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Corporate Sustainability in European Union Law and the Italian Legal System: Regulatory Evolution and the Redefinition of Corporate Responsibility. The Case of Euro Company.

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ABSTRACT

This thesis examines the evolution of corporate sustainability within European Union law and the Italian legal system, tracing the transition from a predominantly voluntary model of Corporate Social Responsibility (CSR) towards an increasingly binding regulatory framework, with particular attention to the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), and the Corporate Sustainability Due Diligence Directive (CSDDD). The main objective is to understand how sustainability has progressively become a structural component of corporate governance through the integration of environmental, social, and governance principles into corporate decision-making processes, reporting systems, and business practices. At the same time, the thesis highlights the increasingly central role of the social dimension of sustainability, with particular emphasis on the integration of human rights into the European and Italian frameworks. It analyses how principles such as dignity, equality, and fundamental freedoms, including freedom of religion or belief, are incorporated into the sustainability framework and translated into corporate governance mechanisms.

From a methodological perspective, the research combines a legal and doctrinal analysis with an empirical case study of Euro Company, an Italian company characterised by an advanced sustainability path and the progressive formalisation of its governance structures. The empirical analysis draws on an examination of sustainability reports, internal documentation, semi-structured interviews, and direct observation conducted during the internship.

The findings suggest that the evolution of the European regulatory framework does not affect disclosure obligations alone, but contributes to a broader organisational transformation. Compliance with the emerging sustainability framework requires the development of internal processes, data collection and management systems, monitoring mechanisms, and governance tools capable of progressively integrating sustainability into corporate activities.

The empirical analysis of Euro Company highlights three main dynamics: the progressive institutionalisation of sustainability, increasing alignment with European standards, and the emergence of organisational tensions related to the standardisation of information, the complexity of regulatory requirements, and the need to reconcile corporate identity with regulatory compliance. The case study also shows that advanced models such as the Benefit Corporation status and B Corp certification can act as accelerators of sustainability integration, while requiring significant investment in skills, processes, and organisational culture.

The thesis concludes that, within the European context, corporate sustainability can no longer be understood as a set of voluntary practices, but rather as a process of structural transformation that reshapes the identity, responsibilities, and functioning of organisations.

RIASSUNTO

La presente tesi analizza l'evoluzione della sostenibilità d'impresa nel diritto dell'Unione europea e nel sistema giuridico italiano, ricostruendo il passaggio da un modello volontario di Corporate Social Responsibility (CSR) a un quadro regolatorio sempre più vincolante, ponendo particolare attenzione alla Corporate Sustainability Reporting Directive (CSRD), agli European Sustainability Reporting Standards (ESRS) e alla Corporate Sustainability Due Diligence Directive (CSDDD). L'obiettivo principale è comprendere come la sostenibilità sia progressivamente divenuta un elemento strutturale della governance aziendale, attraverso l'integrazione di principi ambientali, sociali e di governance nei processi decisionali, nei sistemi di rendicontazione e nelle pratiche operative delle imprese. Parallelamente, la tesi evidenzia come la dimensione sociale della sostenibilità stia assumendo un ruolo sempre più centrale, e, in particolare, l'integrazione dei diritti umani nel quadro europeo e italiano, analizzando come principi quali dignità, uguaglianza e libertà fondamentali, inclusa la libertà di religione o credo, siano incorporati nel quadro della sostenibilità e tradotti in meccanismi di governance aziendale.

Dal punto di vista metodologico, la ricerca combina un'analisi giuridico-dottrinale con un caso studio empirico dedicato a Euro Company, impresa italiana caratterizzata da un avanzato percorso di sostenibilità e da una progressiva formalizzazione delle proprie strutture di governance. L'indagine empirica si basa sull'esame dei report di sostenibilità, della documentazione interna, su interviste semi-strutturate e sull'osservazione diretta condotta durante il tirocinio.

I risultati dell'analisi suggeriscono che l'evoluzione normativa europea non incide esclusivamente sugli obblighi di disclosure, ma contribuisce a una più ampia trasformazione organizzativa. L'adeguamento al nuovo quadro di sostenibilità richiede infatti lo sviluppo di processi interni, sistemi di raccolta e gestione dei dati, meccanismi di monitoraggio e strumenti di governance in grado di integrare progressivamente la sostenibilità nelle attività aziendali.

L'indagine empirica su Euro Company evidenzia tre dinamiche principali: l'istituzionalizzazione progressiva della sostenibilità, l'allineamento crescente agli standard europei, e l'emersione di tensioni organizzative legate alla standardizzazione delle informazioni, alla complessità dei requisiti normativi e alla necessità di conciliare identità aziendale e conformità regolatoria. Il caso studio mostra inoltre che modelli avanzati come la qualifica di Società Benefit e la certificazione B Corp possono fungere da acceleratori di integrazione della sostenibilità, ma richiedono un significativo investimento in competenze, processi e cultura aziendale.

La tesi conclude che la sostenibilità d'impresa, nel contesto europeo, non rappresenta più un insieme di pratiche volontarie, ma un processo di trasformazione strutturale che ridefinisce identità, responsabilità e funzionamento delle organizzazioni.

RÉSUMÉ

Ce mémoire analyse l'évolution de la durabilité des entreprises dans le droit de l'Union européenne et dans le système juridique italien, en retraçant le passage d'un modèle principalement volontaire de responsabilité sociale des entreprises (RSE) vers un cadre réglementaire de plus en plus contraignant, avec une attention particulière portée à la Corporate Sustainability Reporting Directive (CSRD), aux European Sustainability Reporting Standards (ESRS) et à la Corporate Sustainability Due Diligence Directive (CSDDD). L'objectif principal est de comprendre comment la durabilité est progressivement devenue une composante structurelle de la gouvernance d'entreprise, à travers l'intégration de principes environnementaux, sociaux et de gouvernance dans les processus décisionnels, les systèmes de reporting et les pratiques des entreprises. Parallèlement, le rôle croissant de la dimension sociale de la durabilité et, en particulier, l'intégration des droits humains dans les cadres européen et italien son mis en évidence. Le mémoire analyse ainsi la manière dont des principes tels que la dignité, l'égalité et les libertés fondamentales, notamment la liberté de religion ou de conviction, sont intégrés au cadre de la durabilité et traduits en mécanismes de gouvernance d'entreprise.

Sur le plan méthodologique, la recherche combine une analyse juridique et doctrinale avec une étude de cas empirique consacrée à Euro Company, une entreprise italienne caractérisée par une démarche avancée en matière de durabilité et par la formalisation progressive de ses structures de gouvernance. L'analyse empirique repose sur l'examen des rapports de durabilité, de documents internes, sur des entretiens semi-directifs ainsi que sur une observation directe menée dans le cadre du stage.

Les résultats de l'analyse suggèrent que l'évolution du cadre réglementaire européen n'affecte pas uniquement les obligations de publication d'informations, mais contribue également à une transformation organisationnelle plus large. La mise en conformité avec le nouveau cadre de durabilité nécessite en effet le développement de processus internes, de systèmes de collecte et de gestion des données, de mécanismes de suivi et d'outils de gouvernance permettant d'intégrer progressivement la durabilité dans les activités de l'entreprise.

L'étude empirique d'Euro Company met en évidence trois dynamiques principales : l'institutionnalisation progressive de la durabilité, l'alignement croissant sur les normes européennes et l'émergence de tensions organisationnelles liées à la standardisation des informations, à la complexité des exigences réglementaires et à la nécessité de concilier identité de l'entreprise et conformité réglementaire. L'étude de cas montre également que des modèles avancés tels que le statut de Société Benefit et la certification B Corp peuvent agir comme des accélérateurs de l'intégration de

la durabilité, tout en nécessitant des investissements importants en matière de compétences, de processus et de culture organisationnelle.

Le mémoire conclut que, dans le contexte européen, la durabilité des entreprises ne peut désormais plus être considérée comme un ensemble de pratiques volontaires, mais comme un processus de transformation structurelle qui redéfinit l'identité, les responsabilités et le fonctionnement des organisations.

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INTRODUCTION

Corporate sustainability has progressively become a central dimension of contemporary corporate responsibility. What was initially understood largely in terms of voluntary Corporate Social Responsibility (CSR) initiatives has increasingly developed into a more structured framework in which companies are expected to consider their environmental and social impacts, while also identifying, assessing, managing and communicating them through formal governance and reporting mechanisms.

This transformation is particularly evident within the European Union, where sustainability has progressively moved from the sphere of voluntary corporate action towards an increasingly developed regulatory framework. The adoption of the Non-Financial Reporting Directive (NFRD), followed by the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), has significantly strengthened the role of sustainability reporting, while the Corporate Sustainability Due Diligence Directive (CSDDD) has further extended corporate responsibility towards impacts arising across companies' chains of activities. Sustainability is therefore increasingly connected to transparency and disclosure, alongside corporate governance, decision-making processes, human rights protection and responsible business conduct.

The importance of this transformation lies in its implications for the relationship between companies and the wider social and environmental context in which they operate. The European sustainability framework increasingly requires companies to consider the interests and impacts associated with a broad range of stakeholders and to develop organisational processes capable of generating reliable and verifiable information. At the same time, the extension of corporate responsibility beyond organisational boundaries, particularly through due diligence requirements, raises practical questions concerning the ability of companies to identify and manage impacts throughout complex value chains.

The increasing standardisation of sustainability information also creates new organisational requirements, as companies must develop appropriate systems for data collection, internal coordination, monitoring and reporting. These developments are taking place within a regulatory environment that remains subject to change, as demonstrated by recent simplification initiatives and the broader debate surrounding the balance between sustainability objectives, regulatory effectiveness and administrative burdens. The study of corporate sustainability is therefore relevant both from a legal and regulatory perspective, and an organisational one.

Within this context, this dissertation aims to consider the evolution of corporate sustainability within the European Union and to investigate how the resulting regulatory and conceptual developments are translated into corporate practice. Particular attention is devoted to the progressive institutionalisation of sustainability, understood as the process through which sustainability principles become increasingly integrated into corporate governance, reporting systems, organisational structures and everyday business practices. The research also focuses on the growing integration of human rights within corporate sustainability, considering how principles relating to human dignity, equality and fundamental rights are incorporated into the European and Italian frameworks and subsequently reflected in corporate policies and governance mechanisms. The empirical dimension of the research is provided by the case study of Euro Company, selected because of its established sustainability trajectory and its progressive development of formal sustainability governance and reporting practices. The case study makes it possible to examine how the regulatory developments discussed at theoretical and legal level are translated into organisational processes, while also highlighting the practical challenges that emerge from this transition.

The dissertation is organised into three chapters, which move from the general regulatory framework to the social and human rights dimension of corporate sustainability and finally to its practical implementation within a specific corporate context.

Chapter 1, entitled "The Regulatory Evolution of Corporate Sustainability in European Union Law", reconstructs the evolution of Corporate Social Responsibility and the broader transition from voluntary approaches towards the increasing integration of sustainability into corporate strategies and regulatory frameworks. It then takes into consideration the development of sustainability reporting and the main regulatory instruments adopted at European level, with particular attention to the CSRD and the ESRS. The chapter also considers the CSDDD and its implications for corporate responsibility across the value chain, before addressing the broader challenges associated with the increasing complexity of the European sustainability framework and recent simplification initiatives. The purpose of this chapter is to establish the regulatory context within which the subsequent analysis of corporate practices can be situated.

Chapter 2, "The Social Dimension of Corporate Sustainability: Human Rights in EU and Italian Law", focuses on the relationship between corporate sustainability and human rights. Building on the regulatory framework introduced in Chapter 1, it examines the integration of human rights into European sustainability law, with particular attention to the relationship between the CSRD, the CSDDD and human rights due diligence. The chapter then considers the Italian legal framework, including the implementation of the CSRD and the constitutional foundations of human dignity and

corporate responsibility. A conceptual distinction between human rights and fundamental rights is subsequently introduced in order to clarify the terminology used throughout the dissertation. Finally, the chapter focuses on freedom of religion or belief, exploring its protection within European and Italian constitutional law and its relevance within corporate sustainability and governance. This analysis provides the social and human rights perspective that will subsequently be applied to the empirical case study.

Chapter 3, "Case Study: Euro Company", applies the theoretical and regulatory framework developed in the previous chapters to a specific corporate context. The chapter first introduces Euro Company and reconstructs the evolution of its sustainability approach, from its value-driven origins to the progressive institutionalisation of sustainability within its governance model. It then investigates the company's transition to the Benefit Corporation model and the achievement of B Corp certification, followed by the development of its sustainability reporting practices and their progressive alignment with the CSRD and ESRS. Particular emphasis is placed on the evolution of the company's Sustainability Reports, conceived as the framing images of the sustainability evolution of the company. The chapter subsequently analyses human rights and supply chain responsibility, corporate governance and the role of the Code of Ethics as a human rights governance instrument. At last, it considers the regulatory and organisational challenges associated with the evolving European sustainability framework, including the implications of regulatory change, the role of the Sustainability Department and the practical insights emerging from the internship experience. The case study is based on the analysis of Euro Company's sustainability reports and other corporate documentation, complemented by semi-structured interviews and participant observation conducted during the internship.

The structure of the dissertation thus reflects the central purpose of the research: to move from the evolution of sustainability as a regulatory and legal concept to the examination of how these developments affect corporate governance and organisational practice. In doing so, the dissertation seeks to show that the current transformation of corporate sustainability extends beyond disclosure requirements, affecting the internal structures, processes and responsibilities through which sustainability is increasingly integrated into corporate activity.

CHAPTER 1 - THE REGULATORY EVOLUTION OF CORPORATE SUSTAINABILITY IN EUROPEAN UNION LAW

This first chapter introduces the theoretical and regulatory framework for the analysis of corporate sustainability and non-financial reporting, with particular attention to the evolution of Corporate Social Responsibility (CSR) and the progressive strengthening of the regulatory intervention at the European level.

First, the historical evolution of the concept of CSR will be examined, starting from its first early formulations to its most recent interpretations, with particular focus on the shift from a predominantly voluntary approach to an increasing integration of sustainability in corporate strategies. In this context, the contribution of the Brundtland Report is of particular importance, as it defined the concept of sustainable development and laid the foundations for the current prominence of environmental, social, and governance (ESG) issues.

