selected from among the principle business function such as the CFO and the head of HR.

During the meeting, the Sustainability Committee will indicate what the sustainability goals to which the Group must comply are, while carrying out its management activities. Moreover, the attendees will discuss the reporting standards, if there have been introduced new standards or there have been changes in the reporting conditions, in order to understand if they must change the methodology used.

During this first phase they also identify the company's stakeholders and it is defined how to determine the material topics. Lastly, the Sustainability Committee will approve what the working group has made and set the ways to make the reporting process.

The second phase starts approximately in November, when the Corporate Academy and corporate Sustainability function send to the various business function and other entities the forms in which are described the information and data needed for the report's drafting.

These data can be quantitative or qualitative and depending on their nature, they will be provided to them between the end of December and mid-January. A single exception is made for the obtainment of certifications, which for reasons independent of the company are received at the end of February.

The third and last phase takes place between March and April, where after putting together all of the information collected and managed the graphic aspects, the report is completed and the Board of Directors together with the Consolidated Financial Statement approves it. Once the sustainability report has been approved, it will be disclosed to the company's stakeholders through the following channels: digital channels and physical channels.

Talking about the digital disclosure, the sustainability report is uploaded in digital format to the company's website, social media and on the "Intranet", that is the reserved area of the site. Regarding to physical channels, the sustainability report is physically delivered in paper format to particular categories of stakeholders such as clients, suppliers, institutions and to the press.

After we described the company's reporting process, we have enough material to compare a "real reporting process" with the theoretical process proposed by the

doctrine. The first thing that we can notice is that there is no real "clear distinction" between the various reporting phases, but it is as if they are a series of interconnected phases placed in different time bands, which cannot be developed individually, because they depend on each other. For example, the phases of "preparation of the project", "mapping of stakeholders" and "materiality analysis" that in doctrine should be carried out in a consequential way, in reality for the company are part of a single first phase. Actually, Lorella Mastrangelo said that before preparing the project, is fundamental setting "the sustainability goals" (of course related to the SDGs) that the company intends to pursue and doing the materiality analysis, because they will be the focus point from which the sustainability report contents will be developed. Making a reflection, the concept of sustainable goal and materiality analysis seem related to each other. That is because while a "sustainable goal" is a sustainable challenge that an organization wants to achieve (for example reducing the GHG emissions). The "materiality analysis" according to GRI is an instrument to determine "*those economic, environmental and social issues that are the most significant to the company and its stakeholders*" (for example reducing the GHG emissions could be one of the most relevant issues for the company and stakeholders). In this purpose, the materiality analysis can be an effective tool to improve the capability of the company of selecting and achieving its sustainable goals, and this has been demonstrated by a 2017 study of the European Journal of Sustainable Development

called "*Materiality Analysis in Sustainability Reporting: A Method for Making it Work in Practice*". The study's results evidence that "*materiality analysis allows optimizing time and resources to devote to sustainability reporting. In addition, materiality analysis allows focusing on sustainability aspects that are the most crucial for the short and long-term success of their business"*[83] (Calabrese, Costa, Ghiron, Menichini, 2017). Given this, we can thus state that the choice of Api Group of putting the sustainability goal setting and materiality analysis at the beginning of their reporting process is more than logical considering the positive effects that it has on the procedure. Moreover, the company reports their material topics together with the SDGs and corporate values that reflects the material topics identified, and this is very positive considering that this "reporting modality" will be part of the 2023 GRI Standards upgrade (we will deepen this topic in the next paragraph).

Another element that makes the Api Group reporting phases dynamic and interconnected between them regards to the fact that the material topics, even if they are outlined at the beginning of the reporting process, can be adjusted in every moment. That is because the stakeholder engagement is a very complex process that cannot take place in just a single day, considering that secondary stakeholders are harder to engage compared to primary stakeholders. In fact, Lorella Mastrangelo has said that during the first month they organize internal consultations with

[83] Materiality Analysis in Sustainability Reporting: A Method for Making it Work in Practice. A. Calabrese, R. Costa, N. L. Ghiron, T. Menichini. 2017.

shareholders and banks (primary stakeholders) in order to outline the material topics. On the other hand, regarding to the secondary stakeholders, the company will contact them in different periods in order to confirm/adjust the material topics identified. For example, in December 2021 during a challenge with the MASEC's Students of Università Politecnica delle Marche, the company has conducted an inquiry on the relevance of the company's material topics that were being defined at the beginning of the year[84]. This demonstrates and reiterates that theoretical reporting process is described as very static compared to a "real company reporting process" that in reality is much more dynamic and almost "iterative", considering that as we have just said the materiality analysis starts in September but may terminate many months later.

Regarding to the other reporting phases, also in this case, the theoretical stages of "collecting data and information" and "building of panels of qualitative and quantitative indicators" which should be consecutive steps, are actually carried out together by the company. That is because some types of data and information needs more time to be collected, for example, Lorella Mastrangelo said that even if the "data collecting procedures" starts in November some qualitative data and certifications are sent to the company at the end of February. Inevitably, that means that "report's contents writing" phase starts while the data collection phase is not

[84] API Group Sustainability Report 2021 pp. 26.

over yet, and that will mean that the report's contents will be adapted and modified in course of the work.

Lastly, is interesting to dwell on the last phase of the theoretical reporting process that is "gather the stakeholders' feedbacks and, based on them, define an improvement plan for the next year", because in our study case's company reporting process there is no real phase dedicated to this. That is because the company's reporting process, is a procedure that overall takes place over a whole year, and the last phase of gathering the feedbacks and setting improvement goals coincides with the reporting first phase of the following year, where based on the latest year results, the company sets the new sustainable goals to achieve. This highlights how sustainability reporting, rather than being a procedure that starts and ends, is a continuous process that if systematized, provides the company with the tools and information needed to improve over the years. In this purpose, there are some researches about that sustainability reporting can be even an effective tool of Management control system considering the positive impacts that it has on the identification of organization's sustainability goals and on the performances improvements. In fact, the 2015 study of *Pacific Accounting Review* called "*Sustainability reporting integrated into management control systems*" evidence that "*The integration of sustainability reporting into MCS holds advantages for organisations to operationalise sustainability objectives, broaden stakeholder accountability as well as intensify interactions with stakeholders, formalise*

organisation beliefs and improve communication of sustainability measures internally"[85] (Kerr, Rouse, Villers, 2015).

In conclusion we can state that our study case's company reporting process is similar to the theoretical reporting process described by the doctrine, but the main peculiarity is about the way the reporting steps follow one another. The theoretical reporting process seems, in fact, to be static and composed of consequential phases that do not intertwine with each other, while, on the contrary, the company reporting process is very dynamic and composed of phases that in order to produce good results, can be initiated and terminated in different periods, not respecting their sequential order. For these reasons, it is reasonable to assume that the sustainability reporting procedure is not a confined process, but on the contrary is more a holistic process that enables the company to improve over the years.

2.3.1 THE IMPACTS OF NON-FINANCIAL REPORTING ON THE COMPANY AND THE EVOLUTION OVER THE YEARS OF THEIR SUSTAINABILITY REPORT.

During the interview, we asked to Lorella Mastrangelo if the drafting of sustainability report and its disclosure has had impacts on the company's welfare

[85] Sustainability reporting integrated into management control systems, J. Kerr., P. Rouse., C. Villiers., April 7, 2015.

and on the perception that stakeholders have of the company. The feedback was more than positive because the reporting procedure has brought positive effects to the company both internally and externally.

First, the interviewee has stated that since the drafting of the sustainability report the corporate cohesion has improved incredibly. That is because the reporting process, from the moment that is a cross-functional process that requires a continuous exchange of information between the different corporate levels, enhance the cooperation, participation and loyalty of the different subjects inside the company.

Therefore, we can state that the sustainability report can be "*an excellent internal motivation lever"*[86].

On the other hand, the interviewee has stated that the drafting of sustainability report has also had brought positive effects on the relation with stakeholders.

In particular, she said that public entities and banks "*really appreciate*" that they draft the sustainability report even if they are not legally obliged, besides the fact that they calculate all of the "three scopes of GHG emissions" in order to ensure the total transparency. She stated that this choice has improved the trust that the institutions have towards them.

[86] Lumi4innovation, Il Bilancio di Sostenibilità: obiettivi, contenuti e vantaggi per l'azienda, L. Barronchelli, February 8, 2022.

On the other hand, regarding to the evolution of their sustainability report over the years, worth remembering that the company drafts the sustainability report just from 2018, which means that is a procedure rather recent for them.

Despite this, their sustainability reports' contents and structure improve year after year, becoming more and more complex.

In order to analyse this evolution, we will identify the differences between the reports, comparing them in pairs.

The differences between the 2018 report and 2019 report are the following: the first difference spotted is about the reports' length, because the 2018 report is composed of 82 pages while the 2019 report is composed of 96. The 2019 report is therefore richer in content than the 2018 report, mostly because in 2019 the company has started reporting non-financial information following the GRI standard framework. Regarding the differences between the reports contents, in 2019 report appear for the first time the message to stakeholders and a section called "we are the transition" were the company declares its commitment toward the environment and society. Moreover, in the 2019 report, there are separate sections for waste management, water discharges, energetic consumptions and environmental management, whereas in that of 2018 there is just a rough description of wastes, consumptions and emissions.

Moving on, the differences between the 2019 report and 2020 report are the following: even in this case there is a difference in reports lengths, because the 2019

report is 92 pages while the 2020 report is 96 pages. Respect to 2019 report the 2020 report is richer in contents in the customer section; moreover, because of the Covid pandemic the 2020 report contains a lot of information about safety protocols and prevention measures for employees.

Lastly, the differences between the 2020 report and 2021 report are the following: also in this case is confirmed the length difference between the two reports, because the 2020 report is 96 pages while the 2021 report is even 116 pages. The first difference spotted is about the fact that in the 2021 report there are many sections dedicated to social sustainability, while in the 2020 report there were not many information about it. In fact, while they were working on the 2021 report they also started to improve the communication with their secondary stakeholders organizing collaborations and challenges with universities or joining to NGO programmes for example. In this regard, in the report, there are sections named "starting a new from youth" for the partnerships with universities and schools or "supports for socially fragile subjects" and "the initiatives in the territory" for the commitment to local communities. Another difference is about the section dedicate to the company's employees, where there is a lot more information about the welfare programme and benefits compared to the 2020 report.

Lastly, in the 2021 report, there is a revolutionary novelty, not only for the company, but even for the entire Italian oil & gas sector, that is the calculation of the "scope three" of GHG emissions (scope three comprehend all of the indirect

emissions caused by the company's activities). That is a big news because in Italy, until the last year, the only company that calculated the "scope three" was Eni group, which we remember is the biggest Italian company in terms of turnover. That was a brave decision for Api Group for reasons both organizational and reputational, considering that determining the "scope three" is extremely complex and expensive for a company, besides the fact that being transparent about this kind of emissions (that generally are very high mostly because of the type of their business) can have negative impacts on the company's reputation. In facts, Francesco Luccisano during the telematics meeting said: "*we chose to calculate "scope three" even if it can be a double-edged sword for our reputation. We still decided to do it for transparency reasons and mostly because, by doing that, in the next few years we will be able to prove to our stakeholders that our fuels are less impacting and better performing".*

Anyways, we will deepen the determination of GHG emission and the "scopes" in the next chapter.

In conclusion we can say the evolution of their sustainability reports over the years is more than positive, considering that every year the reports became more complex in terms of contents and better structured.