The chapter then explores the evolution of sustainability reporting tools and the main frameworks developed and adopted over time, leading to the consolidation of an increasingly structured European regulatory framework. In particular, Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive – CSRD) will be analysed, as it introduces more stringent requirements in terms of transparency, standardisation, and verifiability of non-financial information.

Alongside, the chapter investigates the Corporate Sustainability Due Diligence Directive (CSDDD), which further expands the scope of corporate responsibility across the value chain, highlighting key implementation challenges and critical issues for businesses.

Finally, the chapter situates these developments within the broader European debate on regulatory complexity and competitiveness, taking into account recent simplification initiatives, including the European Commission Communication “A Simpler and Faster Europe”. These developments reveal a growing tension between the need to strengthen sustainability regulation and the objective of reducing administrative burdens for businesses.

The aim of this first chapter is therefore to provide the theoretical and regulatory basis for understanding the evolution of sustainability reporting and the challenges posed by the new European regulatory framework, offering a critical framework that will serve as a foundation for subsequent empirical analysis.

1.1 From Voluntary CSR to binding sustainability obligations

The concept of corporate responsibility has evolved significantly over the past decades, alongside increasing attention regarding the role of businesses in addressing social and environmental challenges. Initially framed as *Corporate Social Responsibility* (CSR), the idea that companies should consider the impact of their activities beyond profit maximization gradually expanded into broader concepts such as corporate sustainability and, more recently, *Environmental, Social, and Governance* (ESG) criteria. Understanding this evolution is essential for analysing contemporary corporate sustainability practices and the growing importance of ESG frameworks in business and finance.

As noted by Archie B. Carroll (1999), "there is an impressive history associated with the evolution of the concept and definition of corporate social responsibility (CSR)"[1]. Evidence of the business community's concern for society can, in fact, be traced for centuries[2].

One of the first and most influential contributions was made by Howard R. Bowen in his seminal work *Social Responsibilities of the Businessman* (1953)[3]. Bowen argued that corporations, due to their growing economic power, have obligations toward society and should align their decisions and policies with "the objectives and values of our society"[4]. His work laid the foundation for subsequent research on the social responsibilities of businesses and is widely considered the starting point of modern CSR theory.

Over the following decades, the concept of CSR further developed within management and business ethics literature. Archie B. Carroll proposed a comprehensive framework to conceptualize corporate responsibilities.

[1] Archie B. Carroll, "Corporate Social Responsibility: Evolution of a Definitional Construct", *Business & Society* 38, no. 3 (1999): 268.
[2] Ibidem
[3] Howard R. Bowen, *Social Responsibilities of the Businessman* (New York: Harper, 1953), 6.
[4] Ibidem

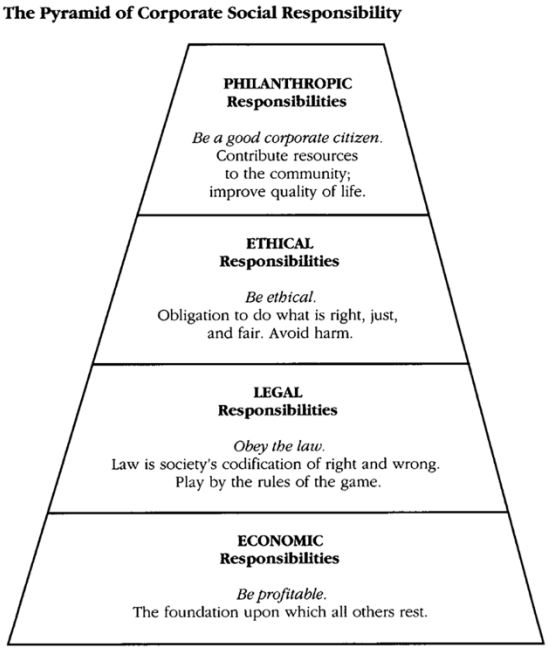


Figure 1. The Pyramid of Corporate Social Responsibility. Source: Carroll (1991, 42).

In his well-known model, often referred to as the "CSR pyramid" (1991), Carroll identified four categories of corporate responsibility: economic, legal, ethical, and philanthropic (Figure 1)[5]. According to this framework, the companies must first be economically viable and comply with the law, but they are also expected to operate ethically, meaning "the obligation to do what is right, just and fair, and to avoid or minimize harm to stakeholders"[6] (where stakeholders are understood, following Freeman, as any group or individual who can affect or is affected by the achievement of the organization's objectives[7]) and contribute to societal well-being, meaning that the business "is expected to contribute financial and human resources to the community and to improve the quality of life"[8]. This model helped clarify the multidimensional nature of CSR and remains one of the most widely cited frameworks in the literature on the topic.

While CSR initially focused on ethical and philanthropic responsibilities toward stakeholders[9], the debate broadened in the late 1980s and 1990s with the growing influence of sustainability and environmental concerns, particularly after the publication of *Our Common Future* (1987). This report, presented by the Brundtland Commission[10], introduced the concept of sustainable

[5] Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* 34, no. 4 (1991): 42.
[6] Ibidem
[7] R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (Boston: Pitman, 1984), 46.
[8] Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* 34, no. 4 (1991): 42.
[9] Ibidem
[10] The Brundtland Commission, formally known as the World Commission on Environment and Development, was established in 1983 under the auspices of the United Nations to address growing global environmental concerns. Led by Gro Harlem Brundtland, former Prime Minister of Norway, the Commission was tasked with examining the

development, defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[11]. The report, together with other publications "reflected a growing sense of awareness of the international community with regards to environmental protection and sustainable development, and indirectly to corporate behaviour"[12].

It became increasingly clear that a concept broader than environmental protection alone was necessary, one capable of capturing the wider scope of business activities and their role in global development. As a result, sustainability came to be understood as encompassing environmental, economic, and social dimensions. This framework gained significant importance throughout the 1990s. A related concept that became influential in business management is the "Triple Bottom Line" by John Elkington[13].

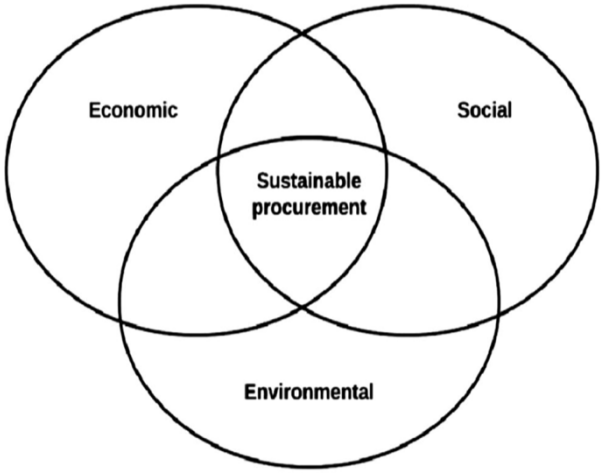


Figure 2. Triple bottom line of sustainability. Source: Latapí Agudelo, Jóhannsdóttir, and Davídsdóttir (2019)

In this framework (Figure 2), "the emphasis was placed on the simultaneous pursuit of *economic* prosperity, *environmental* quality, and *social* equity – called by some a concern for profits, planet, and people"[14]. Despite its growing recognition, the implementation of the Triple Bottom Line remains complex. Organizations frequently face difficulties in balancing competing stakeholder interests and

interconnections between environmental protection and socio-economic development. Its 1987 report, Our Common Future, introduced the concept of sustainable development, defined as development that meets present needs without compromising the ability of future generations to meet their own needs. In: World Commission on Environment and Development, *Our Common Future* (Oxford: Oxford University Press, 1987).

[11] Ibidem

[12] María A. Latapí Agudelo, Lára Jóhannsdóttir, and Brynhildur Davídsdóttir, "A Literature Review of the History and Evolution of Corporate Social Responsibility," *International Journal of Corporate Social Responsibility* 4, no. 1 (2019): 7.

[13] Ibidem

[14] Ivi, 92.

are often pressured to prioritize short-term financial results rather than long-term sustainability objectives[15].

Alongside these conceptual developments, the late 1990s and early 2000s saw the advent of initiatives aimed at improving the transparency and accountability of corporate sustainability practices. Organizations began developing standardized frameworks to guide companies in reporting their environmental and social impacts. One of the most influential initiatives in this area is the Global Reporting Initiative (GRI), founded in Boston (USA) in 1997. The initial objective was to develop a disclosure mechanism that would encourage companies to comply with principles of responsible environmental conduct. Over time, this approach was expanded to encompass broader dimensions of sustainability, including social, economic, and governance issues. As sustainability gained increasing prominence on the global agenda, expectations regarding corporate transparency and reporting also evolved, leading to the progressive development of the GRI framework[16]. Today, the GRI reporting model is widely regarded as the most efficient for assessing corporate sustainability around the world[17].

During the same period, other voluntary initiatives emerged to encourage responsible business practices. Among these, "the most significant global initiative within sustainability"[18]: the United Nations Global Compact, launched in 2000. The UNGC invites businesses to align their strategies and operations with ten universal principles covering human rights, labour rights, environmental protection, and anti-corruption. These initiatives played a crucial role in promoting corporate accountability and transparency[19]. Designed as a "voluntary, multi-stakeholder initiative"[20], it encouraged firms to integrate sustainability considerations into their governance structures and operational practices.

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[15] Ioannis Christodoulou, Ioannis Rizomyliotis, Katerina Konstantoulaki, Simone Alfiero, Shota Hasanago, and Francesco Paolone, "Investigating the Key Success Factors within Business Models That Facilitate Long-Term Value Creation for Sustainability-Focused Start-Ups," *Business Ethics, the Environment & Responsibility* 34 (2024): 936–950, https://doi.org/10.1111/beer.12681.

[16] "Who We Are," Global Reporting Initiative, accessed March 26, 2026, https://www.globalreporting.org/about-gri/who-we-are/.

[17] Simone C. De Benedicto, S. M. Gonzalez, B. de Aguiar Normanha, and R. M. Longo, "Analysis of the Interfaces Between GRI and SDGs: A Bibliometric Review on the WoS Platform with a Focus on Brazil," *Brazilian Journal of Management / Revista de Administração da UFSM* 18, no. 4 (2025): 1–37, https://doi.org/10.5902/1983465990893.

[18] Martin Eklund and Jon A. Vaaler, "*The Transition to CSRD and ESRS: Perceptions of Widespread Mandatory Sustainability Reporting among Norwegian Companies*" (Master's thesis, University of Agder, 2023), 13, https://hdl.handle.net/11250/3079855.

[19] Duygu Cetindamar and Krista Husoy, "Corporate Social Responsibility Practices and Environmentally Responsible Behavior: The Case of the United Nations Global Compact," *Journal of Business Ethics* 76, no. 2 (2007): 163–176, https://doi.org/10.1007/s10551-006-9265-4.

[20] Ivi, 167.

While CSR and sustainability initially referred to companies' initiatives aimed at enhancing social responsibility and fulfilling the role of a responsible corporate citizen[21], the acronym ESG emerged more recently within the context of financial markets. The term *Environmental, Social, and Governance* (ESG) gained prominence following the publication of the report *Who Cares Wins* in 2004, produced by 20 financial institutions in response to a call from Kofi Annan, then Secretary-General of the United Nations[22]. The report argued that environmental, social, and governance factors should be incorporated into investment analysis and decision-making[23]. The ESG framework is commonly structured into three dimensions, defined as follows: "the Environmental (E) dimension measures a company's impact on the natural ecosystem. This comprises for instance its emissions (e.g., greenhouse gases), the efficient use of natural resources in the production process (e.g., in terms of energy, water or materials), pollution and waste (e.g., oil spills), as well as innovation efforts to eco-design its products. The Social (S) dimension covers a company's relation with its workforce, customers and society. As such, it includes for example its efforts to maintain loyal workers (e.g., employment quality, health and safety, training and development), satisfied customers (e.g., producing quality goods and services that keep customers safe) and being a good citizen within the communities it operates. The Governance (G) dimension is a somewhat ambiguous term in the context of CSR. Governance refers on the one hand to the traditional corporate governance mechanisms that makes management act in the best interest of its long-term shareholders"[24]. By highlighting the financial relevance of sustainability issues, the report marked a turning point in the relationship between corporate responsibility and financial performance.

Since then, sustainability and ESG have gained increasing prominence in both academic research and business practice[25]. This growing relevance is also reflected in broader public and professional discourse. For instance, Google Trends data show that, over time, the term *ESG* has progressively overtaken *Corporate Social Responsibility (CSR)* in search frequency as shown in figure 3, indicating a shift in the language used to describe companies' non-financial performance and sustainability-related practices[26].

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[21] Stuart L. Gillan, Andrew Koch, and Laura T. Starks, "Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance," *Journal of Corporate Finance* 66 (2021): 101889, https://doi.org/10.1016/j.jcorpfin.2021.101889.
[22] Ibidem
[23] United Nations Global Compact, *Who Cares Wins: Connecting Financial Markets to a Changing World* (2004).
[24] Hong Liang and Luc Renneboog, "Corporate Social Responsibility and Sustainable Finance: A Review," *Finance Working Paper No. 701/2020*, European Corporate Governance Institute (2020), 2, https://doi.org/10.2139/ssrn.3698631.
[25] Sergey E. Shmelev and Elisa Gilardi, "Corporate Environmental, Social, and Governance Performance: The Impacts on Financial Returns, Business Model Innovation, and Social Transformation," *Sustainability* 17, no. 3 (2025): 1, https://doi.org/10.3390/su17031286.
[26] Elena Sychenko, "Labour Rights and International Labour Standards in the ESG Agenda," *Italian Labour Law e-Journal* 16, no. 1 (2023), 138, https://doi.org/10.6092/issn.1561-8048/15832.