In the next chapter, we will talk about the reporting frameworks and standard, focussing on the GRI standards so that we can deepen to the contents of the Api Group's sustainability report according to the standards chosen by them.

CHAPTER 3

THE REPOTING METHODOLOGY, FRAMEWORK AND ASSURANCE

3.1 THE VARIOUS REPORTING ENTITIES AND INTRODUCTION TO GRI STANDARDS

As we said many times, a sustainability report – in order to be useful and comparable with other reports – must be drawn by a company following guidelines and principles with the aim of standardizing and improving its contents. In fact, is fundamental for companies to produce high quality sustainability reports from the moment in which the information made available through sustainability reporting allows internal and external stakeholders to form opinions and to make informed decisions about an organization's contribution to the goal of sustainable development[87](GRI 101). However, where do these guidelines and principles come from? Moreover, are they all the same? The answer is simple, the reporting guidelines and principles are produced by reporting entities that are non-profit organizations which purpose is defining, depending on their nature, non-financial or financial reporting standards. Every reporting entity will have its own standards, which will be selected by companies depending on their reporting needs.

[87] GRI 101: foundation 2016 pp. 3.

In this respect, in this section we will briefly examine the various non-financial reporting existing entities.

- Global Reporting Initiative (GRI): GRI was founded in Boston 1997 following public outcry over the environmental damage of the Exxon Valdez oil spill. *The aim was to create the first accountability mechanism to ensure companies adhere to responsible environmental conduct principles, which was then broadened to include social, economic and governance issues*[88]. For this purpose, they created GRI reporting standards that actually are composed of three general standards (applicable to all organizations) and 35 specific standards related to the three pillars of sustainability. Nowadays, GRI Standards are the most widely used standards for sustainability reporting.
- International Integrated Reporting Council (IIRC): IIRC is a global entity composed of investors, regulatory subjects, companies, regulators, NGOs and accounting expertise. The IIRC mission is to promote the disclosure of the value creation by using the Integrated Reporting framework. The focus of this standard is on the creation of value over time, i.e. on the capitals used by a company to create it[89].

[88] https://www.globalreporting.org/about-gri/mission-history/
[89]IntgratedReporting, International <IR> Framework, January 2021.

- CDP: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP offers a system for measuring, detecting, managing and sharing climate change information[90].
- Climate Disclosure Standards Board (CDSB): CDSB is an international consortium of business and environmental NGOs. They offer to companies a framework for reporting environmental information with the same rigour as financial information. In turn, this helps them to provide investors with decision-useful environmental information via the mainstream corporate report, enhancing the efficient allocation of capital[91].
- Sustainability Accounting Standard Board (SASB): this NGO was founded in 2011 with the aim of develop sectorial standards in ESG fields. In fact, SASB Standards guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of environmental, social, and governance issues most relevant to financial performance in each industry[92].

As already mentioned among of all these different frameworks and standards the GRI standards are the most famous and the most widely used by companies for

[90] https://www.cdp.net/en
[91] https://www.cdsb.net/
[92] https://www.sasb.org/about/

sustainability reporting. That is because the GRI guidelines, indicators and standards can be used, at no costs, by every type of organization, big, small, public or private[93]. In fact, in Italy GRI standards are the most used reporting instrument, and they are adopted by the 100% of the listed companies subjected to the Legislative Decree 254/2016[94]. In this respect, since also our study case's company also uses the GRI Standards, this section will be focused on the deepening of this reporting entity and on its standards.

As we previously said, the Global Reporting Initiative was founded in 1997 with the "*aim of creating the first accountability mechanism to ensure companies adhere to responsible environmental conduct principles, which was then broadened to include social, economic and governance issues*[95]*"*. In other words, GRI exist to help organizations to be transparent and take responsibility for their impacts and all of this is possible thanks to the creation of a global common language that organizations can use to do sustainability reporting. Regarding to the evolution of this entity, the GRI before becoming a "standard setter" was a provider of guidelines for sustainability reporting, in particular, in 2000 they published the first global framework for sustainability reporting (G1). The following year, GRI was established as an independent, non-profit institution and in 2002, they launched the

[93] GRI Standards: cosa cambia dal 2023, Nexteco Blog, E. Masia., December 23, 2021.
[94] Osservatorio sulla Dichiarazione Non finanziaria di Deloitte Italia, marzo 2021
[95] https://www.globalreporting.org/about-gri/mission-history/

first update for the guidelines (G2). In subsequent years due to the "success" of the GRI guidelines, they were further improved in 2006 (G3) and in 2013 (G4). Lastly, in 2016, GRI transitioned from providing guidelines to setting the first global standards for sustainability reporting that will be updated in 2023.

Introducing the Standards, the GRI Standards are structured as a set of interrelated standards. They have been developed primarily to be used together to help an organization prepare a sustainability report which is based on the Reporting Principles and focuses on material topics[96].

In order to guide organizations into the reporting process the GRI provides them a set of requirements, recommendations and guidance to follow for each standard that they want to apply:

- Requirements: are mandatory instructions (that in the text are presented in bold font and indicated with the word "shall") that must be read in the context of recommendations and guidance; however, an organization is not required to comply with recommendations or guidance in order to claim that a report has been prepared in accordance with the Standards[97].

[96] GRI 101: foundation 2016 pp. 3.
[97] GRI 201: economic performance 2016 pp. 4.

- Recommendations: are optional instructions that encourage particular behaviours, which however are not mandatory. In the text, the word 'should' indicates a recommendation[98].
- Guidance: these sections include background information, explanations and examples to help organizations better understand the requirements[99].

An organization is required to comply with all applicable requirements in order to claim that its report has been prepared in accordance with the GRI Standards.

3.1.1 THE GRI STANDARDS: UNIVERSAL STANDARDS, SPECIFIC STANDARDS AND USES.

The GRI Standards have been in force since 2016 (excepting some of them that were released between 2018 and 2020) and they are divided in two section, the Universal Standards and the Specific Standards.

The Universal Standards (100 series) are composed of three different standards that are GRI 101, GRI 102 and GRI 103:

- GRI 101 "Foundation": The GRI 101 sets out the reporting principles for defining report content and quality (that we have described in the 2.1.2 paragraph). "*It includes requirements for preparing a sustainability report in accordance with the GRI Standards, and describes how the GRI Standards can*

[98] GRI 201: economic performance 2016 pp. 4.
[99] GRI 201: economic performance 2016 pp. 4.

be used and referenced. GRI 101 also includes the specific claims that are required for organizations preparing a sustainability report in accordance with the Standards, and for those using selected GRI Standards to report specific information[100]*"*.

- GRI 102 "General Disclosure": this section is used to report contextual information about an organization and its sustainability reporting practices. *"This includes information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process*[101]*"*.
- GRI 103 "Management Approach"*:* this section explains how a company should report the information about the managing of material topics. "*It is designed to be used for each material topic in a sustainability report, including those covered by the topic-specific GRI Standards (series 200, 300, and 400) and other material topics*[102]*"*. The application of GRI 103 with each material topic allow the company to provide an explanation of why the topic is material, where the impact occur and how the company manages the impacts.

[100] GRI 101: foundation 2016 pp. 4.
[101] GRI 101: foundation 2016 pp. 4.
[102] GRI 101: foundation 2016 pp. 4.

On the other hand, the specific standards (200 series, 300 series and 400 series) are used by organizations to report information about environmental, social and economic impacts. The specific standards are the GRI 200, GRI 300 and GRI 400:

- GRI 200 "Economic": the 200 standards are referred to the sustainability's economic dimension and it regards to the organization's impacts on its stakeholders' economic conditions and on local, national or global economic systems. The GRI 200 are composed of 7 different standards:
    - GRI 201[103] Economic Performance: this standard is about the organization's economic performances that comprehend the economic value generated and distributed, obligations towards retirement's plans and benefits, government's financial assistance and climate change's financial implications.
    - GRI 202 Market Presence[104]: this standard is about the organization's market presence based on its contribution to the economic development of the local areas or community in which it operates.
    - GRI 203 Indirect Economic Impacts[105]: this standard is about the indirect economic impacts that are consequential to the direct

[103] GRI 201, Economic Performances 2016
[104] GRI 202, Market Presence 2016
[105] GRI 203, Indirect economic impacts 2016

impacts of financial transactions and of the cash flow between the company and its stakeholders.

- GRI 204 Procurement Practices[106]: this standard is about the supports that the organization gives to local suppliers or particular categories of suppliers (such as women suppliers or members of vulnerable categories). The standard is even about how the organization's procurement practices can generate negative impacts on the supply chain.
- GRI 205 Anti-Corruption[107]: this standard is about how the company deals with "the negative practices" related to corruption such as bribery, frauds, racketeering or money laundering.
- GRI 206 Anti-Competitive Behaviour[108]: this standard calls the company to analyse if its behaviours could be anti-competitive.
- GRI 207 Tax[109]: this standard has been in force since 2021 and is about the organization's fiscal information, in particular, the company have to indicate how it deal its fiscal practices in the various jurisdictions in which it operates.

[106] GRI 204, Procurement practices 2016
[107] GRI 205, Anti-Corruption 2016
[108] GRI 206, Anti-Competitive Behaviour 2016
[109] GRI 207, Tax 2019

- GRI 300 "Environmental": the GRI 300 standards are referred to the sustainability's environmental dimension and it regards to the organization's impacts on living or non-living systems including land, air, water and ecosystems. The GRI 300 are composed of 8 different standards:
    - GRI 301 Materials[110]: this standard is about the inputs used by the organization to produce and pack products and services. The organization has to describe the nature of the material used, i.e. if they are renewable or non-renewable.
    - GRI 302 Energy[111]: this standard is about the organization's energetic consumptions, in particular, the organization has to explain the type of energy used (such as fossil fuels, electricity, heat or steam), from where they get it (auto produced or purchased) and if it is renewable or non-renewable.
    - GRI 303 Water and Effluents[112]: this standard has been in force since 2018 and is about how the company's water consumptions and effluents can affect the environment in which it is located.
    - GRI 304 Biodiversity[113]: this standard is about how the company operates in order to preserve and protect the biodiversity.

[110] GRI 301, Materials 2016
[111] GRI 302 Energy, 2016
[112] GRI 303, Water and Effluents 2018
[113] GRI 304, Biodiversity 2016

- GRI 305 Emissions[114]: this standard is one of the most important because it is about the GHG emissions produced by the company. The standard's reporting requirements for GHG emissions are based on the "GHG Protocol" developed by World Resources Institute and World Business Council for Sustainable Development. The "GHG Protocol" has classified the GHG emissions in three different "Scopes": The Scope 1 (direct emissions), The Scope 2 (indirect emissions) and The Scope 3 (other indirect emissions).
- GRI 306 Waste[115]: this standard has been in force since 2020 and is about how the organization manages the waste produced.
- GRI 307 Environmental Compliance[116]: this standard is about the organization's commitment and compliance towards environmental laws and regulations.
- GRI 307 Supplier Environmental Assessment[117]: this standard is about the impacts produced by the company through the activities of its suppliers or its relations with other entities.

[114] GRI 305, Emissions 2016
[115] GRI 306, Waste 2020
[116] GRI 307, Environmental Compliance 2016
[117] GRI 307, Supplier Environmental Assessment 2016

- GRI 400 "Social": the GRI 400 are referred to the sustainability's social dimension that regards to the organization's impacts on social systems in which it operates. The GRI 400 standards are 19:
    - GRI 401 Employment[118]: this standard is about the organization's approach to employment or creation of work places.
    - GRI 402 Labor/Management Relations[119]: this standard is about the relations between employees and management.
    - GRI 403 Occupational Health and Safety[120]: this standard has been in force since 2018 and it is about the organization's commitment to the health and safety of its employees.
    - GRI 404 Training and Education[121]: this standard is about how the organization deals with the training and education of its employees.
    - GRI 405 Diversity and Equal Opportunity[122]: this standard is about how the organization's deals with gender equity.
    - GRI 406 Non-discrimination[123]: this standard is about how the company manages the fight against discrimination.

[118] GRI 401, Employment 2016
[119] GRI 402, Labor/Management Relations 2016
[120] GRI 403, Occupational Health and Safety 2018
[121] GRI 404, Training and Education 2016
[122] GRI 405, Diversity and Equal Opportunity 2016
[123] GRI 406, Non-discrimination 2016

- GRI 407 Freedom or Association and Collective Bargaining[124]: this standard is about how the company guarantees and respect the right of "freedom of association".
- GRI 408 Child Labor[125]: this standard is about how the company contributes to the fight against child labor (mostly if the company operates in countries where child labour is permitted)
- GRI 409 Forced of Compulsory Labor[126]: this standard is about how the company respects the fundamental human right of "not being subjected to forced or compulsory labor".
- GRI 410 Security Practices[127]: this standard is about how the company manages its "security staff" focusing on guaranteeing that there is not abuse of power.
- GRI 411 Rights of Indigenous Peoples[128]: this standard is about organizations that operates in countries in which are located indigenous peoples.
- GRI 412 Human Rights Assessment[129]: this standard is about the organization's respect of human rights.

[124] GRI 407, Freedom or Association and Collective Bargaining 2016
[125] GRI 408, Child Labor 2016
[126] GRI 409, Forced of Compulsory Labor 2016
[127] GRI 410, Security Practices 2016
[128] GRI 411, Rights of Indigenous Peoples 2016
[129] GRI 412, Human Rights Assessment 2016

- GRI 413 Local Communities[130]: this standard is about how he company impacts on local communities.
- GRI 414 Supplier Social Assessment[131]: this standard is about how the company contributes to the social impacts produced by its activities or by the activities of its suppliers.
- GRI 415 Public Policy[132]: this standard is about the company's commitment to the developing of public policies.
- GRI 416 Customer Health and Safety[133]: this standard is about how the company guarantees the safety and health of its customers.
- GRI 417 Marketing and Labelling[134]: this standard is about how the company guarantees the "transparency" of the information about its positive and negative impacts produced.
- GRI 418 Customer Privacy[135]: this standard is about how the company guarantees privacy to their customers.

[130] GRI 413, Local Communities 2016
[131] GRI 414, Supplier Social Assessment 2016
[132] GRI 415, Public Policy 2016
[133] GRI 416, Customer Health and Safety 2016
[134] GRI 417, Marketing and Labelling 2016
[135] GRI 418, Customer Privacy 2016

- GRI 419 Socioeconomic Compliance[136]: this standard is about the organization's compliance and commitment to social or economic laws and regulations.

At this point, after having examined the various standards a question rises spontaneously: How can organizations use GRI Standards?

In this purpose, there are two basic approaches for using the GRI Standards:

Using the GRI Standards as a set to prepare a sustainability report in accordance with the Standards or using selected Standards, or parts of their content, to report specific information.

Of Course, for each of these ways of using the Standards there is a corresponding claim, or statement of use, that is defined in this Standard. Any published materials with disclosures based on the GRI Standards are always to be referenced using one of these claims. This ensures transparency about how the Standards have been applied[137].

Anyways, if a company wants to prepare a sustainability report in accordance with the standards there will be two options available: The Core option and the Comprehensive option.

The Core option indicates that a report contains the minimum information needed to understand the organization's nature, its material topics and related impacts, and

[136] GRI 419, Socioeconomic Compliance 2016
[137] GRI 101: Making claims related to the use of the GRI standards 2016.

how these are managed. The Comprehensive option builds on the Core option by requiring additional disclosures on the organization's strategy, ethics and integrity, and governance. In addition, the organization is required to report more extensively on its impacts by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards.

Whenever, in exceptional cases, the company that prepares the sustainability report in accordance with the GRI Standard cannot report some mandatory requirements, it must provide in the report a reason for omission.

It is necessary to specify that the option chose does not relate to the quality of the information in the report or the magnitude of the organization's impacts. Instead, they reflect the degree to which the GRI Standards have been applied. An organization is not required to progress from Core to Comprehensive; it can choose the option that best meets its reporting needs and the information needs of its stakeholders (GRI 101, 2016).

On the other hand, if a company wants to prepare a report just using some of the GRI Standards (to report specific information) the option available is called "GRI Referenced". It is appropriate for an organization that wants to report on specific economic, environmental, and/or social impacts, but which is not looking to use the GRI Standards to provide a full picture of its material topics and related impacts[138].

[138] GRI 101: Making claims related to the use of the GRI standards 2016.

3.1.2 THE GRI STANDARDS: THE 2023 STANDARDS UPDATE AND THE GRI 11

As already mentioned, in 2023 there will be a big update of the standards that will make them even more inclusive and complete, in this purpose, Stantec, a leader company in consulting and engineering design has summarized in its website the various GRI Standards updates[139], but let's proceed with order.

According to the information available, we know that there will be a single set of interrelated standards: Universal, Sector and Topic.

The most consistent update will concern the Universal Standards that from GRI 101, 102 and 103 will become GRI 1, GRI 2 and GRI 3. In particular, GRI 1 Foundation 2021 is still the starting point for using the standard, GRI 2 General Disclosure 2021 that explain how to report the organization's information and GRI 3 Material Topics 2021 that is a guide for the identification and management of material topics.

The Universal Standards have been revisited in order to make the reporting process more complete and pertinent to the International Principles of responsible

[139] Bilancio di sostenibilità: i nuovi standard GRI, Stantec, G. De Masi Gervais, February 23, 2022.

governance, respect of human rights and due diligence adopted to prevent and mitigate the organization's negative impacts (European Commission 2022)[140].

The second update will regard a new revolutionary GRI pillar that will be the GRI Sector Standards and according to this update in 2023, every organization will adopt, based on the sector in which they operate, the related Sector Standards. The reasons behind this update relate to the will of improving the quality and completeness of the reported information, mostly with respect to the identification of material topics. The first Sector Standard released during the last October, was the Standard related to the Oil & Gas sector (GRI 11), since this sector is considered as one of the most problematic by a "sustainability" point of view.

The last update regards the Specific Standards that will be transformed into "31 Topic Standards".

Other changes outside the Standards will regard the fact that there will not be no more difference between the "Core" and "Comprehensive" options, because in their substitution there will be the option "in accordance with GRI Standards". Ergo, in 2023 organizations will do reporting or in accordance with GRI Standards or with reference to GRI Standards. Secondly, there will be a new concept of "Materiality", that according to GRI 2021: "*a theme is considered material if reflects the organization's most significant impact (positive/negative) on: economy,*

[140] Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains, European Commission, February 23, 2022.

environment, people and their human rights". Lastly, the stakeholder definition will be shortened; in fact, it will be defined as "*a subject or a group that is interested or that can influence or be influenced, both positively and negatively, by the organization's activities*".

Since this study is focused on companies operating in Oil & Gas sector, we will briefly examine the content of the GRI 11, also to verify if our study case's company has already done something to apply the new standards.

"The GRI 11: Oil & Gas Sector 2021" comes as a document of 93 pages, and it is currently available just in English language. Its structure comprehends an introduction about the sector the standards applies to, a sector profiling, the 22 "likely Material Topics" that the company can identify, glossary and the bibliography.

More specifically in the "Sector profile" section is identified all of the activities and relationships through which organizations can have an effect on the environment, economy and people and in turn make negative or positive contributions to sustainable development. According to GRI 11, when determining material topics, the organization should consider the impacts of both its activities and its business relationships. The activities outlined by the standard are exploration, development, production, oil sands mining, closure and rehabilitation, refining, transportation, storage and pipelines and sales and marketing. On the other hand, the business relationships of the sector that are considered as relevant when identifying the

impacts of the organization are joint ventures, state-owned enterprises, suppliers and contractors and customers.

Moving on, in this section the GRI 11 states, "*since the SDGs and targets associated with them are integrated and indivisible, oil and gas organizations have the potential to contribute to all SDGs by enhancing their positive impacts or by preventing and mitigating their negative impacts, on the economy, environment, and people"*. For this reason, the standard asks to organizations to include the SDGs in their Materiality analysis, in particular, the GRI 11 identifies the more relevant SDGs for the oil & gas sector:

In this purpose, the oil & gas sector is particularly relevant for the achievement of Goal 13 "Climate Action" considering the impacts of the sector on climate change and the contribution that it can give to the energy transition. Moreover, the sector plays a fundamental role in achieving the Goal 7 "Affordable and Clean Energy" from the moment that "*ensuring access to energy for all while transitioning toward a low-carbon economy is one of the challenges faced by the sector*". Moving on, the sector can have a positive contribution also to the Goal 3 "Good Health and Wellbeing"and to Goal 4 "Quality Education". That is because unfortunately, currently millions of people still lack access to energy, for example, three billion of people (40% of the world) do not have access to clean fuels for cooking (ethanol,

natural gas or electricity)[141]. In addition, from the moment that the oil & gas sector is one of the most profitable in the world, it can contribute to these Goals investing and supporting the local economies in which its organizations operate, just think of the fact that the percentage of gross domestic product attributable to oil revenues has reached 45% in some resource-rich countries[142]. Of course, from the moment that these goals are strictly related with each other the prosecution of Goals 3 and 4 will contribute positively to the Goal 1 "No Poverty" and Goal 8 "Decent Work and Economic Growth". Lastly, the GRI 11 identify one more Goal that the sector can pursue with its activities that is the Goal 16 "Peace and Justice", that is because "*in countries that produce oil and gas, the sector generates high revenues and attracts significant investment. However, the large revenues derived from the sector carry a risk of corruption and conflict over resources*". That is the reason why the organizations that operate in oil & gas sector have the duty of demonstrating their commitment to the fight against corruption and to the respect the law.

Moving on, as we already mentioned above the largest section of the GRI 11 is the one dedicated to the likely material topics that the company can identify, which is composed of 22 Topics that are listed in the *Figure 1* in the next page.

These likely material topics will be important in the next paragraph because we will do a comparison between our study case's company material topics and the topics

[141] Our World in Data, Access to Energy, H. Ritchie, M. Roser.
[142] World Economic Forum, Which economies are the most reliant on oil? May 10, 2016.

suggested by the GRI 11. Of course, keeping in mind that these standards will enter into force in 2023 and in these years, the company has been drafting its sustainability report relying on the GRI Standards 2016. Anyways, it will be interesting analysing if the company has already adopted some of the adjustments proposed by the GRI 11.