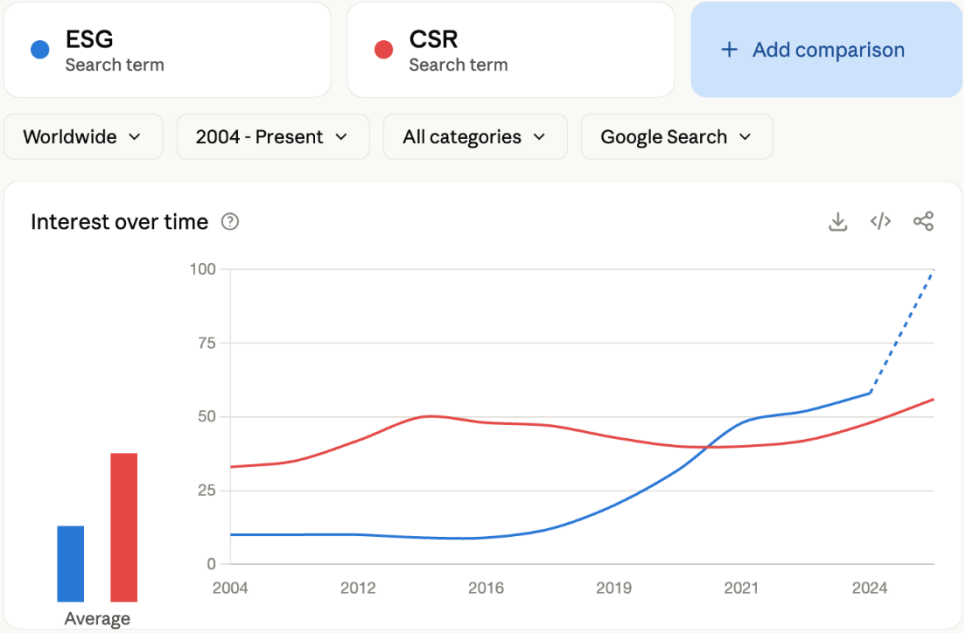


Figure 3. Google trend in the searches for "ESG" and "CSR"[27]

In practice, ESG has become a key framework for evaluating corporate sustainability from the perspective of investors and financial institutions, "with ESG investments projected to reach USD 53 trillion by 2025"[28]. ESG criteria provide measurable indicators that allow stakeholders to evaluate how companies manage environmental risks, social responsibilities, and governance structures[29]. ESG integration goes beyond treating these criteria as separate from financial analysis; instead, it recognizes their materiality and incorporates them alongside traditional financial metrics at various stages of the investment process, including portfolio construction, risk assessment, due diligence, and ongoing monitoring[30]. Numerous studies have also highlighted the relationship between ESG performance and financial outcomes, suggesting that companies with strong ESG practices, on average, "perform comparably to or even better than traditional investments"[31].

[27] Google Trends, "ESG" vs. "CSR" Worldwide Search Interest, accessed July 27, 2026, https://trends.google.com/trends/explore?date=all&q=ESG,CSR.
[28] Sergey E. Shmelev and Elisa Gilardi, "Corporate Environmental, Social, and Governance Performance: The Impacts on Financial Returns, Business Model Innovation, and Social Transformation," *Sustainability* 17, no. 3 (2025): 1, https://doi.org/10.3390/su17031286.
[29] Ana de Souza Barbosa et al., "Integration of Environmental, Social, and Governance (ESG) Criteria: Their Impacts on Corporate Sustainability Performance," *Humanities and Social Sciences Communications* 10 (2023): 410, https://doi.org/10.1057/s41599-023-01919-0.
[30] Ana de Souza Barbosa et al., "Integration of Environmental, Social, and Governance (ESG) Criteria: Their Impacts on Corporate Sustainability Performance," *Humanities and Social Sciences Communications* 10 (2023): 410, https://doi.org/10.1057/s41599-023-01919-0.
[31] Sergey E. Shmelev and Elisa Gilardi, "Corporate Environmental, Social, and Governance Performance: The Impacts on Financial Returns, Business Model Innovation, and Social Transformation," *Sustainability* 17, no. 3 (2025): 1, https://doi.org/10.3390/su17031286.

The growing importance of ESG has been accompanied by increasing regulatory attention and the development of new reporting standards aimed at improving transparency and comparability[32]. Authorities have introduced initiatives to strengthen sustainability disclosure and ensure that investors have access to reliable information regarding corporate environmental and social impacts[33].

On the whole, the evolution from CSR to ESG reflects a broader transformation in the understanding of corporate responsibility[34]. While CSR traditionally emphasized voluntary corporate actions aimed at benefiting society and responding to societal expectations for ethical behaviour, the concept of sustainability expanded the focus to include long-term environmental and social impacts. ESG, in turn, represents a more structured and investor-oriented framework that evaluates corporate performance across environmental, social, and governance dimensions and integrates these considerations into financial analysis and investment decision-making[35]. This progression reflects the growing recognition that sustainability is no longer solely a moral obligation but also a strategic imperative that influences corporate legitimacy, competitiveness, and long-term value creation in global markets[36]. Together, these frameworks illustrate how corporate responsibility has evolved from a primarily normative concept into a central component of modern corporate governance and global financial systems.

Within the European Union, this transition from voluntary initiatives toward a more structured regulatory framework began with the adoption of the Non-Financial Reporting Directive (NFRD) in 2014. The NFRD (Directive 2014/95/EU) amended the Accounting Directive (2013/34/EU) by requiring certain large public-interest entities to disclose information relating to environmental, social and employee matters, respect for human rights, and anti-corruption and bribery issues[37]. The directive aimed to enhance corporate transparency and accountability by ensuring that investors and other stakeholders had access to relevant information regarding companies' non-financial impacts and sustainability-related risks[38]. These measures align with the global normative framework established by the United Nations' 2030 Agenda and the UN Guiding Principles on Business and

[32] Muhammad Sani Khamisu and Ratna Achuta Paluri, "Emerging Trends of Environmental Social and Governance (ESG) Disclosure Research," *Cleaner Production Letters* 7 (2024): 100079, https://doi.org/10.1016/j.clpl.2024.100079.
[33] Ibidem
[34] Richard Yeaw Chong Seow, "Clarifying CSR and ESG: Causes of Conflation, Consequences, and Pathways to Conceptual Clarity," *Journal of Environmental Management* 394 (2025): 127468, https://doi.org/10.1016/j.jenvman.2025.127468.
[35] Ibidem
[36] P. Vishwanathan et al., "Strategic CSR: A Concept Building Meta-Analysis," *Journal of Management Studies* 57, no. 2 (2020): 314–350, as cited in Richard Yeaw Chong Seow, "Clarifying CSR and ESG," 2025.
[37] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516.
[38] Reinier Breijer and René P. Orij, "The Comparability of Non-Financial Information: An Exploration of the Impact of the Non-Financial Reporting Directive (NFRD, 2014/95/EU)," *Accounting in Europe* 19, no. 2 (2022): 332–361. https://doi.org/10.1080/17449480.2022.2065645.

Human Rights (UNGPs), aiming to further consolidate and enhance the regulatory environment to promote sustainable business practices and finance within the context of the European Union's Green Deal[39].

However, despite representing a significant step toward the institutionalization of sustainability reporting within EU law, the NFRD soon revealed several limitations, including a relatively narrow scope of application and a high degree of flexibility in reporting practices[40], which resulted in inconsistencies and limited comparability across companies[41]. These shortcomings ultimately prompted the European Union to introduce a more comprehensive and harmonized framework for sustainability disclosure, culminating in the adoption of the Corporate Sustainability Reporting Directive (CSRD).

1.2 The Transition towards the New EU Sustainability Framework

The European Commission's April 2021 report reviewing the implementation of Directives 2013/34/EU, 2014/95/EU, and 2013/50/EU highlighted significant gaps in the reporting of sustainability information[42]. The report noted that many companies failed to disclose essential data on environmental, social, and climate-related issues, including factors affecting biodiversity. Moreover, the limited comparability and reliability of the information provided was identified as a persistent problem, while numerous firms did not supply sustainability information despite its relevance to investors and other stakeholders[43]. These findings reaffirmed the need for a standardized reporting framework. Market and societal factors further emphasized this need: the growing demand from investors for sustainability-related data driven by climate risks, increased public awareness, and consumer preferences for sustainable products all reinforced the necessity for more transparent corporate reporting. Companies themselves also recognized that coherent sustainability reporting could support internal risk management and strategic decision-making[44].

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[39] Charl Villiers, "New Directions in the European Union's Regulatory Framework for Corporate Reporting, Due Diligence and Accountability: The Challenge of Complexity," *European Journal of Risk Regulation* 13, no. 4 (2022): 548–566. https://doi.org/10.1017/err.2022.25.

[40] Andreas Hösli and Rolf H. Weber, "Climate Change Reporting and Due Diligence: Frontiers of Corporate Climate Responsibility," in *Research Handbook on Corporate Sustainability and ESG*, ed. Beate Sjåfjell and Barbara Taylor (Edward Elgar Publishing, 2024), 966–967.

[41] Reinier Breijer and René P. Orij, "The Comparability of Non-Financial Information: An Exploration of the Impact of the Non-Financial Reporting Directive (NFRD, 2014/95/EU)," *Accounting in Europe* 19, no. 2 (2022): 332–361. https://doi.org/10.1080/17449480.2022.2065645.

[42] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516, https://doi.org/10.21029/JAEL.2025.38.475.

[43] Ibidem

[44] Ibidem

In response, the European Commission, under President Ursula von der Leyen, launched an ambitious plan to make Europe the first climate-neutral continent by 2050, formalized in the European Green Deal, described as "the EU's growth strategy. Launched in 2019, it consists of a package of policy initiatives, which set the EU on the path to a green transition, with the ultimate goal of reaching climate neutrality by 2050. It is the EU's contribution to the Paris Agreement, which the EU and all its countries ratified and which set the goal of keeping global warming to maximum +1.5°C compared to pre-industrial levels"[45]. Within this framework, the Commission introduced two key legislative instruments: the Corporate Sustainability Reporting Directive (CSRD), which establishes mandatory, standardized sustainability reporting, and the Corporate Sustainability Due Diligence Directive (CSDDD), which focuses on corporate responsibility for human rights and environmental impacts. These directives oblige companies to collect and report all relevant sustainability information, effectively ending the practice of selective disclosure[46].

1.2.1 The Corporate Sustainability Reporting Directive (CSRD)

Starting from the CSRD, which came into effect in January 2023, approximately 50,000 companies operating within the European Union became subject to mandatory sustainability reporting requirements, a significant increase from the 11,000 under the NFRD[47]. These companies are now required to systematically disclose relevant environmental, social, and governance (ESG) information, ensuring greater transparency, comparability, and reliability of corporate sustainability data[48].

The CSRD applies to a broad spectrum of companies, including large enterprises, listed SMEs, and parent companies of large groups, as well as certain non-EU companies with significant activities in the European Union[49]. In addition to expanding the scope of reporting, the directive introduces a more structured and harmonized framework through the adoption of the European Sustainability Reporting

[45]"European Green Deal: What Is the European Green Deal?" European Council, accessed April 17, 2026, https://www.consilium.europa.eu/en/policies/european-green-deal/.
[46] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516, https://doi.org/10.21029/JAEL.2025.38.475.
[47] CSRD Institute. "CSRD Fundamentals – STC Update (2025)." Course materials, 2025: 1 – 19
[48] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516, https://doi.org/10.21029/JAEL.2025.38.475.
[49] European Union, *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014 and Directives 2004/109/EC, 2006/43/EC and 2013/34/EU as regards corporate sustainability reporting (CSRD)*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng/.

Standards (ESRS), aimed at ensuring consistency and comparability of disclosed information across companies.

Concerning its implementation, the CSRD adopts a phased-in approach, allowing companies to gradually adapt to the new sustainability reporting requirements[50]. Reporting obligations for companies previously covered under the NFRD begin on January 1, 2024, with the first reports due in 2025. Large companies will follow in January 2027, with their initial reports due in 2028, while listed SMEs and relevant non-EU companies will begin reporting from January 2028, with their first disclosures due in 2029[51].

To facilitate this transition, the directive provides several temporary flexibilities. In the first reporting year, companies may omit anticipated financial effects from climate and other environmental impacts. For the first three years, qualitative disclosures are permitted where quantitative information is impracticable. Small entities are also allowed to exclude data on greenhouse gas emissions, biodiversity, resource use, and social disclosures during their first two reporting cycles. These measures aim to ensure that companies can progressively build the systems and processes necessary for full compliance[52].

The CSRD also makes sustainability reporting more reliable by requiring companies to have their disclosed information checked by an independent external party. This increases trust in the data presented among investors and other stakeholders. It also requires companies to include sustainability information directly in their management report, rather than treating it as a separate or secondary document. This reflects the increasing integration of environmental, social, and governance (ESG) issues into corporate governance and reporting structures.

The transition introduced by the CSRD represents not merely a compliance exercise, but a deep organizational transformation. The implementation of standardized sustainability reporting requires companies to redesign internal processes, integrate ESG considerations into existing governance structures, and invest in data collection systems and employee training[53]. This transition is gradual and may require significant short-term costs, including the adaptation of reporting infrastructures and the development of new competencies within the organization. At the same time,

[50] CSRD Institute. "CSRD Fundamentals – STC Update (2025)." Course materials, 2025: 1 – 19.
[51] This timeline reflects the original CSRD schedule as amended by the 2025 "Stop-the-Clock" Directive. It has since been substantially revised by the Omnibus I package (in force from 18 March 2026), which raised the reporting thresholds and removed listed SMEs from the CSRD's mandatory scope entirely. See Section 1.3.2 Omnibus I below.
[52] CSRD Institute. "CSRD Fundamentals – STC Update (2025)." Course materials, 2025: 1 – 19.
[53] Silvia Galesso and Marco Cisi, "Reporting di sostenibilità. Tra obblighi e innovazione nei sistemi di gestione," *Cortellazzo & Soatto*, September 27, 2023, https://www.cortellazzo-soatto.it/it/reporting-di-sostenibilita-sole24ore-27settembre2023.

it offers substantial long-term opportunities for value creation. Firms can benefit from improved operational efficiency, improved risk management, and greater alignment between sustainability objectives and corporate strategy. Moreover, the integration of ESG factors can foster process and product innovation, open access to new markets and investor segments, and strengthen corporate reputation[54]. In this sense, the CSRD can be understood not only as a regulatory constraint, but also as a strategic driver reshaping how companies create and communicate value over time. This is precisely the transformation examined in the case study presented in Chapter 3, where Euro Company's trajectory illustrates how these regulatory obligations translate into concrete organizational and reporting practices.