Table 2. Links between the likely material topics for the oil and gas sector and the SDGs

Topic 11.1 GHG Emissions													●	●			
Topic 11.2 Climate adaptation, resilience, and transition	●						●	●	●			●	●				
Topic 11.3 Air emissions			●								●				●		
Topic 11.4 Biodiversity						●						●		●	●		
Topic 11.5 Waste			●			●						●		●	●		
Topic 11.6 Water and effluents						●						●		●	●		
Topic 11.7 Closure and rehabilitation				●				●			●			●	●		
Topic 11.8 Asset integrity and critical incident management											●			●			
Topic 11.9 Occupational health and safety			●					●									
Topic 11.10 Employment practices	●			●	●			●		●							
Topic 11.11 Non-discrimination and equal opportunity				●	●			●		●						●	
Topic 11.12 Forced labor and modern slavery								●								●	
Topic 11.13 Freedom of association and collective bargaining								●								●	
Topic 11.14 Economic impacts	●				●			●	●	●							
Topic 11.15 Local communities	●		●		●	●										●	
Topic 11.16 Land and resource rights	●	●									●					●	
Topic 11.17 Rights of indigenous peoples	●		●		●						●					●	
Topic 11.18 Conflict and security																●	
Topic 11.19 Anti-competitive behavior																●	
Topic 11.20 Anti-corruption												●				●	
Topic 11.21 Payments to governments	●															●	●
Topic 11.22 Public policy																●	

Figure 1, the likely material topics and the related SDGs identified by GRI 11. Source: GRI 11: Oil and Gas Sector 2021 pp. 12.

3.2 THE ASSURANCE

According to the Oxford Languages definition "assurance" is "*a positive declaration intended to give confidence; a promise*[143]", ergo, it is a synonymous of guarantee, and guarantee is a key term when we are referring to business documents. That is because, given the importance of these documents, it is easy to imagine how relevant is ensure to stakeholders that the information contained in financial and non-financial reports are reliable, clear and truthful. In particular, even if non-financial information could seem less relevant that the financial ones, the sustainability information is actually used by many subjects in order to take strategic and relevant decisions. For example "*the users of sustainability information include: the board of directors, shareholders and investors, trading partners, regulators, other stakeholders and member of the public"* (ICAEW, 2010)[144]. For these reasons, exist some monitoring activities put in place in order to guarantee the integrity of the information, in particular Audit and Assurance procedures. However, what is the difference between them? YH Tan & Associates PLT, a leader organization in providing audit and consulting services has clarified the difference between these two activities as follows: "*Audit is a procedure of closely monitoring the accounting information provided in a company's financial statements. Assurance, on the other hand, involves assessing and analysing*

[143] Oxford Languages
[144] Sustainability Assurance: Your Choice, ICAEW Audit & Assurance Faculty, pp. 7. 2010.

different operations, processes, and procedures"[145]. Given this, it is easy to state that the Assurance has a very important role about the validity of the sustainability report considering that in order to be useful, the sustainability report should be drafted according to reporting guidelines and standards (as we already saw). In fact, "*Sustainability Report Assurance is the process of ensuring that a company's sustainability report meets certain standards"*[146]. Anyways, taking a step back, we have to analyse the Assurance by a normative point of view.

As we already saw multiple times in the first chapter, to make compulsory the reporting of non-financial information has been the EU Directive 95/2014, according to which, the large interest entities must disclose the information about their environmental and social policies, including what they do respect human rights and to fight against corruption. All of this information, according to the Directive shall be contained in the company's Non-Financial Statement. Moreover, the Directive (Directive 95/2014/EU section 16) provides that the "*Statutory auditors and audit firms should only check that the non-financial statement or the separate report has been provided".* The Directive continues as follows, "*In addition, it should be possible for Member States to require that the information included in the non-financial statement or in the separate report be verified by an*

[145] Difference between Audit and Assurance Services, YT Tan & Associates.
[146] What is the Sustainability Report Assurance? https://www.esgthereport.com

independent assurance services provider". So the Directive has introduced, in addition to the duty to draft the Non-Financial Statement, the obligation to check if it has been provided correctly and the recommendation of revising its contents. In particular, as we already saw, in Italy the Directive has been receipted through the Legislative Decree 254/2016 and in the art. 3, tenth subparagraph have been added additional requirements regarding to the Assurance. This new requirements states that *"the company's Statutory auditor has to check that the non-financial statement has been provided correctly*" and that "*the company's Statutory auditor or other auditor certifies through a specific report the conformity of the information to the Directive 95/2014 and to the reporting standards*". So at this point, we can state that, according to the Legislative Decree 254/2016, in Italy the Assurance of the non-financial statement is mandatory for the companies obliged to draft it, while for the companies that voluntarily draft the sustainability report, the assurance is not mandatory but preferable.

In this purpose, with regard to the sustainability report assurance, many experts stated that choosing an external auditor rather that an internal auditor can have several advantages for the company. First, that would bring an improvement of stakeholders' trust towards the information contained in the report thanks to the reduction of self-referentiality. Then, there would be more reliability about the information used by management to take decisions. Other benefits would regard a greater safety regarding to the respect of the report's quality principles and for the

reliability of the data produced by the company information system. Lastly, the external assurance, gives to the sustainability report users, a positive perception regarding to the accuracy of the report's contents, considering that the auditor would be independent of the company, so the auditor's judgment would not be biased (Dallai, Riva, 2020)[147].

Given this, the sustainability report assurance consists in carrying out specific audit procedures, based on principles and professional standards (ISAE 3000 revised), aimed to issue a conformity certificate about non-financial information that are provided with regard to the principles, methodologies and reporting modalities declared (Dallai, Riva, 2020)[148]. In particular, the auditor has to check: the respect of reporting standards, the quality and completeness of the document, the adequacy of the procedures used to prepare the sustainability report and the existence of adequate documentary evidence.

However, how can be carried out the Assurance activity? As we saw, statutory auditors external or internal to the company can carry out the Assurance activity (even if the external auditors are preferred), according to the Directive 95/2014 and the Legislative Decree 254/2016. In this purpose, the auditor in order to conduct the assurance activity shall consider two types of standards: The reporting standard

[147] Ruoli di Corporate Governance: Assetti organizzativi e DNF, L'Assurance sulla DNF, S. Dallai, P. Riva. pp. 649-650., May 7, 2020.
[148]Ruoli di Corporate Governance: Assetti organizzativi e DNF L'Assurance sulla DNF, S. Dallai, P. Riva. pp. 648., May 7, 2020.

based on which the sustainability report has been drafted and the assurance standards. The first determines the report's contents and the company that drafts the non-financial statement chose them. The seconds, adopted by the auditor, determine the modality with which the assurance activity's is carried out.

Internationally, for the non-financial reporting are generally used two assurance standards:

- ISAE 3000 (Revised), issued by the International Auditing and Assurance Standards Board (IAASB)
- AA1000 assurance standard (AA1000AS), issued by AccountAbility.

In this study, we will deepen just the ISAE 3000 because in addition to being the most used assurance standard in the world is the assurance standard used by our study case's company.

First of all, the ISAE 3000 Revised define an assurance engagement as "*An assurance engagement is an engagement in which a practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria.*" Then continues with: "*The outcome of the measurement or evaluation of an underlying subject matter is the information that results from*

applying the criteria to the underlying subject matter" [149]. In other words, an assurance engagement is an engagement where an auditor expresses a judgment about specific information or relevant aspects in order to increase the trust of the users to whom this information is intended.

The ISAE 3000 revised states the principles and essential procedures in order to give auditors the procedural requirements, such as: Ethical requirements, engagement acceptance, qualitative control standards, planning and performing the engagement, obtaining evidence, using the work of an expert, criteria for performing the engagement, preparing the assurance report and documentation (ISAE 3000, 2005)[150]. In this purpose, regarding to the types of the engagement exists two form of engagement: Reasonable Assurance Engagement and Limited Assurance Engagement.

In the Reasonable Assurance engagement, according to ISAE 3000 is "*the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for positive form of expression of the practitioner's conclusion in the form of an opinion*"[151]. In other words, the auditor expresses a judgement in affirmative terms about the conformity of the non-financial statement with the Legislative Decree 254/2016.

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[149] ISAE 3000 Revised, Draft Assurance Framework—Clean IAASB Main Agenda (March 2011) pp. 3.

[150] ISAE 3000, assurance engagements other than auditors or reviews of historical financial information, pp. 4-53. January 1, 2005.

[151] Draft Assurance Framework—Clean IAASB Main Agenda (March 2011), pp. 24.

On the other hand, the Limited Assurance Engagement, according to ISAE 3000 is defined as follows: "*In a limited assurance engagement the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement. This is achieved by performing a set of procedures that is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is meaningful to the intended users*"[152]. In other words, the auditor expresses a judgement in negative terms about the fact that they have not found in non-financial statement elements that goes against to the Legislative Decree 254/2016.

Between these two forms of assurance the Limited Assurance is the most used regarding to non-financial statement and sustainability reports, considering that the legal rules governing their drafting are limited and recent. Moreover, in these types of documents there are many qualitative information that cannot be checked as rigorously as quantitative information. For these reasons, we can assume that in many cases the assurance activity cannot be carried out in the form of reasonable assurance, due to the lack of assumptions. In particular, in Italy there are not

[152] Draft Assurance Framework—Clean IAASB Main Agenda (March 2011), pp. 24.

identified cases of non-financial statements or sustainability reports that are subjected to Reasonable Assurance (Riva, Dallai, 2020)[153].

In this purpose, regarding to the operating modalities for carrying out the Limited Assurance, it is conducted principally through interviews and discussions with the top management and with the subjects that are involved in the non-financial statement/sustainability report's drafting. During this phase, the auditor checks the quality and reliability of the information both quantitative and qualitative.

Moreover, further verifications are carried out through visits on-site in order to get the access to the documental evidences about the fact that all of the calculus procedures, methodologies and standards application have been carried out correctly. Lastly, is necessary to specify that the assurance activity will be particularly focused on the materiality analysis from the moment that the concept of "materiality" is at the centre of the reporting procedures.

Given this, the Assurance activity ends with the drafting of an assurance statement by the independent auditing firm that must contain at least a series of elements. A reference to ISAE 3000, the liability of directors regarding to non-financial statement, the liability of the auditor and a description of the work that have been

[153] [153] Ruoli di Corporate Governance: Assetti organizzativi e DNF, L'Assurance sulla DNF, S. Dallai, P. Riva., pp. 649., May 7, 2020.

carried out, conclusions about the report contents and guidelines adopted and any possible references to the information[154] (Riva, Dallai, 2020).

3.3 THE API GROUP'S SUSTAINABILITY REPORT'S CONTENTS EXPLAINED THROUGH THE REPORTING STANDARDS

After we saw what the reporting standards are and how the sustainability report's contents are checked and approved, we have enough theoretical material to analyse how our study case's company manages these aspects. In particular, what are the reporting standards that they use to make sustainability reporting, how they apply them and how they deal with the assurance activity.

First of all, as already mentioned and according to the information in the methodological note of their sustainability report, the reporting standard used by the company is the GRI standards 2016 in the option "GRI referenced", which means that the company has used GRI standards just to report some specific economic, environmental and social impacts[155].