1.2.1.1 The principle of double materiality

The principle of double materiality represents a fundamental evolution in sustainability reporting, shifting the focus from solely financial impacts to a comprehensive framework that includes environmental, social, and ethical effects. It requires companies to evaluate, communicate, and manage both the financial implications of their activities and their non-financial impacts on people and the environment. While the materiality principle has been defined by various international organizations, including the Global Reporting Initiative (2022), the concept of double materiality has reopened the debate and generated tensions among standard setters[55].

Double materiality encompasses two complementary perspectives: the outside-in perspective, which assesses how sustainability matters affect a company's development, performance, and position (financial materiality), and the inside-out perspective, which evaluates the company's actual and potential impacts on people and the environment (impact materiality)[56]. This means that the CSRD requires companies to disclose information necessary to understand both how their activities impact sustainability and how sustainability issues affect their performance and financial position[57]. According to the European Commission, "a sustainability matter meets the criterion of double materiality if it is material from the impact perspective, the financial perspective, or both"[58].

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[54] Ibidem
[55] Veronica D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice: The Assessment Process, Impacts, Risks, and Opportunities," *Accounting in Europe* 22, no. 1 (2025): 103–140, https://doi.org/10.1080/17449480.2024.2339264.
[56] Ibidem
[57] European Union, *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting (CSRD)*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng/
[58] European Commission, *Commission Delegated Regulation (EU) 2023/2772 of 22 December 2023 supplementing Regulation (EU) 2020/852 with European Sustainability Reporting Standards (ESRS)*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/reg_del/2023/2772/oj/eng/

It is important to highlight that double materiality is not the intersection of financial and sustainability aspects but rather their union, requiring a comprehensive assessment of both dimensions. From a financial perspective, a sustainability matter is material if it generates risks or opportunities affecting the company's financial position, performance, cash flows, access to finance, or cost of capital over the short, medium, or long term. From an impact perspective, materiality relates to actual or potential positive or negative effects on people or the environment[59]. Altogether, the principle of double materiality integrates financial and non-financial dimensions, forming a central component of sustainability reporting in the EU, while the precise path from financial materiality to double materiality remains subject to ongoing discussion and refinement[60].

The European Sustainability Reporting Standards (ESRS), developed by EFRAG[61], define key elements that must be included in the double materiality assessment. They do not, however, prescribe a rigid methodology for how companies should operationalize this process[62]. As a result, leading consulting and auditing firms (commonly referred to as the Big Four) have developed practical frameworks to support companies in implementing double materiality in a structured and decision-oriented manner. Among these, Deloitte proposes a four-step process designed to ensure both compliance with regulatory requirements and alignment with the specific characteristics of each entity, while remaining adaptable to evolving guidance such as the Implementation Guidance on Materiality Assessment (IG 1) and future ESRS developments (Deloitte, 2024). The process includes: (1) identifying business activities, including those across the value chain; (2) identifying impacts, risks, and opportunities (IROs); (3) assessing which IROs are material; and (4) concluding and documenting the assessment[63].

This example, together with other guides, helps companies concerned by the CSRD translating the abstract concept of double materiality into structured, internal practices. More broadly, the assessment and application of the double materiality principle require companies to develop a comprehensive understanding of their operations and value chains, engage with stakeholders, and establish consistent

[59] Ibidem
[60] Veronica D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice: The Assessment Process, Impacts, Risks, and Opportunities," *Accounting in Europe* 22, no. 1 (2025): 103–140, https://doi.org/10.1080/17449480.2024.2339264.
[61] EFRAG is a private association established in 2001 with the encouragement of the European Commission to serve the public interest. It was entrusted under the CSRD with the task of providing technical advice to the European Commission by developing draft ESRS and related amendments. Its structure is organized into two pillars: financial reporting, focused on influencing and endorsing IFRS Accounting Standards, and sustainability reporting, which is responsible for developing ESRS and supporting their implementation across the EU. Source: European Financial Reporting Advisory Group (EFRAG), "About EFRAG," accessed April 16, 2026, https://www.efrag.org/.
[62] Deloitte, "Heads Up — Unpacking the Double Materiality Assessment Under the E.U. Corporate Sustainability Reporting Directive," *Deloitte Accounting Research Tool (DART)*, June 27, 2024, https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2024/csrd-esrs-double-materiality-assessment .
[63] Ibidem

criteria for evaluating the significance of sustainability issues. The assessment of impacts, risks, and opportunities is inherently iterative and relies on both qualitative judgment and quantitative indicators, enabling firms to prioritise relevant sustainability matters and allocate resources accordingly[64].

Although such frameworks are not legally binding, they play a crucial role in bridging the gap between regulatory requirements and corporate practice. In doing so, they contribute to the concretisation of EU sustainability law, shaping how companies interpret and implement the principle of double materiality. However, this reliance on consulting-driven methodologies also raises questions regarding standardisation, comparability, and the increasing role of private actors in defining the practical meaning of regulatory obligations.

This operational dimension of sustainability assessment finds a natural extension in the Corporate Sustainability Due Diligence Directive (CSDDD), which moves beyond disclosure obligations and requires companies to identify and assess impacts, but also to actively prevent, mitigate, and remedy them across their chain of activities.

1.2.1.2 The role of EFRAG and the European Sustainability Reporting Standards (ESRS)

Before the introduction of the European Sustainability Reporting Standards (ESRS), existing sustainability reporting frameworks were widely criticised for their limited effectiveness and credibility. Several challenges emerged in practice: organisations often lacked awareness of the strategic benefits of sustainability reporting, faced resource constraints, or encountered difficulties in engaging stakeholders who did not fully understand the relevance of such disclosures. As a result, sustainability reports risked being perceived as marketing tools rather than as genuine instruments for assessing and communicating sustainability performance, ultimately generating scepticism among stakeholders[65].

In response to these shortcomings, the European Commission introduced the ESRS in 2023, as part of the broader implementation of the Corporate Sustainability Reporting Directive (CSRD), with application starting from 2025[66]. As introduced in the previous section, EFRAG was entrusted

[64] Linus Björklin and Frida Wallin, "Counting What Counts? Translating CSRD and Its Double Materiality Assessments" (Master's thesis, Uppsala University, 2025), 1, https://www.diva-portal.org/smash/get/diva2:1978571/FULLTEXT01.pdf.
[65] Walter Leal Filho et al., "European Sustainability Reporting Standards: An Assessment of Requirements and Preparedness of EU Companies," *Journal of Environmental Management* 380 (2025): 125008, 1 – 9, https://doi.org/10.1016/j.jenvman.2025.125008.
[66] European Union, *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting (CSRD)*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng/.

with developing these standards; building on the double materiality principle discussed above, the ESRS translate this dual perspective into a comprehensive and standardised disclosure framework across the European Union, aligning reporting practices with broader global initiatives such as the United Nations Sustainable Development Goals (SDGs)[67].

Moreover, the ESRS establish a highly structured and detailed disclosure framework, requiring companies to provide a mix of forward-looking, retrospective, qualitative, and quantitative information, as deemed appropriate for reporting by undertakings[68]. The overarching objective is to "ensure the quality of reported information, by requiring that it is understandable, relevant, verifiable, comparable and represented in a faithful manner"[69]. At the same time, the standards recognise the practical challenges associated with data collection, particularly across complex value chains, and therefore aim to avoid imposing disproportionate administrative burdens on reporting entities. This balance is reflected in the inclusion of proportionality mechanisms and specific considerations for smaller entities within value chains[70].

The ESRS are organised into twelve standards, structured into cross-cutting and topical categories.

Category	**Standard**	**Title**
Cross-cutting	ESRS 1	General Requirements
	ESRS 2	General Disclosure
Environmental	ESRS E1	Climate Change
	ESRS E2	Pollution
	ESRS E3	Water and Marine Resources

[67] Walter Leal Filho et al., "European Sustainability Reporting Standards: An Assessment of Requirements and Preparedness of EU Companies," *Journal of Environmental Management* 380 (2025): 125008, 1 – 9, https://doi.org/10.1016/j.jenvman.2025.125008.
[68] European Commission, *Commission Delegated Regulation (EU) 2023/2772 of 22 December 2023 supplementing Regulation (EU) 2020/852 with European Sustainability Reporting Standards (ESRS)*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/reg_del/2023/2772/oj/eng/.
[69] Ibidem
[70] Walter Leal Filho et al., "European Sustainability Reporting Standards: An Assessment of Requirements and Preparedness of EU Companies," *Journal of Environmental Management* 380 (2025): 125008, 1 – 9, https://doi.org/10.1016/j.jenvman.2025.125008.

	ESRS E4	Biodiversity and Ecosystems
	ESRS E5	Resource Use and Circular Economy
Social	ESRS S1	Own Workforce
	ESRS S2	Workers in the Value Chain
	ESRS S3	Affected Communities
	ESRS S4	Consumers and End-users
Governance	ESRS G1	Business Conduct

Source: Author's own elaboration based on European Commission (2023) and EFRAG documentation.

The first cross-cutting standards ESRS 1 (General Requirements) establishes universal principles, reporting requirements, and scope, introduces double materiality for sustainability disclosures and covers sustainability due diligence, value chain, time horizons, information preparation and presentation, and structure of sustainability statements[71]. ESRS 2 (General Disclosures) defines the general reporting requirements, among which the key reporting areas, IROs and Metrics and Targets. The topical standards are divided into three pillars: environmental (E1–E5), social (S1–S4), and governance (G1). This structure enables a comprehensive coverage of sustainability issues, ranging from climate change and pollution to workforce conditions and business conduct[72].

Following the initial adoption of the ESRS, concerns regarding their complexity and the high number of required datapoints led the European Commission to initiate a simplification process, as an outcome of the European Commission's February 2025 "Omnibus package"[73]. On 28 March 2025,

[71] CSRD Institute. *CSRD Fundamentals – Study Notes (2025 STC Update)*. 2025.
European Commission. *Commission Delegated Regulation (EU) 2023/2772 of 22 December 2023 supplementing Regulation (EU) 2020/852 with European Sustainability Reporting Standards (ESRS).* Official Journal of the European Union. https://eur-lex.europa.eu/eli/reg_del/2023/2772/oj/eng/.
[72] Ibidem
[73] see Chapter 1.4. *Regulatory Tensions and Simplification Efforts*

the Commission formally requested EFRAG to provide technical advice aimed at revising the standards. This advice, delivered on 3 December 2025, focuses on reducing the number of mandatory datapoints, clarifying ambiguous provisions, simplifying the structure and presentation of the standards, and improving interoperability with other international reporting frameworks[74].

EFRAG's revision process was characterised by a strong multi-stakeholder approach, including public consultations, exposure drafts, and field testing. The resulting technical advice includes twelve revised draft ESRS, accompanied by a glossary and detailed documentation highlighting the changes from previous versions. Overall, EFRAG estimated a 61% reduction in mandatory datapoints, although the actual impact on individual companies will depend on their specific material topics and reporting scope[75].

A central aspect of the revised ESRS concerns the clarification of the materiality principle. The updated standards reinforce that sustainability reporting should start from the identification of impacts, risks, and opportunities (IROs). Information is considered material if its omission, misstatement, or obscuration could reasonably influence the decisions of users, including both providers of financial capital and other stakeholders. This shift reflects a move from a rigid, compliance-based approach towards a more flexible and decision-oriented framework, allowing companies to omit non-material disclosures and focus on relevant information[76].

In addition, the revised ESRS introduce greater flexibility through phase-in provisions and permanent reliefs, reducing the burden associated with data collection and metric calculation. At the same time, they maintain the requirement for entity-specific disclosures where existing standards do not adequately cover a material topic, thereby ensuring that reporting remains relevant and tailored to each organisation's context[77].

From a topical perspective, several targeted simplifications have been introduced. For instance, under ESRS E2 (Pollution), the requirement to disclose all pollutants listed in the European Pollutant Release and Transfer Register has been replaced with a focus on material pollutant emissions, improving proportionality. Similarly, more detailed and structured disclosures have been introduced for microplastics, distinguishing between primary and secondary forms. In ESRS E3 (Water), certain topics such as marine resources have been removed due to overlap with other standards, while

[74] PwC, "Deep Dive Into the Simplified ESRS," *PwC Viewpoint*, 2025, https://viewpoint.pwc.com/gx/en/pwc/in-depth/id_int202506.html.
[75] Ibidem
[76] Ibidem
[77] EFRAG, *Draft Simplified European Sustainability Reporting Standards (ESRS)*, 2025, https://www.efrag.org/en/draft-simplified-esrs.

previously voluntary water-related metrics have become mandatory. ESRS E5 introduces the concept of "key materials", emphasising resources that are critical to production processes and value creation.

Within the social standards, ESRS S1 (Own Workforce) has been refined to improve clarity and proportionality. New thresholds for defining significant employment across countries have been introduced, and updated methodologies for calculating adequate wages (aligned with International Labour Organization principles) have been provided. Furthermore, disclosures on human rights incidents have been clarified, focusing on substantiated cases rather than introducing subjective categories such as "severe" incidents[78].

In conclusion, the evolution of the ESRS reflects a broader shift in sustainability reporting: from a complex, data-heavy compliance exercise towards a more strategic, materiality-driven process. By simplifying requirements while reinforcing the central role of materiality, the revised ESRS aim to enhance both the effectiveness and the practical applicability of sustainability reporting within the European Union[79].

From the implementation of ESRS, several studies have been conducted to assess their impact on companies, and their preparedness. Among these, the study by Filho et al. (2025), titled "European sustainability reporting standards: An assessment of requirements and preparedness of EU companies"[80], considers the extent to which EU companies currently meet the new sustainability reporting requirements.