In this purpose we must remember, according to GRI 101 2016, the option of standards application is not an indicator of how much the company is committed to sustainability but only indicates in what measure the organization wants to apply

[154] Ruoli di Corporate Governance: Assetti organizzativi e DNF, L'Assurance sulla DNF, S. Dallai, P. Riva., pp. 658., May 7, 2020
[155] Rapporto di sostenibilità 2021, 4° edizione, IP Gruppo API. Pp. 104

them. Anyways, nothing prevents us from making some analysis and observation about the standards and topics that they decided to report, in particular, how they applied universal and specific standards, and we will even do some comparison between the Api Group's report and those of two of its main competitors: Eni SPA and Q8 Italy. Logically, we will keep in mind that Eni SPA, Q8 Italy and Api Group are organizations extremely different one from each other. Just think to the fact that Eni SPA is the largest Italian company and Q8 Italy is just one of the many divisions of Kuwait Petroleum Corporation, so as it is easy to imagine, this two companies are larger and more complex than Api Group. In fact, Eni SPA, due to its dimension and its characteristics is obliged by law to draft the non-financial statement according to the Legislative Decree 254/2016 while Api Group drafts voluntarily the sustainability report. Moreover, Eni SPA and Q8 Italy drafted their report applying the option "in-accordance Core", ergo, for each material topic; they respected all of the requisites of GRI 103, and all of the requisites of at least one specific-topic disclosure[156] (Riva, Dallai, 2020). Given this, will be interesting observing how their reports change based on the option adopted and what the differences and similarities between the topics and information disclosed. The data, figures, information and tables contained in this section originate from the Q8

[156] Ruoli di Corporate Governance: Assetti organizzativi e DNF, Il Bilancio di Sostenibilità. Il Modello GRI., S. Dallai, P. Riva., pp. 603., May 7, 2020

Italy's and Api Group sustainability reports and from Eni SPA non-financial statement, moreover, there will be some table whose data have been organized and analysed through analysis done with excel. In particular, the independent auditing firms that drafted the assurance statement were Ernst & Young for Api Group, PwC for Eni SPA and Deloitte for Q8 Italy.

After this brief introduction, we can start our analysis, beginning with how the study case's company has applied the universal standards and then continuing with comparisons with other reports.

Analysing the company's Index of GRI contents the first standard that we can see are the GRI 102 General Disclosure that are illustrated in the *Figure 2* in the next page (GRI has divided the GRI 102 in 56 categories of information that the company can disclose in the sustainability report). By consulting the *Figure 2* contents, it appears that the company has inserted in its report 28 GRI 102 disclosure on a total of 56 and the GRI disclosure omitted is predominantly part of the "Governance" section that goes from GRI 102-18 to GRI 102-39. However, these types of disclosure are not included in both Eni SPA non-financial statement and in the Q8 sustainability report neither, that applies the GRI standards with the option "in-accordance Core". That is because these disclosures are required by the application option "in-accordance Comprehensive", that in addition to the option Core requirements, also demands an additional disclosure about ethics, strategy,

integrity and governance and even that the company reports all the requirements for each material topic identified (Riva, Dallai, 2020)[157].

Aspect GRI standard	GRI disclosure	Description	#page
General disclosure	102-1	Name of the organisation	16
	102-2	Activities, brands, products and services	16
	102-3	Address of the head office	16
	102-4	Address of the activities	16; 44; 58
	102-5	Ownership and legal form	18
	102-6	Markets served	16
	102-7	Scale of the organisation	48; 49
	102-8	Information on employees and other workers	95; 107
	102-9	Supply chain	44; 58
	102-13	Membership in associations	24
	102-14	Declaration of a top manager	6
	102-16	Values, principles, standards and rules of behaviour	20
	102-18	Governance structure	19
	102-20	Executive-level responsibilities for economic, environmental and social issues	24
	102-32	Role of the leading governance body in sustainability reporting	24
	102-40	List of the group of stakeholders	26
	102-42	Stakeholder identification and selection	26
	102-43	Stakeholder engagement methods	26; 27
	102-44	Key topics and critical aspects raised	26
	102-45	Subjects included in the consolidated financial statements	18
	102-47	List of material topics	27
	102-50	Reporting period	105
	102-51	Date of the most recent report	105
	102-52	Reporting frequency	105
	102-53	Contact persons for requesting information on the report	112
	102-55	GRI content index	100
	102-56	External assurance	108

Figure 2, GRI 102 General Disclosure of Api Group. Source: Api Group Sustainability Report 2021, index of GRI contents pp. 101.

In the Figure 3, is represented how the companies have applied the 102 GRI General Disclosure in their reports. The Q8 and Eni SPA information come from the content

[157] Ruoli di Corporate Governance: Assetti organizzativi e DNF, Il Bilancio di Sostenibilità. Il Modello GRI., S. Dallai, P. Riva., pp. 603-604., May 7, 2020

index of Eni SPA non-financial statement (pp. 204-205) and from the content index of Q8's sustainability report (pp. 96).

Figure 3, Confronting the 102 GRI Disclosure of Eni SPA, Q8 Italy and Api Group

GRI 102	ENI	IP	Q8
ORGANIZATIONAL PROFILE			
1	x	x	x
2	x	x	x
3	x	x	x
4	x	x	x
5	x	x	x
6	x	x	x
7	x	x	x
8	x	x	x
9	x	x	x
10	x		x
11	x		x
12	x		x
13	x	x	x
STRATEGY			
14	x	x	x
15	x		
ETICHS AND INTEGRITY			
16	x	x	x
17			
18	x	x	x
GOVERNANCE			
19			
20		x	
21			
22			
23			
24			
25			
26			
27			
28			

29			
30			
31			
32		x	
33			
34			
35			
36			
37			
38			
39			
STAKEHOLDER ENGAGEMENT			
40	x	x	x
41	x		x
42	x	x	x
43	x		x
44	x	x	x
ORGANIZATIONAL PRACTICES			
45	x	x	x
46	x		x
47	x	x	x
48	x		x
49	x		x
50	x	x	x
51	x	x	x
52	x	x	x
53	x	x	x
54	x		x
55	x	x	x
56	x	x	x
TOTAL	**34**	**28**	**33**

As we can notice, the company that has disclosed more GRI 102 disclosure in its report is Eni SPA with 34 disclosures, and then we have Q8 Italy with 33 disclosures and finally Api Group with 28 disclosures. A first observation can be made regarding that overall; there are not major differences between the disclosures

inserted in their reports, even if the option of standards application used by the companies are different. Moreover, we can observe that while the disclosures inserted in Eni SPA and Q8 reports are almost equal, the Api Group disclosures are a little bit more limited and it is the only one that has inserted in its reports a couple of disclosures belonging to the Governance section. Therefore, we can assume that regarding to the GRI 102 disclosures, there are of course some differences between the information disclosed with the standards application option "Core" and the information disclosed with the option "GRI Referenced". However, this difference is not particularly relevant considering that in both three reports there are enough information to give to the reader a good description of their businesses.

On the other hand, regarding to the application of GRI 103 there is of course a larger difference between the companies, but let us proceed in order by analysing first, how our study case's company has applied the standard.

First, we recall that the GRI 103 "Management Approach" provides information about how the company should report and manage its material topics (those both covered by the topic-specific standards and other material topics) (Riva, Dallai, 2020)[158]. The GRI 103 is composed of three disclosures that are the following:

- Disclosure 103-1 Explanation of the material topic and its boundary, whose requirements are giving an explanation of why the topic is material, the

[158] Ruoli di Corporate Governance: Assetti organizzativi e DNF, Il Bilancio di Sostenibilità. Il Modello GRI., S. Dallai, P. Riva., pp. 591., May 7, 2020

boundary of material topic and any specific limitation regarding the topic boundary (GRI 103, 2016).

- Disclosure 103-2 the management approach and its components, whose requirements are giving an explanation about how the company manages the topic, a statement of the purpose of the management approach and a description of some management approach components.
- Disclosure 103-3 Evaluation of the management approach, whose requirements is giving for each material topic an explanation of how the organization evaluates the management approach.

Api Group, as already said, reports information using the option "GRI referenced", so there are not actual constraints about how use the standards and the company can make a selective use of them. In this purpose, Api Group has chosen to explain its material topics through the disclosures 103-1 and 103-2, ergo, explaining each material topic and its boundaries, and about how it manages them. On the other hand, Eni SPA and Q8 Italy, using the "Core" option have to explain in addition to the disclosures 103-1 and 103-2 also the disclosure 103-3, which comprehend the evaluation of management approach.

In order to explain what could imply this difference we will make some examples. Eni SPA for example has disclosed the Disclosure 103-3 of their topics-specifics 413 (local communities), 401 (employment) and 304 (biodiversity) explaining their grievance mechanism and how they managed

them (GRI 103, 2016). In particular, they inserted in the non-financial statement that during 2021 they received 254 complaints regarding the relations with local communities, land management and employment, and they have been able to solve the 53% of them[159]. Moreover, in their report, there is a wide section dedicated to the explanation of the methodology used to quantify and explain their Key Performances Indicators, and it contains measurement systems, external performance ratings and internal and external auditing (GRI 103, 2016). On the other hand, in the Api Group's report, for example there are not such specific information regarding the methodology used to quantify their KPI. So we can assume that in this particular case, drafting a sustainability report with the option "Core" could have a positive impact on the business, considering that in order to satisfy the option requirements, the company has to insert some disclosures that can make the company perceived as more "real" and more "reliable". For example, a company that discloses the number of complaints received, that overall represents a negative indicator, could be perceived by its stakeholders as honest and consequently their trust toward the company can increase. Moreover, the data and information disclosed, if explained through calculus methodologies, measurement systems and checked through external audits, are perceived as more reliable.

[159] ENI Annual Financial Report 2021, Non-Financial Statement, pp.199.

Lastly, we can observe about what Standards Specifics the companies have inserted in their reports starting, of course, from our study case's company whose topic-specific disclosures are represented in the *Figure 4*.

Figure 4, The Api Group topic-specific disclosures. Source: Api Group Sustainability Report 2021, Content Index GRI, pp. 101-103.

Economic performance (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
201-1	Direct economic value generated and distributed
203-2	Significant indirect economic impacts
Procurement practices (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
203-2	Significant indirect economic impacts
Procurement practices (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
204-1	Proportion of spent on local suppliers
Anti-corruption (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
205-3	Confirmed incidents of corruption and actions taken
Anti-competitive behaviour (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices
Energy 2016 (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
302-1	Energy consumption within the organisation
Water and discharges (2018 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
303-1	Interaction with water as a shared resource
303-2	Management of impacts related to water discharge
303-3	Water withdrawal
303-4	Water discharge
Emissions (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
305-1	Direct emissions of GHG (Scope 1)
305-2	Indirect emissions of GHG from energy consumption (Scope 2)
305-3	Other indirect emissions of GHG (Scope 3)
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant emissions
Discharges and waste (2020 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
306-1	Waste production and significant impacts related to waste
306-2	Management of significant impacts related to waste
306-3	Waste produced
Environmental compliance (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
307-1	Non-compliance with environmental laws and regulations

Employment (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
401-1	New hires and turnover
401-2	Benefits for full-time employees, but not for part-time or fixed-term employees
Occupational health and safety (2018 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
403-1	Occupational health and safety management system
403-2	Hazard identification, risk assessment and accident enquiries
403-4	Worker participation and consultation and occupational health and safety communication
403-5	Worker training on occupational health and safety
403-6	Promotion of worker health
403-7	Prevention and mitigation of impacts concerning occupational health and safety within commercial relations
403-9	Work-related injuries
Training and education (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
404-1	Average number of hours of annual training per employee
Diversity and equal opportunities	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
405-1	Diversity in governance bodies and among employees
Non-discrimination (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
406-1	Cases of discrimination and corrective actions taken
Customer privacy (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
418-1	Proven reports concerning breaches of customer privacy and loss of customer data
Socio-economic compliance (2016 indicators version)	
103-1; 103-2	Explanation of the material topic and of the relative perimeter; Procedure for managing the topic
419-1	Non-compliance with social and economic laws and regulations

As we can notice, the company has decided to disclose 17 specific standards on a total of 34, and for almost each of these specific standards, they inserted in their report a good number of specific disclosures. In particular, they have deepened the Environmental specific standards GRI 303 (Water and Effluents), GRI 305 (Emissions) and the Social specific standard GRI 403 (Occupational Health and Safety). Moreover, is important to specify that every specific standard inserted in their sustainability report is a material topic for the company. In particular, as mentioned before, the company reports its material topics linking them to the corresponding SDGs as required by the GRI standards 2023 update and we can

observe them in the *Figure 5*. Anyways, we will deepen later how the company has included the SDGs in its report.