The study analyses a sample of 20 companies selected according to the sector classification developed by the European Financial Reporting Advisory Group (EFRAG). Notably, the sample also "included SMEs since listed companies will be obliged to report their sustainability related data for the first time"[81]. The findings revealed that, while all companies in the sample comply with the basic requirement of including a sustainability statement, most of them remain far from meeting the full set of ESRS requirements. Significant gaps were identified, especially in relation to the disclosure of impacts, risks, and opportunities (IROs), as well as the absence of external assurance or certification, which is often avoided due to additional costs. Furthermore, although many companies have introduced sustainability-related commitments, slogans, and ambitious targets, these are often not

[78] Ibidem
[79] Rabin Sharma, "Unveiling the Effects of the Corporate Sustainability Reporting Directive (CSRD) on Company Sustainability Reporting Practices: A Case of German Companies," *Sustainability Accounting, Management and Policy Journal* 17, no. 3 (2026): 925, https://doi.org/10.1108/SAMPJ-01-2025-0091.
[80] Walter Leal Filho et al., "European Sustainability Reporting Standards: An Assessment of Requirements and Preparedness of EU Companies," *Journal of Environmental Management* 380 (2025): 125008, https://doi.org/10.1016/j.jenvman.2025.125008.
[81] Ibidem

supported by clear metrics or measurable indicators capable of demonstrating progress. This suggests that sustainability reporting is still, in many cases, at a declarative stage rather than being fully integrated into corporate performance measurement systems.

The level of preparedness among EU companies appears uneven, with substantial discrepancies in reporting approaches and a limited focus on the opportunities associated with sustainability reporting as a tool for continuous improvement. These findings indicate that a considerable gap remains before companies can fully comply with the ESRS requirements[82].

Despite these challenges, the ESRS have the potential to significantly strengthen sustainability practices within enterprises by enhancing by enhancing the consistency, comparability, and reliability of sustainability disclosures across the European Union. Greater standardisation is expected to improve stakeholder confidence, facilitate informed investment decisions, and encourage more responsible corporate behaviour. However, achieving full compliance will require targeted support measures, particularly for SMEs, as well as ongoing refinement of the standards to ensure a balance between regulatory ambition and practical feasibility. As the sustainability reporting framework continues to evolve, further research will play a crucial role in shaping effective disclosure practices and ensuring that the ESRS contribute meaningfully to the broader sustainability transition[83].

1.2.2 The Corporate Sustainability Due Diligence Directive (CSDDD)

Published in the Official Journal of the European Union on 5 July 2024, the Corporate Sustainability Due Diligence Directive (CSDDD) entered into force on 25 July 2024. Pursuant to Article 37(1), Member States are required to transpose the Directive into national law by 26 July 2026, while its application to companies will be phased in from 26 July 2027, depending on their size[84].

The CSDDD operates in close conjunction with the Corporate Sustainability Reporting Directive (CSRD), forming a complementary regulatory framework aimed at promoting transparency, responsible corporate conduct, and the protection of both the environment and human rights at the EU level. While the CSRD focuses on disclosure obligations, the CSDDD introduces substantive duties requiring companies to actively identify, prevent, and address adverse impacts[85]. The Directive

[82] Ibidem
[83] Ibidem
[84] This timeline reflects the original CSDDD schedule. It has since been substantially revised by the Omnibus I package, which postponed the deadlines for Member State transposition and the phased application of corporate due diligence obligations. See Section 1.3 below.
[85] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516.

is largely inspired by existing international soft law instruments, in particular the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights (UNGPs), which establish the "Protect, Respect and Remedy" framework applicable to both States and business enterprises[86]. The original version of the Directive applied to very large EU companies employing more than 1,000 employees and generating a net worldwide annual turnover of at least EUR 450 million, regardless of the sector in which they operate. This scope has subsequently been revised by the Omnibus I package (see section 1.3.2) It also extends, under certain conditions, to non-EU companies operating within the internal market, thereby reinforcing its global regulatory reach[87].

The CSDDD responds to an increasing demand for legal certainty for both companies and individuals affected by corporate activities. However, its final content reflects significant political compromises, particularly with regard to its scope and level of ambition.

1.2.2.1 Scope of Application and Corporate Due Diligence Obligations

The CSDDD establishes a structured and continuous due diligence process, which Member States must ensure is effectively implemented by companies falling within its scope. Due diligence is conceived not as a one-off obligation, but as an ongoing, risk-based process embedded in corporate policies and governance structures. In this regard, companies are required to integrate due diligence into their policies and risk management systems, and to implement a series of interconnected obligations. These include the identification and assessment of actual and potential adverse human rights and environmental impacts, the adoption of appropriate measures to prevent or mitigate potential impacts, and the obligation to bring actual impacts to an end, minimise their extent, and provide remediation[88].

More specifically, companies must map their own operations, those of their subsidiaries, and, where relevant, those of their business partners within the chain of activities, in order to identify areas where adverse impacts are most likely to occur and to be most severe. On this basis, they are required to carry out in-depth assessments and prioritise interventions according to the severity and likelihood of the risks involved[89]. This reflects a risk-based and proportionate approach, whereby corporate

[86] Ibidem
[87] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.
[88] Ibidem
[89] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516.

obligations are calibrated considering the company's size, resources, and degree of leverage over business partners. "In order to prevent, mitigate and bring an end adverse impact"[90], companies are expected to adopt a range of practical measures. These may include the development and implementation of prevention and corrective action plans, the use of contractual assurances and cascading requirements throughout the chain of activities, the allocation of financial and non-financial resources, and the adaptation of business strategies and operations. In addition, the Directive encourages collaboration with business partners and support for SMEs, including capacity-building initiatives and financial assistance where necessary. The CSDDD further requires companies to establish and maintain an accessible complaints procedure, allowing affected individuals and organisations (including trade unions and civil society actors) to raise concerns regarding actual or potential adverse impacts. This mechanism plays a key role in the overall due diligence framework, contributing both to the identification of risks and to the monitoring of the effectiveness of adopted measures[91].

In parallel, companies are subject to a cross-cutting obligation to engage in meaningful consultation with stakeholders at different stages of the due diligence process, thereby reinforcing the participatory dimension of corporate accountability. The Directive adopts a particularly broad notion of stakeholders, including employees, workers' representatives, consumers, affected communities, civil society organisations, national human rights and environmental institutions, as well as other persons or entities whose rights or interests may be affected by the company's operations, those of its subsidiaries, or its business partners[92].

Taken together, the Directive seeks to balance legal certainty with flexibility, avoiding overly prescriptive rules while requiring companies to adopt appropriate and proportionate measures in light of the risks identified.

1.2.2.2 Material Scope and Value Chain Responsibility

Regarding its material scope, the CSDDD requires companies to conduct due diligence in relation to both human rights and environmental impacts[93].

[90] Ibidem
[91] Ibidem
[92] European Union, *Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859*, Official Journal of the European Union, 5 July 2024, art. 3, https://eur-lex.europa.eu/eli/dir/2024/1760/oj/eng/
[93] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.

Human rights adverse impacts are defined by reference to a list of internationally recognised rights enshrined in specific global conventions, while environmental adverse impacts are linked to obligations and prohibitions contained in international environmental treaties[94].

However, the Directive adopts a selective approach by listing specific instruments in its Annex, thereby departing from the broader and more flexible framework of the UNGPs. For instance, the absence of an explicit reference to the Universal Declaration of Human Rights has been criticised in the literature. Moreover, the use of terms such as "breach" or "abuse" may suggest a higher threshold of severity, potentially narrowing the scope of impacts covered by corporate due diligence obligations[95].

A key innovative feature of the CSDDD lies in its extension to the so-called "chain of activities", as defined in Article 3(1)(g). This concept requires companies to address adverse impacts within their own operations and across both upstream and downstream business relationships. In particular, it encompasses the activities of upstream business partners, including indirect partners, related to the production of goods or the provision of services, such as design, extraction, manufacture, development, sourcing, transport, and storage of raw materials, products or components, as well as the development of services. It also includes certain activities of downstream business partners, albeit within a narrower scope, such as distribution, transport, and storage of products, but only where these activities are carried out for the company or on its behalf[96].

This approach significantly broadens the scope of corporate responsibility, introducing a value chain-based model of due diligence. As a result, the Directive is expected to have substantial extraterritorial effects, influencing the conduct of companies operating outside the European Union but linked to EU-based firms through commercial relationships. In order to maintain access to the EU market, third-country companies will increasingly be required to align their practices with EU human rights and environmental standards.

This "value-exporting" dimension, implicitly reflected in the Directive's preamble, has nonetheless attracted criticism, with some scholars characterising such regulatory expansion as potentially neo-

[94] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," Journal of Agricultural and Environmental Law 20, no. 38 (2025): 475–516.
[95] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.
[96] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516.

colonial[97]. At the same time, the CSDDD may contribute to a broader global diffusion of due diligence legislation, as evidenced by ongoing or recent developments in jurisdictions such as South Korea and Switzerland. This could, in turn, mitigate concerns regarding the loss of international competitiveness and encourage further legal developments in countries that have so far relied primarily on voluntary standards[98].

1.2.2.3 Climate Transition Plans and Corporate Governance Implications

In addition to due diligence obligations, the Directive requires companies to adopt and implement a climate transition plan aimed at ensuring that their business model and strategy are compatible with the transition to a sustainable economy and with limiting global warming to 1.5°C, in line with the Paris Agreement and Regulation (EU) 2021/1119.

This plan must be regularly updated and include measurable targets and a description of the progress achieved, thereby reinforcing the integration of climate considerations into corporate governance and long-term strategy[99].

1.2.2.4 Enforcement Mechanisms, Liability and Implementation Challenges

The CSDDD is enforced through a multi-level system designed to regulate companies, and to guide and support them throughout the due diligence process. Each company operating in the EU must designate an authorised representative based in a Member State, who acts as a key contact point with supervisory authorities[100]. At the same time, Member States are required to establish one or more supervisory authorities with the power to investigate potential violations, either on their own initiative or following concerns raised by stakeholders. These authorities can also cooperate across borders, reflecting the transnational nature of corporate value chains[101]. Enforcement is not purely punitive. The European Commission and Member States are expected to provide practical support through guidelines, digital platforms, and a central helpdesk, making due diligence a legal obligation and an operational process that companies can learn and progressively implement. When a breach is

[97] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.
[98] Ibidem
[99] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516.
[100] Ibidem
[101] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.

identified, firms are generally given time to take corrective action. However, this flexibility does not exclude the possibility of sanctions or legal consequences[102].

Sanctions play a crucial role in ensuring compliance and can be highly significant, reaching up to 5% of a company's global turnover. In addition, decisions taken by supervisory authorities are made public and remain accessible for several years, introducing a strong reputational dimension. In this sense, enforcement operates through financial penalties, visibility, and public accountability; factors that are particularly relevant from a communication and brand perspective.

Alongside administrative enforcement, the Directive introduces a civil liability regime. Companies can be held responsible if they fail (intentionally or negligently) to prevent or address adverse impacts on people or the environment. However, this responsibility is not unlimited: firms are not liable when "damage is caused only by its business partners in its chain of activities"[103], which reflects the complexity of global supply chains. At the same time, for a claim to succeed, several elements must be demonstrated, including the existence of harm and a clear link between the company's conduct and the damage. This creates a high evidentiary threshold, even though courts may facilitate access to information by ordering companies to disclose relevant evidence[104].

A particularly complex aspect concerns how responsibility is attributed. Companies are expected to assess whether impacts are caused directly, jointly with partners, or indirectly through their value chain, and to act accordingly. However, the distinction between these situations is not always clear in practice, leaving room for interpretation by courts and authorities. This ambiguity reflects the broader nature of the Directive, which is inspired by international frameworks such as the UN Guiding Principles and remains, to some extent, open-ended. This "can make companies adjust their behaviour to (just) avoid liability"[105]. This creates a potential tension in how companies respond to regulation. On the one hand, more transparent and proactive firms may identify a wide range of risks and impacts, but in doing so they may also increase their exposure to liability if they fail to address them effectively. On the other hand, less transparent firms may adopt a narrower approach, limiting what they recognise and report in order to reduce legal risk. As a result, there is a concrete possibility that some companies approach due diligence strategically, focusing more on avoiding liability than on fully embracing its underlying sustainability objectives.

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[102] Ibidem
[103] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.
[104] Ibidem
[105] D. Ramos Muñoz, "The Corporate Sustainability Due Diligence Directive (CSDDD): Everything, Everywhere, All at Once?," *EUSFiL Research Working Paper Series*, no. 1 (2025), 23.

1.2.2.5 Emerging Challenges and Future Developments

It goes without saying that the incorporation of the CSDDD into the risk management framework "will be a challenge for companies implementing due diligence measures for the first time, especially where they want to do this as efficiently and effectively as possible"[106]. Even though there is a possibility for companies of drawing experience acquired from the implementation of various national regulation (as the German Supply Chain Duty of Care Act and the French Duty of Vigilance Law), which in turn draw from the OECD Guiding Principles on Responsible Business Conduct in Supply Chains, "successful implementation of CSDDD will […] require assembling and coordinating a broad range of expertise across several business functions and operational teams with in-depth knowledge of doing business (operations), product-level issues (procurement), existing compliance and risk management systems (legal, compliance), as well as knowledge of any associated sustainability aspects (sustainability)"[107]. An internal rearrangement will thereby be necessary.

Moreover, as explained before, CSDDD will be implemented in all EU member states, but will have an impact both on EU and non-EU incorporated companies and branches, "and redefining how they address sustainability in their supply chains"[108]. This will bring about new challenges, as well as new opportunities. It will imply an innovative, collaborative and multidisciplinary approach. Companies will have to take into consideration both how the directive is implements by national law, and what practices are developing in other countries. Certain functions will play a central role, like the legal one, but other areas of expertise will also be crucial, including risk and compliance, and knowledge of operations and value chains[109].

The CSDDD practical effectiveness will ultimately depend on how companies internalise these obligations within their governance structures and business culture. Compliance cannot be reduced to the adoption of formal policies alone, but requires the integration of human rights considerations into decision-making processes, risk management systems, stakeholder engagement, and corporate values. This is particularly relevant for rights that, despite enjoying strong legal protection, often receive limited visibility within corporate sustainability practices, such as freedom of religion or belief. The following chapters therefore investigated the legal framework governing human rights in

[106] PwC, "How Can Your Legal Function Navigate Sustainability Risk and Unlock Broader Business Value? Environmental Performance across the Value Chain," *PwC Viewpoint*, October 3, 2024, https://www.pwc.com/gx/en/services/legal-business-solutions/esg-legal/csddd-environmental-and-social-performance.html.
[107] Silvia Ciacchi, Caitlin Walker-Cerqua, and Frederic Barge, "The Proposed Directive on Corporate Sustainability Due Diligence: A Critical Analysis," *Reward Value Foundation Working Paper* (September 2022), 3, https://ssrn.com/abstract=4739062.
[108] Ibidem
[109] Chiara Macchi and Emanuela Mazzilli, "Protecting the Climate through EU Supply Chain Legislation? Two Critiques and a Compromise," *European Law Open* 2, no. 3 (2023): 577–598, https://doi.org/10.1017/elo.2023.44.

greater detail before analysing how these principles are reflected in the sustainability documentation and Code of Ethics of Euro Company.

1.3 Regulatory Tensions and Simplification Efforts

It is important to highlight that these ambitious frameworks, such as the CSRD and the CSDDD, have also generated regulatory tensions. Whilst the European Union seeks to position herself as a competitive and strong global leader, it must be recognised that high standards can be a "powerful source of competitive advantage", while simultaneously "underpin the value and quality of European products"[110].

As highlighted in the Draghi report[111], "the accumulation of rules over time at different levels, their increased complexity and challenges in implementing the rules are having a significant impact on Europe's competitiveness, limiting our economic potential and our prosperity"[112]. In this sense, a clear tension emerges between the EU's ambition to lead in sustainability and the need to preserve the competitiveness of European companies in a global market. In fact, as explained before, these directives may impose significant burdens on companies, particularly in terms of compliance costs and organisational restructuring.

To tackle the imbalance between ambition and feasibility, the European Commission has introduced different simplification efforts. These efforts are part of a broader political agenda often described as a "Simpler and Faster Europe." Within this framework, the so-called Omnibus packages aim to revise existing legislation, including the CSRD and CSDDD.

1.3.1 The European Commission's Communication: "A Simpler and Faster Europe"

The agenda for "A Simpler and Faster Europe" has emerged as a strategy to streamline EU legislation and improve its efficiency. Rather than reducing regulatory ambition, it seeks to ensure that existing rules are more coherent, accessible and easier to implement.

The document explicitly identifies one of the main challenges faced by the European Union, namely the risk of "the accumulation of burdens for people, businesses and administrations"[113], which may

[110] European Commission, "*A Simpler and Faster Europe: Communication on Implementation and Simplification*," 2025, https://commission.europa.eu/document/download/8556fc33-48a3-4a96-94e8-8ecacef1ea18_en?filename=250201_Simplification_Communication_en.pdf.
[111] The Draghi Report is a 2024 report on European economic competitiveness and the future of the European Union, prepared by former European Central Bank President and former Italian Prime Minister Mario Draghi
[112] European Commission, "*A Simpler and Faster Europe: Communication on Implementation and Simplification*," 2025: 2 https://commission.europa.eu/document/download/8556fc33-48a3-4a96-94e8-8ecacef1ea18_en?filename=250201_Simplification_Communication_en.pdf.
[113] Ibidem

ultimately undermine the objective of boosting prosperity. In response, the European Commission, together with the European Parliament, the Council, Member States and relevant stakeholders, aims not to introduce additional layers of regulation, but rather to "simplify existing rules wherever necessary and ensure that they are better implemented"[114].

This approach is based on continuous dialogue with stakeholders and on the need to adapt regulatory frameworks to the practical realities of Member States. To this end, the Commission proposes to work more closely with national authorities; invest in administrative capacity, digital tools and data; strengthen stakeholder engagement; and ensure swift and effective enforcement. These measures are complemented by the preparation of implementation strategies designed to support Member States throughout the process, relying on early feedback, technical assistance and ongoing consultation mechanisms. In addition, sector-specific monitoring and targeted tools are envisaged to address implementation challenges more effectively[115].

Moreover, the agenda explicitly addresses the gap between regulatory design and practical application. While efforts to reduce administrative burdens have already been taken since 2023, the current objective is to translate these initiatives into more concrete and operational measures (European Commission, 2025). In particular, the Commission intends to introduce new targets aimed at reducing compliance costs, "wherever a more cost-effective means of delivery of the policy objective can be identified"[116].

In this context, the 2025 Commission Work Programme "includes a series of Omnibus packages and other simplification proposals to tackle priority areas identified with stakeholders"[117]. Notably, the Omnibus package on sustainability aims to simplify requirements in the fields of sustainable finance reporting, corporate sustainability due diligence and taxonomy. It seeks to ensure better alignment with investors' needs, more proportionate timelines, and obligations that reflect the size and activities of different companies. Particular attention is given to the so-called "trickle-down effect"[118], with the objective of preventing smaller companies within supply chains from being subject, in practice, to excessive reporting requirements.

[114] Ibidem
[115] European Commission, "*Simplification, Implementation and Enforcement*", accessed July 1, 2026, https://commission.europa.eu/law/law-making-process/better-regulation/simplification-implementation-and-enforcement_en.
[116] European Commission, "*A Simpler and Faster Europe: Communication on Implementation and Simplification*," (2025): 6, https://commission.europa.eu/document/download/8556fc33-48a3-4a96-94e8-8ecacef1ea18_en?filename=250201_Simplification_Communication_en.pdf.
[117] Ibidem
[118] Ibidem

The Commission also emphasises the importance of legislation that is "easy to understand and implement, clearly drafted and unambiguous"[119]. At the same time, it acknowledges that this remains an ambitious and ongoing process, requiring sustained commitment from all EU institutions and stakeholders, in particular the European Parliament and the Council. Progress will be monitored through annual reports on implementation and enforcement (see Figure 4):

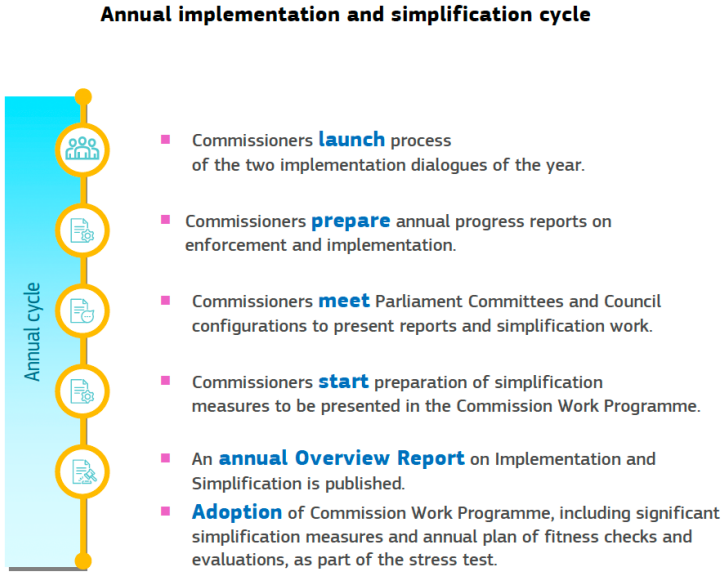


Figure 4. Scheme for the Annual implementation and simplification cycle (European Commission, 2025, p. 6)

As it can be clearly seen from figure 4, the implementation and simplification cycle is based on a continuous dialogue between the Commissioners and stakeholders.

Of course, considering the broad scope with which directives such as the CSRD and the CSDDD were conceived, and the concerns they have raised among companies, it is not surprising that this shift towards simplification has attracted scrutiny and scepticism. The key issue is not whether simplification is necessary. Rather, whether what is presented as simplification may, in practice, amount to deregulation by stealth[120].

Ideally, smart simplification can play a constructive role: it makes rules more workable, reduces compliance costs and facilitates investment. By contrast, poorly designed deregulation risks achieving the opposite effect, by weakening the very objectives that regulation is meant to pursue. In this sense, simplification concerns how agreed policy goals are implemented, whereas deregulation calls into question the commitment to those goals themselves. The European Commission is therefore faced with a significant choice: to redesign regulatory frameworks in a way that preserves their

[119] Ivi, 8
[120] European Capital Markets Institute, "*EU Walking the Fine Line Between Simplification and Deregulation*," 2025, accessed April 9, 2026, https://www.ecmi.eu/publications/commentaries/eu-walking-fine-line-between-simplification-and-deregulation.

objectives while reducing unnecessary burdens, or to progressively dilute their substance under the guise of simplification. While the former path is undoubtedly more complex, it is compatible with the EU's long-term policy ambitions. The latter, on the other hand may ultimately prove more costly[121].

From a managerial perspective, investors tend to favour stable and predictable regulatory environments over uncertain policy signals. In this light, the challenge for the EU is not simply to regulate less, but to regulate better, without compromising the integrity of its sustainability and human rights objectives.

1.3.2 Omnibus I

The first "Omnibus" package has been published on 26 February 2025[122] by the European Commission as part of the broader plan "A simpler and Faster Europe". Its main objective is to reduce the reporting burden of the EU Green Deal and relates specifically to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy Regulation, and other related regulations[123].

The Omnibus package is not meant to introduce new regulatory obligation, but rather to adjust existing legislations. It includes measures to "reduce the scope of entities subject to CSRD as well as the extent of reporting in accordance with the European Sustainability Reporting Standards (ESRS)"[124], to allow time for negotiation and adoption of the proposals and to provide relief to entities currently reporting under CSRD.

1.3.2.1 The "Stop-the-clock" Directive

The first measure in the Omnibus I package affects the timing of application of the CSRD and concerns the postponement of sustainability reporting obligations. This was introduced by Directive (EU) 2025/794 of April 16, 2025 commonly referred to as "Stop-the-clock". The directive only affects the timetable for the application of reporting obligations, modifying the substantive structure of the legislation by postponing the entry into force of reporting obligations for companies falling within the so-called "Wave 2" and "Wave 3" by two financial years. In particular, the postponement

[121] Ibidem
[122] This section reflects the state of the Omnibus I package as originally proposed. The legislative process was subsequently completed by Directive (EU) 2026/470 of 24 February 2026, published in the Official Journal on 26 February 2026 and in force since 18 March 2026 (see infra, Section 1.3.2.2). This thesis accounts for regulatory developments up to July 2026.
[123] PwC, "Omnibus Directive Finalised," *PwC Viewpoint*, 2025, accessed April 18, 2026, https://viewpoint.pwc.com/gx/en/pwc/in-briefs/ib_int202527.html#glance.
[124] Ibidem

concerns: large unlisted companies which, according to the original CSRD timetable, would have had to publish their first sustainability report for the 2025 financial year and listed SMEs, for which the reporting obligation was initially scheduled to start in the 2026 financial year. The "Stop-the-clock" directive entered into force on 17 April 2025 and Member States now have until 31 December 2025 to transpose it into national law[125]. This directive is not a "mere bureaucratic postponement", but rather "a strategic measure to ensure that companies have the necessary time to adapt to the new requirements without compromising their competitiveness"[126]. It also enables member States to transpose existing regulations more consistently, particularly "to ensure that reporting requirements are proportionate and adapted to the capabilities of businesses, especially SMEs"[127].

1.3.2.2 The "Omnibus" Directive

The Omnibus package also introduces a set of revisions to the sustainability framework through the "Omnibus directive". Officially adopted by the European Union on 24 February 2026, it aims at narrowing the scope of entities required to report in accordance with ESRS and the EU Taxonomy to EU entities with over 1,000 employees and a net turnover exceeding €450 million. It also introduces other changes to reduce the reporting burden. The change to the scope of entities that are required to report under the CSRD will be applicable for financial years beginning on or after 1 January 2027[128]. The Omnibus directive will come into force on 18 March 2026, 20 days after publication in the Official Journal[129]. EU Member States will then have 12 months to transpose the provisions related to CSRD into national legislation, with first time application required for financial years beginning on or after 1 January 2027. Further, the deadline for transposition of CSDDD is extended to 26 July 2028, with application required from 26 July 2029[130]. The European Commission continues to review EFRAG's technical advice regarding the revised ESRS[131].

[125] PwC, "'Stop the Clock' Directive and New Reliefs for ESRS 'Wave 1' Reporters," *PwC Viewpoint*, 2025, accessed April 18, 2026, https://viewpoint.pwc.com/gx/en/pwc/in-briefs/ib202505.html.
[126] Grant Thornton, "'Stop the Clock': Strategic Opportunities for Businesses," *Bernoni Grant Thornton*, April 2025, accessed April 18, 2026, https://www.bgt-grantthornton.it/en/tophic-newsletter/april-2025/stop-the-clock-strategic-opportunities-for-businesses/.
[127] Ibidem; The "Stop-the-clock" Directive represented only the first, timing-related step of the Omnibus I package. The substantive amendments to the CSRD and CSDDD were subsequently adopted through Directive (EU) 2026/470 of 24 February 2026 (see infra, Section 1.3.2.2). This thesis accounts for regulatory developments up to July 2026.
[128] PwC, "Omnibus Directive Finalised," *PwC Viewpoint*, 2025, accessed April 18, 2026, https://viewpoint.pwc.com/gx/en/pwc/in-briefs/ib_int202527.html#glance.
[129] Directive (EU) 2026/470 entered into force as scheduled on 18 March 2026, thereby completing the Omnibus I legislative process. Member States now have twelve months from that date to transpose the CSRD-related provisions, while the CSDDD transposition deadline is 26 July 2028. This thesis accounts for regulatory developments up to July 2026.
[130] Ibidem
[131] Ibidem

Taking everything in consideration, the Omnibus package reflects a broader shift in EU regulatory policy, from the expansion of sustainability obligations towards a phase of consolidation and simplification. While these measures aim to enhance feasibility and reduce administrative burdens, they also raise important questions regarding their potential impact on the effectiveness of the EU's sustainability framework.

CHAPTER 2 - THE SOCIAL DIMENSION OF CORPORATE SUSTAINABILITY: HUMAN RIGHTS IN EU AND ITALIAN LAW

Building on the analysis developed in the previous chapter, it is necessary to further specify the scope and content of the social dimension of sustainability. While environmental considerations have traditionally occupied a central position in the sustainability discourse, recent developments in EU law confirm that corporate sustainability is inherently multidimensional and cannot be reduced to environmental protection alone[132].