Values / SDGs	Material topics
Enabling mobility	• Enabling mobility
Creating economic, social and environmental value	• Creating financial economic value • Training and development • Legality and business integrity • Community relations and local development • Environmental protection
Constant focus on the Customer	• Innovation with the customer at the centre and digital innovation
Respecting laws	• legality and business integrity
Creating high-quality work	• human capital management • Training and development • Health and safety

Figure 5, Material topics and SDGs of Api Group's Sustainability Report. Source: Api Group Sustainability Report 2021, pp. 27.

Given this, we can make some comparison between the Api Group's topic-specific standards and those of Q8 Italy and Eni SPA. In this purpose, we will analyse the contents of *Figure 6* that shows how the companies have applied the GRI 200,

Figure 7 that shows how the companies have applied the GRI 300 and *Figure 8* that shows how the companies have applied the GRI 400.

	GRI 200	**ENI**	**IP**	**Q8**
201	Economic Performance	x	x	X
202	Market presence	x		
203	Indirect Economic Impacts	x	x	
204	Procurement Practices	x	x	X
205	Anti-Corruption	x	x	X
206	Anti-Competitive Behaviour		x	x
207	Tax	x		
	TOTAL	6	5	4

Figure 6, how Api Group, Q8 Italy and Eni SPA applied the GRI 200

	GRI 300	**ENI**	**IP**	**Q8**
301	Materials			
302	Energy	x	x	x
303	Water and Effluents	x	x	
304	Biodiversity	x		
305	Emissions	x	x	x
306	Waste	x	x	
307	Environmental Compliance	x	x	x
308	Supplier Environmental Assessment			
	TOTAL	6	5	3

Figure 7, how Api Group. Q8 Italy and Eni SPA applied the GRI 300

	GRI 400	ENI	IP	Q8
401	Employment	x	x	X
402	Labor/Management Relations			
403	Occupational Health and Safety	x	x	x
404	Training and Education	x	x	x
405	Diversity and Equal Opportunity	x	x	X
406	Non-discrimination	x	x	X
407	Freedom or Association and Collective Bargaining			
408	Child Labor			
409	Forced of Compulsory Labor			
410	Security Practices	x		
411	Rights of Indigenous Peoples			
412	Human Rights Assessment	x		
413	Local Communities	x		
414	Supplier Social Assessment	x		
415	Public Policy			
416	Customer Health and Safety			
417	Marketing and Labelling			x
418	Customer Privacy		x	x
419	Socioeconomic Compliance		x	X
	TOTAL	9	7	8

Figure 8, how Api Group, Q8 Italy and Eni SPA applied the GRI 400

We can notice that Eni SPA is the company that has applied more standards with 21 standards on a total of 34, then there is Api Groups with 17 standards and finally there is Q8 Italy with 15 standards. For simplicity, we will not analyse the specific disclosures for each standard applied by the companies, but we will just focus on the standards in order to have a general idea of the topics that they have and have not treated inside their reports.

As we can see, all of the three companies have reported more than half of the GRI 200 disclosures giving to the reader a good amount of information about the companies' economic impacts. Surprisingly, is not the same for the GRI 300 disclosures that are dedicated to the companies' environmental impacts, because while Api Group and Eni SPA have reported almost every disclosure, Q8 Italy has inserted in its report just 3 disclosures on a total of 8, which are GRI 302 (energy), GRI 305 (emissions) and GRI 307 (environmental compliance). Of course, the topics that they have disclosed, such as the emissions produced and the energy-related consumptions are very important because they are strictly related to the core business of an oil & gas company. However, on the other hand, they have omitted all of the information related to the water consumptions (GRI 303), effluents and withdrawals, to the company's waste management (GRI 306) and about the management of biodiversity (GRI 304). This lack of information could be perceived by stakeholders as extremely negative from the moment that oil & gas companies

can produce terrible impacts with their activities on terrestrial and maritime ecosystems, besides the fact that wastes produced by these type of companies can be extremely hazardous. Just think to the fact that between 15-20% of death recorded in a petrochemical related occupation results from the miss-management of hazardous chemicals (Wang et al., 2015)[160]. Moreover, EPA between 1991 and 1998 has identified a list of petroleum refining hazardous waste whom the determination was based on risk assessment results. These results showed: "*certain concentrations of chemicals (benzene, arsenic, and polycyclic aromatic hydrocarbons (PAHs)) contained in these wastes may pose potential hazards to human health and the environment when disposed of in landfills and land treatment units*" (EPA, 1998)[161]. On the other hand, regarding to the water management, from the moment that in refining processes is employed large volumes of water, as a direct consequence will be also generated large volumes of wastewaters. Just think to the fact that the 80% of the sludge produced may be considered hazardous because of the presence of toxic organics and heavy metals (World bank group, 1998)[162]. These were just a few examples, but anyways it is easy to imagine how important it is for an oil & gas company to report as much information as possible

[160] Nwankwo, C.N., E. Gobo, A., Cookey, C.I., A. Abere, S., 2020. Effects of hazardous waste discharge from the activities of oil and gas companies in Nigeria. Cent. Asian J. Environ. Sci. Technol. Innov. 2, 119-129.
[161] Environmental Fact Sheet, Final Standards Promulgated for Petroleum Refining Waste, United States Environmental Protection Agency, July 1998.
[162] The Seventh Annual U.A.E. University Research Conference, Refinery wastewater treatment: a true technological challenge, F. Benyahia, M. Abdulkarim, A. Embaby, M. Rao., 2006.

regarding their environmental impacts produced, considering that, their stakeholders can interpret omissions of information as an attempt to hide something incriminating.

On the other hand, Eni SPA is the company that has better disclosed its environmental impacts, considering that thanks to the option of application "core", it reported also information about the evaluation of management approach for each specific standard (GRI 103-3). Also Api Group has given to the reader many information about its environmental impacts considering the fact that they use the GRI standards just to report some impacts (option GRI referenced). Unfortunately, in their report are not disclosed information about their impacts on biodiversity, but considering the positive evolution of their report's contents during the years (see chapter 2.2.2), we hope that in the future they will report more information about this topic. Finally, would be interesting having more information about the GRI 308 (Supplier Environmental Assessment) considering that none of the companies have disclosed information about it.

To finish our analysis, we have to observe how the companies reported the GRI 400 that at first glance, seems to be the standard with less disclosed information considering that none of the companies has reported at least the half of the standard's disclosures. In fact, Eni SPA has disclosed in its report 9 disclosures on 19, and then we have Q8 Italy with 8 disclosures and finally Api Group with 7 disclosures. This is definitely an aspect to improve, considering that Api Group and

Q8 Italy have not disclosed information about local communities (GRI 413), Human Rights Assessment (GRI 412) and a Supplier Social Assessment (GRI 414). These disclosures can be very important for the business reputation, from the moment that they could give to the report's reader some precious information regarding to how a company that operates in a "controversial" sector relates with its secondary stakeholders and how it evaluates its suppliers. Anyways, on the other hand is positive that both the three companies have reported the disclosures dedicated to the Health and Safety of their workers (GRI 403), how they invest in employee's Training and Education (GRI 404) and how they manage Diversity (GRI 405) and Non-discrimination (GRI 406). Is positive to observe how focused these companies are on the safety and health of their employees, mostly considering the nature of the activities carried out in oil & gas companies and of the hazardousness of the raw materials treated. Moreover, is also very interesting that these companies are trying to improve the gender diversity in the sector, considering that women just make up 22% of employees in the oil and gas industry worldwide (Petroplan, 2020)[163].

In conclusion, after this long analysis of how our study case's company has applied the GRI Standards, and mostly thanks to the comparison with its competitors, we have enough material to assume that Api Group has properly framed its economic,

[163] How gender diverse is the oil and gas industry? And how can it improve?, Petroplan July 15, 2020.

environmental and social impacts, inside its sustainability report. That is because first, the company has reported for each standard many information, so that it can provide to the report's reader a good amount of information and data, on the basis of which, it may form an opinion about the company's management of economic, environmental and social topics. Moreover, the company has reported a good amount of information considering that they have been drafting their report with the option "GRI Referenced". We can state this, thanks to the comparison that we have done between the company's report, and those of its competitors, which as we know, have drafted their reports with the option "in-accordance Core" and despite of that, the reports 'contents were quite similar.

3.3.1 THE RELATIONSHIP BETWEEN MATERIAL TOPICS AND SUSTAINABLE DEVELOPMENT GOALS

In the previous paragraphs we talked a lot about the relationship between material topics and SDGs, mostly because of the GRI 11 2021, that requires oil & gas companies to report its material topics together with the Sustainable Development Goals that they want to pursue. Surprisingly, despite of the standards upgrade will enter into force in 2023, the Api Group reports its material topics together with SDGs since 2018. In fact, Lorella Mastrangelo during the interview stated that they chose to reports the material topics in this way in order to make the communication with the report's reader much more clear and direct. That was a strategic choice to

make their sustainability report accessible to every stakeholder category, considering that many secondary stakeholders such as common citizenships might encounter some difficulties in interpreting specific data such as a materiality matrix. For these reasons, they decided to explain how they deal sustainability representing it through the Sustainable Development Goals that they intend to pursue. Given this, from the moment that the GRI 11 has identified a list of SDGs on which oil & gas companies should positively contribute and we will make some observations and deductions regarding to the SDGs that Api Group has chosen to pursue with its activities. Moreover, we will confront them with the SDGs identified as relevant by the Oil & Gas Sector Standards GRI 11. To recap, the GRI 11 has identified seven different SDGs that oil & gas companies can pursue with their activity and they are of course, the goals 13 (Climate Action) and 7 (Affordable and Clean Energy), regarding to the role that these companies have in energy transition process. The goals 3 (Good health and Well Being), 4 (Quality Education), 1 (No Poverty) and 8 (Decent Work and Economic Growth) regarding to the positive contribution that they can have on developing countries, local communities and poor countries in terms of R&D investments and economic growth. Lastly the goal 16 (Peace, Justice and Strong Institutions) regarding to the strong commitment that these companies must have about the fight against corruption. On the other hand, the SDGs identified by Api Group, that suggest to us what are the most relevant topics that they adopt

as corporate values and goals to pursue with their activities, are actually interesting to observe starting from the SDGs that corresponds to those identified by GRI 11. First, they identified as relevant the goal 16 (Peace, Justice and Strong Institutions) because for them guaranteeing "legality and business integrity" is a material topic. In particular, they chose to pursue this goal because in Italy unfortunately, the evasion of VAT and excise duties is a real problem that can threat the rules of legitimate competition. For these reasons, Api Group, through these strategies, promote the use and diffusion of digital payment, improving and constantly monitoring the product supply chain and implementing – jointly with the police forces – tangible actions to monitor and counter criminal behaviours[164].

Moving on, they identified as relevant the goals 3 (Good Health and Wellbeing) and 4 (Quality Education) because for them the creation of social, economic, environmental values and high-quality work are among the most important values to represent through their activities. Regarding to the goal 3 (Good Health and Wellbeing), we can state that the company contribute to the goal targets 3.9 "*that comprehend the reduction of number of deaths and illness from hazardous chemicals and air, water soil pollution and contamination"* (United Nations, 2015)[165]. We can observe this contribution in the section of their sustainability report dedicated to the environmental management, for example, they declared that

[164] Api Group Sustainability Report 2021, pp.84.
[165] United Nations, Department of Economic and Social Affairs, Sustainable Development

during 2021, on a total of 3253 tons of hazardous waste produced, they have sent 681 tons (20.9%) to recovery while the remaining was sent to disposal[166]. The percentage of recovered waste could actually seem irrelevant at first sight, but confronting this percentage with that of the last year, results that the company has significantly improved this aspect, considering that in 2020 just the 14% of their hazardous waste was been sent to recovery. The contribution to the goal target 3.9 is also expressed through the company's water management, in fact, in order to reduce the discharges of hazardous materials in water the company reuse on average more than 48% of the water consumed. In particular, for the Falconara Marittima's Refinery, which make up for over 90% of the water consumption, the reuse exceeds 51% and this responsible use of water is possible, thanks to the treatment and recovery systems to which the water consumed is subjected. In addition, even in this case we can observe a significant improvement between the percentage of water reuse of 2020 and that of 2021 considering that in 2020, the Refinery's percentage of water reuse was 43% and that of 2021, as we said yet, is 51%.

Moving on, another SDG to which the company wants to contribute is of course the goal 7 (Affordable and Clean Energy). The goal that maybe can be considered as the most important one for the companies that operates in oil & gas sector considering that according to 2020 IEA report[167], currently the 81% of the energy

[166] Api Group Sustainability Report 2021, pp. 65.
[167] The Oil and Gas Industry in Energy Transitions, Fuel report, IEA, January, 2020.

global demand is satisfied by fossil fuels[168]. For this reason, everyone is expecting from these companies a great commitment towards the energy transition process, mostly regarding the developing of less impacting ways to produce fuels and new technologies that permit to produce different types of fuels, such as hydrogen.

In this purpose, analysing the Api Group's report is easy to understand that contributing to the energy transition process is one of the most important goal for them, so important to become part of the corporate identity. Just think about the fact that their sustainability report is filled of references to energy transition starting from their corporate motto that is precisely "*Mobility has a future*". Also the message to stakeholders 'content is completely focused on the company's promise of building a sustainable future, it has even made the goal 7 as its corporate mission that is "*we provide energy to Italy on the move, we are at the centre of the energy transition and work passionately to grasp its opportunities*"[169].

However, the most virtuous aspect is that a huge part of their value proposition is centred on making the mobility sustainable considering that they created less impactful fuels that are Optimo Diesel and Optimo Petrol.

These products were launched at the beginning of 2020 and they are presented as a real revolution considering their advantages from the environment, quality and

[168] Il Sole24Ore, quale ruolo per le aziende oil & gas nella transizione energetica? Econopoly, January 12, 2020.
[169] Api Group Sustainability Report 2021, pp. 3.

legality perspective. In fact, Optimo Diesel and Petrol are extremely quality fuels that keeps the engine clean, thus reducing maintenance costs and improve engine performances. That is because Optimo products removes residues of combustion and lubricating oil present in the engine, it protects the engine against corrosion and reduces friction between mechanical parts; consequently, the more efficient combustion improves engine performance, thus reducing maintenance costs. They are also presented as eco-friendly fuels considering that their use reduces consumptions and consequently helps to reduce Co2 emissions. In this purpose, given that the Optimo products reduces consumptions, based on the company's forecasts, once Optimo will became fully operational, the company aims to reduce the emission into the atmosphere of over 300000 tons of Co2 a year, which will bring a reduction of direct emissions produced of over 60%. Finally, these fuels contains an anti-fraud tracer that guarantees the products origin and quality.[170]In particular, the tracer function as an actual anti-counterfeiting element, in this way the company can contribute significantly to combating illegal fuel trafficking, which not only generates enormous volumes of tax evasion but also puts vehicle engines at risk (this contribute to the goal 16).

The last SDG which to the company wants to contribute, that corresponds to one of the SDGs identified by the GRI 11 is the goal 8 (Decent Work and Economic

[170] Api Group Sustainability Report 2021, pp. 41.

Growth). In this regards, the company has embraced the pursuing of this goal especially through the achievement of the target 8.8 that is the one focused on the "*protection of labour rights and promotion of safe and secure working environment for all workers…*"[171]

Specifically, for the company the safety of the working environment is a real hot topic especially for the safety of their industrial sites, considering that working in a refinery can be dangerous both for the possible accidents that could happen and for the possible development of health issues related to the hazardous materials treated. In this purpose, the company has reported its safety performances, recording in 2021 two injuries (in-house personnel) for 1.632.896 worked hours (1.22 injuries per million hours worked). Confronting these data with the ones of 2020 is recorded a reduction of in-house personnel injuries considering a 2020 ratio of 3.18 injuries per millions of hours worked, so we can state that their safety performances have been improved. Moreover, regarding to the 2021 injuries, the company conducted an analysis to identify the causes and appropriate corrective measures were subsequently defined and implemented, even if ascribable to behaviour-related aspects, which led to the updating of training and information on the correct behaviour to be adopted[172].

[171] https://sdgs.un.org/goals/goal8
[172] Api Group Sustainability Report 2021, pp. 92.

At this point, after analysing how the company has embraced the SDGs identified by the GRI 11 we can move on to analyse the other SDGs that the company considered relevant to pursue. These SDG are the goal 9 (Industry, Innovation and Infrastructure), the goal 11 (Sustainable Cities and Communities), the goal 12 (Responsible Consumption and Production) and finally the goal 17 (Partnership for the Goals).

Regarding to the achievement of the goal 9 (Industry, Innovation and Infrastructure), through the analysis of their sustainability report, we can observe that the company's is contributing to the goal's target 9.5, that is the one dedicated to the "*enhancement of scientific research, upgrading of the technological capabilities of industrial sector in all countries*…[173]". In this purpose, the company has introduced in its organization the Research & Industrial Development function and in order to strengthen its bond with the local territory the company has started many important scientific partnerships. In particular, a partnership in Naples with STEMS of the National Research Council that is specialised in research on three topics: sustainable mobility; air quality and fuel quality. Specifically, this partnership has been fundamental for the calculation of the company's indirect emissions (GRI 305-3) and for the assessment of the qualitative influence of Optimo products on the GHG emissions of Api group's customers. Then we have

[173] https://sdgs.un.org/goals/goal9

a partnership in Ancona with the Univesità Politecnica delle Marche with which the company has started a collaboration by identifying four areas of partnership and multiple proposal aimed at developing collaboration hips. Finally, the company has started a collaboration with the Università Politecnica di Torino, with the Italian Institute of technology- Centre for Sustainable Future Technologies- and Envipark. The cooperation agreement is on the following topics: biofuels, aviation and maritime fuels and hydrogen and Co2 (production, storage and usage)[174]. Therefore, we can state that the company is actively committed to research & development activities and the researching fields are well diversified. That is because they do research on technological/ engineering topics with the researches on "new energies for the mobility" (POLITO, Envipark and IIT) and on engines and emissions (CNR Stems engines institute) without neglecting the research on managerial and social topics that they develop with UNIVPM partnership.

Moving on, the company intends to pursue also the goal 11 (Sustainable Cities and Communities), and analysing their report we can identify a positive contribution to the target 11.6 that is the one aimed to the "*reduction of adverse impacts of the cities, by paying special attention to air quality..*[175]" .

This target is a real hot topic for the companies mostly because of their Refinery that is located in Falconara Marittima. Specifically, the Falconara territory has

[174] Api Group Sustainability Report 2021, pp. 57.
[175] https://sdgs.un.org/goals/goal11

always been sensitive to the environment due to the long-standing presence of various industrial sites near the town, including the refinery, as well as an airport, the railway and highway. For these reasons, in order to favour a constructive coexistence between the site and the local community, the company has started many initiatives to provide correct information, transparency and an ongoing constructive dialogue. In particular, the Api Refinery together with ARPAM and the municipal authority of Falconara Marittima have implemented specific actions for monitoring atmospheric pollution in the territory though a control plan of "odours" emissions in the air. The project, which was presented in May 2019, will last several years and allows any citizen to report information in real time, through a simple app (for smartphones and tablets) named "Odor.Net ARPAMarche". The refinery's direct contribution for the purchase and implementation of sampling devices on the territory is inspired by the principle of transparency and collaboration among citizens, institutions and industrial sites. Moreover, the Api Refinery also communicate to ARPAM its fuels' emissions and through the continuous monitoring system of emissions, commonly identified with the acronym SME, the company intends to promote the diffusion of and transparency of the data produced by the plants[176].

[176] IP Api Group Sustainability report 2021, pp. 63.

Moreover, the company also contributes to the target 11.5 that is the one aimed to the "*reduction of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters…*[177]".To this end, considering the potential dangers to which the inhabitants of Falconara might be submitted in cases of accidents at the Refinery, the company together with Municipality of Falconara, produced, printed and distributed to citizens an informative brochure that explains the refinery's External Emergency Plan. Moreover, in order to test communications between Api Refinery and various bodies in event of an emergency, an important drill was carried out in December 2021 coordinated by the prefecture of the province of Ancona and involving many different civil and military bodies. The initiative, was been aimed at gauging the efficacy of the communication flow between all parties involved, intended to ensure a timely and adequate response to the simulated emergency in order to protect the health and safety of citizens and of the environment.

The penultimate goal the company has integrated in its sustainability strategies is the goal 12 (Responsible Consumption and Production) that is strictly related to the other topics belonging to other SDGs. In fact, the company pursue with its activities the targets 12.c, 12.4, 12.5 and 12.6.

[177] https://sdgs.un.org/goals/goal11

First, the target 12.c is very pertinent to oil & gas companies' activities considering that is the target aimed to the "*rationalization of inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, restructuring taxation and phasing out those harmful subsidies...*[178]". In this purpose, as we saw the company is really committed to the fight against tax evasion and the smuggling of counterfeited fuels (see pp. 102).

Then we have the targets 12.4 and 12.5, that are the ones aimed to the reduction of waste through circular economy practices like reuse, reduce and recycle (target 12.5) and a better management of chemicals and waste throughout their life cycle (target 12.4), which anyways, we have already analysed at page 100. Finally, we have the target 12.6 that is the one aimed to "*encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle*[179]" to which of course, the company contributes from the moment that does sustainability reporting since 2018.

Lastly, the last SDG that the company pursue is the goal 17 (Partnership for the Goals) to which the company contributes though the embracement of the target 17.17. This target is the one aimed to the "*encouragement and promotion effective public, public-private and civil society partnerships, building on the experience and*

[178] https://sdgs.un.org/goals/goal12
[179] https://sdgs.un.org/goals/goal12

resourcing strategies partnerships[180]*",* and the company has demonstrated its commitment toward it through the many partnerships with Italian universities and research institutes (see pp. 104).

In conclusion, based on our observations, we can assume that the company has used the SDGs as a tool through which represent and explain its sustainability performances and overall, we can observe that the SDGs chosen by the company cover all the topics treated in their sustainability report. As we already said, the company's material topics coincide with the SDGs that they intend to pursue in accordance to what is provided by the GRI 11 sectorial standards for oil & gas and that is more than positive considering that the company has decided to conform with the standard even before it comes into force.