In particular, the "S" component of the ESG framework encompasses a wide and heterogeneous set of issues relating to the impact of corporate activity on individuals and communities. This includes, working conditions, labour rights, equality and non-discrimination, diversity and inclusion, consumer protection, and the rights of affected communities[133]. Within this framework, respect for internationally recognised human rights constitutes a foundational element of the social dimension of sustainability, informing both corporate conduct and regulatory expectations across global value chains[134].

This evolution is increasingly reflected in the normative development of European Union law. In particular, the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) confirm the progressive importance of human rights within the corporate sustainability framework[135]. Human rights are no longer addressed solely through voluntary or soft-law instruments, but are rather progressively integrated into binding obligations concerning corporate governance, risk management, reporting, and due diligence processes. As a result, they operate as structural components of the EU approach to sustainable corporate behaviour[136].

In light of these considerations, this chapter studies the role of the social dimension of sustainability within EU and Italian law, with specific reference to the integration of human rights into corporate regulatory frameworks. It first analyses the treatment of human rights within EU sustainability

[132] Stuart L. Gillan, Andrew Koch, and Laura T. Starks, "Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance," *Journal of Corporate Finance* 66 (2021): 2, 101889, https://doi.org/10.1016/j.jcorpfin.2021.101889.
[133] Hong Liang and Luc Renneboog, "Corporate Social Responsibility and Sustainable Finance: A Review," *Finance Working Paper No. 701/2020*, European Corporate Governance Institute (2020), 2, https://doi.org/10.2139/ssrn.3698631.
[134] Anna Dąbkowska and Mirosław Urbanek, "The Social Dimension of ESG Reporting in Systemically Important Financial Institutions in Germany: Between Regulatory Compliance and Strategic Transformation", *Journal for Perspectives of Economic Political and Social Integration*, Vol. 31, No. 2 (2025), 112, https://doi.org/10.18290/pepsi-2025-0018.
[135] Ivi, 121
[136] Judith Schrempf-Stirling, Harry J. Van Buren III, and Florian Wettstein, "Human Rights: A Promising Perspective for Business & Society", *Business & Society*, Vol. 61, No. 5 (2022), pp. 1282–1321.

legislation, before turning to their implementation within the Italian legal system. It then addresses the conceptual distinction between human rights and fundamental rights, which is relevant for the purposes of legal classification within different normative orders. Finally, the chapter focuses on freedom of religion or belief as a specific manifestation of the social dimension of corporate sustainability, highlighting its relevance for corporate governance and compliance structures and setting the analytical basis for the subsequent case study on Euro Company's Code of Ethics.

2.1 The Integration of Human Rights into EU Sustainability Law

The integration of human rights into European Union sustainability law reflects a broader evolution in the understanding of corporate responsibility, which has progressively expanded beyond environmental protection to encompass the social impact of corporate activities[137]. Within this framework, human rights have emerged as a central component of the "Social" dimension of Environmental, Social and Governance (ESG) criteria, thereby becoming an essential reference point for both policy-making and corporate regulation at the EU level[138].

The social pillar of ESG comprises a wide range of issues concerning to the impact of business activities on individuals and communities, including labour conditions, equality and non-discrimination, occupational health and safety, consumer protection, diversity and inclusion, and respect for human dignity. These concerns extend beyond a company's internal workforce and include relationships with local communities, consumers, suppliers, and other stakeholders throughout the value chain[139]. Within this context, human rights, rather than constituting one of many social issues, provide a coherent legal and ethical framework for defining corporate responsibilities towards individuals and society[140].

The growing relevance of human rights within corporate sustainability has also been driven by profound economic and institutional transformations associated with globalisation.

Traditionally, international human rights law was conceived as governing the relationship between States and individuals, with States acting as the primary duty-bearers responsible for protecting

[137] Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* 34, no. 4 (1991): 42.
[138] Hong Liang and Luc Renneboog, "Corporate Social Responsibility and Sustainable Finance: A Review," *Finance Working Paper No. 701/2020*, European Corporate Governance Institute (2020), 2, https://doi.org/10.2139/ssrn.3698631.
[139] Anna Dąbkowska and Mirosław Urbanek, "The Social Dimension of ESG Reporting in Systemically Important Financial Institutions in Germany: Between Regulatory Compliance and Strategic Transformation," *Journal for Perspectives of Economic Political and Social Integration* 31, no. 2 (2025): 111-112, https://doi.org/10.18290/pepsi-2025-0018.
[140] Kerstin Lopatta, Sebastian A. Tideman, Carolin Scheil, and Naser Makarem, "The Current State of Corporate Human Rights Disclosure of the Global Top 500 Business Enterprises: Measurement and Determinants," *Journal of Cleaner Production* 331 (2022): 129730, https://doi.org/10.1016/j.jclepro.2021.129730 .

fundamental rights. However, the expansion of multinational enterprises and increasingly complex global value chains has altered this balance. In many jurisdictions, particularly where domestic institutions are weak or enforcement mechanisms are ineffective, business enterprises exercise significant economic influence while remaining outside the direct scope of international human rights obligations[141]. This *governance gap*[142] has fuelled the debate on corporate responsibility for human rights and highlighted the limitations of relying exclusively on State regulation.

In this regard, a number of international soft law instruments have progressively established common standards for responsible business conduct. Among these, the United Nations Global Compact, launched in 2000 and the United Nations Guiding Principles on Business and Human Rights (UNGPs), unanimously endorsed by the United Nations Human Rights Council in 2011, represent the most authoritative global framework governing the relationship between business and human rights[143]. Built upon the three-pillar framework of *"Protect, Respect and Remedy"*, the UNGPs reaffirm that States have the duty to protect individuals against human rights abuses, while business enterprises bear an independent responsibility to respect internationally recognised human rights[144]. The three-pillar framework concerns: (a) the State duty to protect human rights, (b) the corporate responsibility to respect, and (c) the need for access to effective remedies[145].

A key feature of the UNGPs is the introduction of Human Rights Due Diligence (HRDD) as the primary mechanism through which companies are expected to fulfil their responsibility to respect human rights. HRDD requires business enterprises to identify and assess actual or potential human rights risks, and to implement appropriate measures to prevent, mitigate, and address adverse impacts, while being able to demonstrate that these processes are effectively integrated throughout their operations and value chains. Companies are therefore expected both to *know* and to *show* that they respect internationally recognised human rights.

[141] Ibidem
[142] Ivi, 2
[143] Elena Sychenko, "Labour Rights and International Labour Standards in the ESG Agenda," *Italian Labour Law e-Journal* 16, no. 1 (2023), 136, https://doi.org/10.6092/issn.1561-8048/15832.
[144] Kerstin Lopatta, Sebastian A. Tideman, Carolin Scheil, and Naser Makarem, "The Current State of Corporate Human Rights Disclosure of the Global Top 500 Business Enterprises: Measurement and Determinants," *Journal of Cleaner Production* 331 (2022): 5, 129730, https://doi.org/10.1016/j.jclepro.2021.129730 .
[145] United Nations, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, Human Rights Council, A/HRC/17/31 (New York and Geneva: United Nations, 2011), https://digitallibrary.un.org/record/706349.

Although initially conceived as a soft law standard, HRDD has progressively become one of the defining features of contemporary corporate sustainability regulation, later serving as the conceptual basis for the European Union's due diligence framework[146].

The UNGPs are complemented by other influential international instruments, including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct[147] and the International Labour Organization (ILO) Conventions and Tripartite Declaration[148], which further define standards relating to labour rights, working conditions, non-discrimination, and responsible business conduct. Although these instruments are formally non-binding, they have profoundly influenced the evolution of European corporate sustainability law by providing a common normative framework for the protection of human rights within business activities[149].

The increasing influence of these international standards also reflects a broader shift from voluntary Corporate Social Responsibility (CSR) initiatives towards binding legal obligations. Earlier CSR initiatives, including the European Commission's 2001 Green Paper[150], conceived corporate responsibility primarily as a voluntary commitment through which companies integrated social and environmental concerns into their business operations beyond legal compliance[151]. While this approach played a significant role in promoting responsible business practices, it proved insufficient to address systemic human rights risks arising within increasingly globalised supply chains. Consequently, European policymakers progressively moved towards a more regulatory model, integrating human rights considerations into corporate governance, sustainability reporting, and due diligence obligations[152].

At the national level, this transition was also reflected in the adoption of the Italian National Action Plan on Business and Human Rights 2021–2026 (NAP) [153]. Developed in accordance with the

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[146] Daniel Litwin and Elsa Savourey, "Human Rights in EU Sustainable Finance," *Journal of Financial Regulation* 11, no. 1 (2025): 42, https://doi.org/10.1093/jfr/fjaf001

[147] Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (Paris: OECD Publishing, 2023), https://doi.org/10.1787/81f92357-en.

[148] International Labour Organization (ILO), *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* (Geneva: International Labour Office, 2017), https://www.ilo.org/about-ilo/organizational-structure-international-labour-office/ilo-department-sustainable-enterprises-productivity-and-just-transition/tripartite-declaration-principles-concerning-multinational-enterprises-and- .

[149] Elena Sychenko, "Labour Rights and International Labour Standards in the ESG Agenda," *Italian Labour Law e-Journal* 16, no. 1 (2023), https://doi.org/10.6092/issn.1561-8048/15832.

[150] European Commission, *Green Paper: Promoting a European Framework for Corporate Social Responsibility*, COM(2001) 366 final (Brussels: European Commission, July 18, 2001), 6, EUR-Lex.

[151] Daniel Augenstein, "Negotiating the Hard/Soft Law Divide in Business and Human Rights: The Implementation of the UN Guiding Principles in the European Union," *Global Policy* 9, no. 3 (2018): 38, https://doi.org/10.1111/1758-5899.12573.

[152] Ivi, 37

[153] Interministerial Committee for Human Rights (CIDU), *II National Action Plan on Business and Human Rights 2021–2026* (Rome: Ministry of Foreign Affairs and International Cooperation, 2021), accessed July 14, 2026, https://cidu.esteri.it/en/attivita/impresa-e-diritti-umani/secondo-piano-dazione-nazionale-su-impresa-e-diritti-umani/.

United Nations Guiding Principles on Business and Human Rights, the Plan identifies priority actions aimed at promoting responsible business conduct and encouraging companies to integrate human rights considerations into their governance, policies, and due diligence processes. Although it does not impose legally binding obligations, the NAP represents an important policy instrument through which Italy has sought to implement the UNGPs domestically. It also anticipates many of the objectives subsequently pursued through the European sustainability framework, thereby contributing to the progressive transition from voluntary corporate responsibility towards a more structured and legally enforceable approach to business and human rights[154].

2.1.1 From Sustainability Reporting to Human Rights Due Diligence: CSRD and CSDDD

The European Union has progressively incorporated the principles developed at the international level into its corporate sustainability framework, particularly through the transition from voluntary commitments towards legally binding obligations. Within the broader context of the European Green Deal and the Sustainable Finance agenda, sustainability is increasingly conceived as a structural element of the Union's economic model, and respect for human rights has become an essential component of corporate accountability[155].

A significant step in this direction was represented by the Corporate Sustainability Reporting Directive, which strengthens and extends the European Union framework on non-financial disclosure by introducing a more comprehensive and harmonised approach to sustainability reporting. Unlike previous reporting regimes, the CSRD explicitly incorporates human rights within the broader concept of sustainability matters, together with environmental, social and governance considerations[156].

Through the introduction of the principle of double materiality[157], human rights become an integral component of corporate sustainability reporting, particularly through the assessment of impacts throughout the value chain. The European Sustainability Reporting Standards (ESRS), adopted to operationalise the CSRD, further reinforce this approach by establishing specific disclosure requirements concerning social and human rights-related matters[158]. In particular, the ESRS address

[154] Danish Institute for Human Rights, "National Action Plans on Business and Human Rights," *National Action Plans on Business and Human Rights*, accessed July 14, 2026, https://globalnaps.org/about/.
[155] Alvise Favotto and Kelly Kollman, "When Rights Enter the CSR Field: British Firms' Engagement with Human Rights and the UN Guiding Principles," *Journal of Business Ethics* 178 (2022): 561–579, https://doi.org/10.1007/s10551-021-04807-0.
[156] Daniel Litwin and Elsa Savourey, "Human Rights in EU Sustainable Finance," *Journal of Financial Regulation* 11, no. 1 (2025): 61-62, https://doi.org/10.1093/jfr/fjaf001.
[157] See Chapter 1.2.1 The principle of double materiality
[158] PwC Netherlands, "Human Rights," accessed July 8, 2026, https://www.pwc.nl/en/topics/sustainability/human-rights.html.

different categories of affected stakeholders through standards such as S1 Own Workforce, S2 Workers in the Value Chain, S3 Affected Communities, and S4 Consumers and End-Users[159], thereby recognising that corporate impacts extend beyond the boundaries of the undertaking itself.

The integration of human rights into the CSRD framework is also closely connected to the concept of human rights due diligence (HRDD). The ESRS draw upon several elements of the HRDD process, including the identification and assessment of adverse impacts, stakeholder engagement, and the disclosure of policies and procedures adopted by companies to address sustainability-related risks. In this sense, the CSRD contributes to increasing transparency regarding corporate human rights practices and enables investors and other stakeholders to better assess how companies manage human rights-related impacts within their operations and value chains[160].

However, the CSRD should not be understood as fully equivalent to human rights due diligence obligations. While HRDD under the UNGPs and OECD Guidelines requires companies to take action to identify, prevent, mitigate, and remedy adverse human rights impacts, the CSRD and ESRS primarily establish disclosure obligations. Therefore, the sustainability due diligence approach reflected in the ESRS can be considered a form of partial HRDD, as it incorporates several procedural elements of due diligence while focusing primarily on transparency and reporting rather than imposing a direct obligation of conduct[161].