Regarding to the SDGs chosen, even if they had covered all of the topics treated in their report, there were not included the goals that are focused on supporting developing countries such as for example the goal 1 (No Poverty). Moreover, would be interesting in the future seeing an inclusion of the environmental-themed goals such as the goal 13 (Climate Action), the goal 14 (Life Below Water) and the goal 15 (Life on Land) considering the contribution that these companies could give to these fields with investments and mitigation/compensation measures.

[180] https://sdgs.un.org/goals/goal17

Moreover, according to a PwC analysis the goals 14 and 15 are considered as the least prioritized SDGs by companies, in fact less than 30% of them finalize their strategies towards their achievement (PwC, 2017) [181], and this should be one more reason to set a good example to other companies.

3.3.2 THE SUSTAINABILITY REPORT ROLE IN REPUTATION RISK MANAGEMENT

The oil & gas sector is extremely complex and the companies that operate in it, have always had many privileges regarding to their high profitability. In fact, these firms are likely to have high returns due to two main reasons. First, there are significant barriers for potential competitors to entry the market because of the huge capital requirements to start this kind of business, ergo, the threat of new entrants is insignificant (Inkpen et al., 2011). Second, an oil & gas company can take advantages of economics of scale and of high bargaining power with suppliers and consumers (Ekruka, Evangelia, 2016). However, despite of all of these advantages, the oil & gas company's success and profitability, could actually be threatened by many other factors, such as the threat of substitute products, the high rivalry among competitors in the industries and of course, the reputational risks. In particular, the corporate reputation is a strategic tool that can increase the corporate

[181] SDG Reporting Challenge 2017, Exploring business communication on the global goals, PwC

competitiveness (Šmaižienė, Ingrida, 2008)[182], but on the other hand, as we previously said, the reputation of oil & gas companies is a hot topic, considering that after many important accidents such as the Deep Water Horizon disaster, the sector's reputation was been quite compromised. Specifically, the oil & gas companies' reputation can be affected by three key factors." *First, on a sociological level, the way oil companies interact with the environment and sanitary impacts can affect communities, biodiversity and the environment negatively. The political level is the second and is an indication that regulations have been put in place to monitor the oil industry's activities which company's operate within and can be held accountable. Hence, illuminates that oil companies must be complaint with regulations. Environmental impacts as the last component create the highest level of exposures for the industry. As the venture basically is a dirty business crammed with polluting elements result to adverse environmental impacts"* (Ekruka, Evangelia, 2016). As we can see, the risk factors are many, but on the other hand, they can be managed through the right precautions and from the moment that the company's reputation is based on the stakeholders' perception, a right stakeholders' management will be crucial*"* (Ekruka, Evangelia, 2016).

Moreover, "*the transparency is another factor which is akin to reputation and as a result it must be perused as a factor on its own. Stakeholders in proximity to the*

[182] Revealing the value of corporate reputation for increasing competitiveness, Šmaižienė, Ingrida, 2008

operation of oil companies need to know that their health, safety and livelihoods will not be unduly affected by their presence. A best opportunity for the oil companies in this regard is to demonstrate to their stakeholders that they are capable of bringing a positive impact to their local economies". The communication with secondary stakeholders must be effective and focused on the disclosure of their environmental and social impacts both negative and positive. In other words, oil & gas companies, in order to enhance their reputation, needs to have an effective and transparent communication with their stakeholders because the more transparent an organization is about its performance, and its failures, the more stakeholders will be willing to engage with that company (Ernest and Young, 2012).

Another factor that can improve the company's reputation is a positive environmental management, in fact, "*the nature of oil and gas operations includes numerous potential negative ecological impacts, especially throughout investigation and creation, including area freedom, oil spills and gas emissions"* (Clark, 2002)[183]. In fact, particular stakeholders such as NGOs, local communities, governments and the scientific communities to prevent damages on biodiversity have always pressured oil & gas companies. For this reasons, incorporating the biodiversity management into the companies' operations is crucial to minimize

[183] Revealing the value of corporate reputation for increasing competitiveness, Šmaižienė, Ingrida, 2008 pp. 49.

risks and possibilities of exposures whilst maximizing opportunities for community involvement[184] (Convection on Biodiversity, 2014).

The last factor that can enhance the company's reputation is their commitment toward technological/ non-technological development, because oil & gas industries can use innovation as a generating capacity to manage knowledge (Ekruka, Evangelia, 2016)[185]. As we said many times, the innovation is underlying energy transition process, so if these companies prove to be dedicated to the development of less impactful fuels and of new ways to produce energy, their reputation could improve and being affected positively.

As we can notice, all aspects that could boost the company's reputation are generally included and disclosed in a company's sustainability report. For example, we saw that a company's reputation depends on the perception of its stakeholder but on the other hand, from the moment that the sustainability report is aimed to communicate to stakeholders the company's sustainability performances, we can assume it will be the principle tool through which stakeholders will form their opinion about the company. More specifically, we saw that the sustainability report's contents are developed based on materiality analysis, where material topics are identified according to the stakeholder inclusiveness principle. In other words,

[184] Revealing the value of corporate reputation for increasing competitiveness, Šmaižienė, Ingrida, 2008 pp. 49.
[185] Revealing the value of corporate reputation for increasing competitiveness, Šmaižienė, Ingrida, 2008 pp. 50.

means that through stakeholder engagement procedures, the company will be able to understand the reasonable expectations and interests of stakeholders, as well as their information needs, and in doing so, it will be able to identify the most relevant topics for both the company and stakeholders. "*Systematic stakeholder engagement, executed properly, is likely to result in ongoing learning within the organization, as well as increased accountability to a range of stakeholders. Accountability strengthens trust between the organization and its stakeholders. Trust, in turn, strengthens the credibility of the report"* (GRI 101, 2016)[186]. Given this, we can state that sustainability report is the perfect tool through within companies can improve their stakeholder management. Moreover, putting into place the materiality and stakeholder inclusiveness principles, the company could even be able to boost its reputation through a better stakeholders' perception given by a better engagement and by a better capability of responding to their needs.

Another aspect that, as we saw, can improve the reputation of an oil & gas company is a positive environmental management, in particular a decent management of biodiversity. Even in this case, the sustainability report seems to be the perfect tool through which the company can prove to their stakeholders that they are committed toward the biodiversity preservation. In fact, as we saw the GRI standards gives to the company very specific guidelines that must be followed to report its

[186] GRI 101, 2016 pp. 8.

environmental impacts, in particular there is the GRI 306 for the biodiversity disclosures. The same thing is also valid for the last aspect that can improve the company's reputation, i.e. its commitment towards innovation and R&D. That is because the sustainability report is the perfect tool through which the company can disclose what it does in terms of development of new technologies, more "sustainable" ways to produce energy and more.

In this purpose, talking about our study case's company after this long analysis and according to what we have just said, we can observe that their sustainability report's contents are suitable to improve the company's reputation. First, even if they are doing sustainability reporting just since 2018, they try to improve every year their stakeholder engagement procedures, in particular with secondary stakeholders through a better engagement of universities, entities and associations. Overall, we can assume that their stakeholder management is positive and improves year after year, anyways, in this perspective of continuous improvement; we expect to see a better engagement of local communities in the next few years. Moreover, the company seems to be very transparent about its impacts and we observed this, principally with regard to the calculation of the Scope 3 that as we saw in the previous chapters, can expose the company to negative critics, but on the other hand, the transparency can improve the company's reputation. Therefore, even in this case their performance it is positive.

Regarding to the environmental management, we saw that the company reports almost every disclosure of GRI 300 (environmental), except unfortunately the disclosure GRI 304 that is about the biodiversity management. According to as we saw in the previous pages the disclosure of the biodiversity management of an oil & gas company can improve its reputation, therefore we expect in the next years a better integration of this topic in their report. Anyways, even in this case the transparency and the commitment to the disclosure of many environmental management information is very positive.

Finally, we can observe about how the company deals with innovation and without any doubt, we can state that the company is making great progresses toward the energy transition process. In fact, as we saw the company has many partnerships for R&D with entities, research institutes and universities along with an own corporate function dedicated to R&Ds activities. The company is really committed to the development of less impactful fuels and better ways to produce energy, as we saw with the Optimo products launch. Therefore, even in this case we can assume that the company has been doing a great job with sustainability reporting, and we can even assume that in the next few years, given this positive trend, their sustainability reporting could improve the company's reputation. In that event, will be interesting observing how the company will grow in terms of sustainability management and how consequently will change their sustainability report in the

future. Anyways, we expect that the company will always continue to improve and doing always better.

CONCLUSIONS

At the beginning of this study, the principle question to which we wanted to respond was "how can a real oil & gas company communicate its sustainability performances"? In addition, along this study, we tried to answer the question through a long analysis of their sustainability report, starting from the sustainability reporting process up to the analysis of its contents.

The exploration of non-financial reporting doctrine by a theoretical point of view and of the context in which oil & gas companies have to operate, gave us the chance to understand and analyse the various tool that companies can use to report, measure and communicate their sustainability performances. That was a fundamental step to understand the socio-economical context where oil & gas companies have to operate and most of all, we had the chance to understand what are the subjects to which these companies have to respond with their actions. Once done that, we have been able to analyse how a real Italian oil & gas company uses sustainability reporting to express its contribution to the sustainability transition, identifying their most virtuous aspects and those who are to be improved. We saw that the reporting standards, if applied correctly, could help companies to represent perfectly their performances, and most of all, doing sustainability reporting following a reporting framework can make the information disclosed more credible to the eyes of the

company's stakeholders. Therefore, sustainability reporting can be the perfect tool to boost the company's reputation.

Moreover, we saw, that the using of SDGs as instrument to communicate the company's sustainability performance can be very effective both for communication with stakeholders and for improving its reputation. That is because, through the inclusion of SDGs in its strategies the company demonstrates its compliance toward the UN plan for becoming more sustainable and on the other hand, according to what we discovered through the interviews, SDGs permits to have a more direct communication with the stakeholders external to the company.

Moving on, considering that oil & gas companies can have "difficult" relationships with particular subjects such as NGOs, local communities and associations (just think to the fact that more than 20 NGOs released a "Global Oil & Gas Exit list"[187]), sustainability reporting seems also to be the perfect tool for improving the quality of these relationships thanks to the stakeholder engagements producers.

Therefore, we can finally answer to the question above-mentioned, considering that have enough material to assume that sustainability reporting is the best tool that oil & gas companies have to communicate their sustainability performances.

Anyways, coming to the end of this study, we can make a last observation about an interesting aspect.

[187] https://reclaimfinance.org/site/en/2021/11/04/ngos-release-the-first-global-oil-gas-exit-list/

The thing is that, despite of all of the stereotypes, we observed that oil & gas companies are truly committed toward sustainability transition and saw that especially through the comparisons that we made between Api Group, Eni SPA and Q8 Italy. In fact, these companies do not just seem to be active by socio-environmental point of view, but most of all, they seem to have a proactive approach toward all of the changes that are taking root in the energy sector and this is very important. The energy transition process is asking to the oil & gas sector to transform itself in something completely different, and seeing that oil & gas companies are reacting finely to this revolution is extremely positive.

As we said at the beginning of this study, we will be able to see the results of energy transition in the future, but currently, we can just observe these companies transforming, and sustainability reporting is the perfect tool that we can use to evaluate the contribution that year after year, oil & gas companies gives to the transition process.

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