As discussed in Chapter 1, a more extensive transition from disclosure-based requirements towards substantive corporate obligations is represented by the Corporate Sustainability Due Diligence Directive (CSDDD)[162]. Widely regarded as "the most comprehensive regional attempt to formalize HRDD as a mandatory corporate obligation"[163], the Directive translates the principles developed under the UN Guiding Principles on Business and Human Rights and the OECD Guidelines into legally binding obligations for companies falling within its scope[164]. In doing so, it marks a significant step in the juridification of human rights within EU corporate sustainability law, moving human rights due diligence from the realm of voluntary corporate responsibility to enforceable legal obligations[165]. This development confirms that respect for human rights is no longer

[159] CSRD Institute. *CSRD Fundamentals – Study Notes (2025 STC Update).* 2025.
[160] Daniel Litwin and Elsa Savourey, "Human Rights in EU Sustainable Finance," *Journal of Financial Regulation* 11, no. 1 (2025): 61-62, https://doi.org/10.1093/jfr/fjaf001.
[161] Ibidem
[162] See Chapter 1.3 The Corporate Sustainability Due Diligence Directive
[163] Surbhi Goyal, Surya Saxena, Ravi Raj, Sakshi Gupta, Deepak Bansal, and Isha Kaushal, "ESG and Mandatory Human Rights Due Diligence (HRDD): Lessons for India from the EU Corporate Sustainability Due Diligence Directive (CSDDD)," *European Economics Letters* 15, no. 4 (2025): 1882, https://doi.org/10.52783/eel.v15i4.3982.
[164] Daniel Litwin and Elsa Savourey, "Human Rights in EU Sustainable Finance," *Journal of Financial Regulation* 11, no. 1 (2025): 52, https://doi.org/10.1093/jfr/fjaf001.
[165] Ibidem

conceived merely as an element of corporate reputation or voluntary CSR, but as a structural component of responsible business conduct within the European regulatory framework.

The progressive integration of human rights into EU sustainability law therefore provides the legal framework within which specific fundamental rights, including freedom of religion or belief, can be addressed as integral components of contemporary corporate sustainability.

2.2 Sustainability and Human Rights in the Italian Legal System

The integration of human rights into corporate sustainability within the Italian legal system reflects the interaction between European regulatory developments and pre-existing constitutional principles concerning the protection of human dignity, social rights, and the role of economic activity within society. Although recent European initiatives have significantly contributed to the development of a more structured framework for corporate sustainability, the relationship between business activities and the protection of fundamental rights has long been embedded within the Italian constitutional order[166].

The Italian approach to corporate responsibility is therefore characterised by the coexistence of two complementary dimensions. On the one hand, economic initiative and entrepreneurial freedom are recognised as essential elements of the market economy. On the other hand, such freedoms are subject to constitutional limits aimed at ensuring that economic activities respect individual rights, social solidarity, and the collective interest. In this sense, the Italian legal framework reflects an understanding of business activity that extends beyond the pursuit of economic objectives and incorporates broader responsibilities towards workers, communities, and society as a whole[167].

Human dignity represents a fundamental principle connecting constitutional values and corporate sustainability. The protection of individuals, the promotion of equality, and the requirement that economic activities do not harm fundamental rights provide a normative basis for understanding corporate responsibility in the Italian context. These principles have acquired renewed relevance in light of the growing influence of European sustainability legislation, which has progressively transformed issues traditionally associated with voluntary corporate responsibility into structured legal obligations[168].

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[166] ADVANT Nctm, "International Comparative Legal Guide – Environmental, Social & Governance Law 2022, Italian Chapter," accessed July 13, 2026, https://www.advant-nctm.com/en/news/international-comparative-legal-guide-environmental-social-governance-law-2022-edition-italian-chapter.

[167] Paolo Ricci, "Article 41 of the Italian Constitution and the Italian Model of Corporate Social Responsibility," *Review of International Comparative Management* 12, no. 3 (2011): 497–506.

[168] Francesco Fimmanò, "Art. 41 della Costituzione e valori ESG: esiste davvero una responsabilità sociale dell'impresa?," *Giurisprudenza commerciale*, 2023, 803.

The following sections explore, first, the constitutional foundations underpinning the relationship between human rights and corporate responsibility in Italy and, second, the implementation of the Corporate Sustainability Reporting Directive (CSRD) through Legislative Decree No. 125 of 2024, which represents the most recent step in the integration of sustainability considerations into the Italian corporate regulatory framework.

2.2.1 Constitutional Foundations of Human Dignity and Corporate Responsibility

Long before the adoption of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), the Italian Constitution had already established a constitutional framework in which economic activity is closely connected with the protection of human dignity, social solidarity, and the common good. Rather than recognising entrepreneurial freedom as an absolute right, the Constitution conceives economic initiative as a freedom that must be exercised consistently with the rights of individuals and the broader interests of society[169].

This constitutional approach is primarily reflected in Article 2 of the Italian Constitution, which recognises and guarantees the inviolable rights of the person while requiring the fulfilment of the fundamental duties of political, economic, and social solidarity[170]. Human dignity therefore constitutes one of the fundamental values underpinning the constitutional order and provides the normative basis for balancing economic freedoms with the protection of individual rights.

A key feature of Article 2 is its open and flexible nature, which allows it to be interpreted dynamically in light of the theory of the "material constitution" elaborated by Costantino Mortati. According to this theory, the true constitution of a country is not confined to its written text but emerges from the effective dynamics of social and political life[171]. Because Article 2 does not expressly enumerate which rights are inviolable, it allows the Italian legal system to extend constitutional protection to rights that were not originally envisaged by the framers. Many of these rights have gradually been recognised under the influence of international law as part of what the Constitutional Court, in its landmark Judgment No. 11 of 1956, described as the "inalienable heritage of human personality"[172].

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[169] Treccani, s.v. "Libertà di iniziativa economica privata," *Enciclopedia on line*, Istituto della Enciclopedia Italiana, accessed July 13, 2026, https://www.treccani.it/enciclopedia/liberta-di-iniziativa-economica-privata/.
[170] *Constitution of the Italian Republic,* art. 2.
[171] Basira Hussen, "Freedom of Religion or Belief as a Pillar of Sustainability: Corporate Social Responsibility in the Perspective of the Italian Legislative Decree 125/2024 and the 'Modena Charter'," *Il diritto ecclesiastico* 136, no. 2 (2025): 385–411, https://doi.org/10.19272/202530802004.
[172] Corte Costituzionale, judgment No. 11/1956, July 3, 1956, https://giurcost.org/decisioni/1956/0011s-56.html.

The Constitutional Court has consistently reaffirmed the foundational role of Article 2. In Judgment No. 252 of 1983, it held that the inviolable rights protected by Article 2 constitute "an essential component of the very form of the State"[173]. In Judgment No. 561 of 1987, it grounded the protection of human dignity directly in Article 2, affirming it as a fundamental value subject to direct constitutional protection. Finally, in Judgment No. 161 of 1985, it linked the principle of solidarity enshrined in Article 2 to a duty of reparation whenever the violation of rights undermines the free development of personality[174].

Although the Constitution does not expressly refer to corporate sustainability, the principle of solidarity establishes that economic actors cannot pursue exclusively private interests but must also contribute to the well-being of society.

The constitutional protection of equality further reinforces this perspective. Article 3 guarantees the equal social dignity of all individuals and prohibits discrimination on grounds such as sex, race, language, religion, political opinions, and personal or social conditions. Beyond guaranteeing equality before the law, Article 3(2) assigns the Republic the task of removing economic and social obstacles that limit the full development of individuals and their effective participation in social and economic life. In the context of corporate sustainability, this principle provides a constitutional basis for the social dimension of responsible business conduct, particularly regarding non-discrimination, inclusion, equal opportunities, and the protection of vulnerable groups[175]. The contemporary "Social" dimension of ESG reflects similar concerns, requiring companies to consider their impacts on employees, communities, consumers, and other stakeholders[176].

The constitutional framework governing corporate activity is also defined by Article 41, which recognises freedom of private economic initiative while simultaneously subjecting its exercise to limits designed to protect the public interest. According to the Constitution, economic initiative may not be carried out in a manner contrary to social utility or in a way that damages safety, liberty, or human dignity[177]. Consequently, entrepreneurial freedom is not conceived as an autonomous objective, but rather as a constitutional freedom that must coexist with the protection of fundamental rights and the collective interest. This provision has traditionally represented the principal

[173] Corte costituzionale, Judgment No. 252 of 1983.
[174] Basira Hussen, "Freedom of Religion or Belief as a Pillar of Sustainability: Corporate Social Responsibility in the Perspective of the Italian Legislative Decree 125/2024 and the 'Modena Charter'," *Il diritto ecclesiastico* 136, no. 2 (2025): 385–411, https://doi.org/10.19272/202530802004.
[175] *Constitution of the Italian Republic,* art. 3.
[176] Alessandro Annarelli, Tiziana Catarci, and Laura Palagi, "The Forgotten Pillar of Sustainability: Development of the S-Assessment Tool to Evaluate Organizational Social Sustainability," *arXiv* (2024), https://doi.org/10.48550/arXiv.2404.04077.
[177] *Constitution of the Italian Republic,* art. 41.

constitutional foundation for the social responsibility of business within the Italian legal system, anticipating many of the values that today underpin contemporary corporate sustainability[178].

The constitutional relevance of sustainability was further strengthened by Constitutional Law No. 1 of 11 February 2022, which amended Articles 9 and 41 of the Constitution. The reform introduced the protection of the environment, biodiversity, and ecosystems, including in the interests of future generations, among the fundamental principles of the Republic, while simultaneously expanding the constitutional limits applicable to private economic initiative. Article 41 now expressly provides that economic activities may not be conducted in a manner that damages health or the environment, alongside the pre-existing references to safety, liberty, and human dignity[179]. The reform therefore constitutionalises sustainability as a guiding principle of the Italian legal system and confirms that environmental protection and respect for fundamental rights are integral considerations in the exercise of economic activity[180].

Taken together, Articles 2, 3, 9, and 41 demonstrate that the Italian constitutional framework already contains the fundamental principles upon which contemporary corporate sustainability is built. The protection of human dignity, equality, solidarity, and the public interest establishes a constitutional vision of economic activity that extends beyond the pursuit of profit and requires businesses to operate consistently with broader social and environmental objectives. In this respect, recent European sustainability legislation does not introduce an entirely new conception of corporate responsibility within the Italian legal order but rather reinforces and operationalises constitutional principles that have long governed the relationship between economic initiative and the protection of fundamental rights[181].

2.2.2 Implementation of the CSRD: Legislative Decree No. 125 of 2024

The constitutional principles examined above have progressively found concrete expression within the Italian regulatory framework through the implementation of European sustainability legislation. In this context, Legislative Decree No. 125 of 6 September 2024, which transposes

[178] Paolo Ricci, "Article 41 of the Italian Constitution and the Italian Model of Corporate Social Responsibility," *Review of International Comparative Management* 12, no. 3 (2011): 497–506.
[179] *Constitutional Law No. 1 of 11 February 2022, Amending Articles 9 and 41 of the Constitution on Environmental Protection* (Italy).
[180] Donato Greco, "The 2022 'Environmental Reform' of the Italian Constitution and International Law," *Italian Yearbook of International Law Online* 32, no. 1 (2023): 263–279, https://doi.org/10.1163/22116133-03201014.
[181] Paolo Ricci, "Article 41 of the Italian Constitution and the Italian Model of Corporate Social Responsibility," *Review of International Comparative Management* 12, no. 3 (2011): 497–506.

Directive (EU) 2022/2464 on corporate sustainability reporting[182], represents a significant step in the evolution of corporate responsibility within the Italian legal system.

Of particular relevance for the present analysis is the correspondence table[183] (*tabella di concordanza* or *tabella di trasposizione*) accompanying the draft legislative decree implementing the CSRD. This document establishes a correspondence between the provisions of the EU directive and the related provisions of the national implementing measure. Although it does not have an interpretative function, it provides a useful basis for verifying whether specific terminology adopted in Legislative Decree No. 125/2024 reflects an autonomous choice of the Italian legislator or directly reproduces the wording of the EU legislation. In this regard, the correspondence table is particularly relevant for assessing whether the reference to "human rights" (*diritti umani*) derives from the terminology already contained in Directive 2013/34/EU as amended by the CSRD.

A central aspect of this transformation is the explicit recognition of human rights as an essential component of sustainability. Article 1(1)(f) of Legislative Decree No. 125/2024 defines "sustainability matters" as including "environmental, social, human rights and governance factors" ("*fattori ambientali, sociali, relativi ai diritti umani e di governance*")[184]. The correspondence table confirms that this definition transposes, virtually verbatim, the equivalent definition inserted into Directive 2013/34/EU by Article 1 of the CSRD[185], which already treats human rights as an autonomous category placed alongside (rather than subsumed within) the environmental, social, and governance dimensions. The same choice recurs in the provision implementing Article 19a of the amended Directive 2013/34/EU (Article 5 of the decree), which requires undertakings to report on "social factors and human rights" ("*fattori sociali e in materia di diritti umani*"), listing, among others, respect for human rights as protected under the International Bill of Human Rights and other fundamental UN and ILO conventions[186]. Again, in a passage of the illustrative report itself rather

[182] European Parliament and Council of the European Union, *Directive (EU) 2022/2464 of 14 December 2022 Amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as Regards Corporate Sustainability Reporting*, Official Journal of the European Union, L 322, 16 December 2022.
[183] The correspondence table is required for draft legislative decrees transposing EU directives pursuant to Article 31(2) of Law No. 234 of 24 December 2012. It accompanies the draft decree submitted to Parliament and matches, article by article, the provisions of the EU act with the corresponding national provisions. Together with other accompanying documents, such as the illustrative report (relazione illustrativa), the technical report (relazione tecnica), the technical-normative analysis (analisi tecnico-normativa, ATN), and the regulatory impact assessment (analisi di impatto della regolamentazione, AIR), it forms part of the legislative documentation supporting the transposition process.
[184] Italy, *Legislative Decree No. 125 of 6 September 2024, Implementation of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting*, Gazzetta Ufficiale della Repubblica Italiana, General Series no. 212, September 10, 2024, art. 1(1)(f).
[185] European Union, *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014 and Directives 2004/109/EC, 2006/43/EC and 2013/34/EU as regards corporate sustainability reporting (CSRD)*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng/.
[186] European Parliament and Council of the European Union, *Directive (EU) 2022/2464*, art. 1, inserendo l'art. 19-bis, par. 2, lett. b), nella Direttiva 2013/34/UE; Italia, *Decreto Legislativo 6 settembre 2024, n. 125*, art. 5, comma 1, lett. b).

than in the directive's text, where the coordination between the competent supervisory authorities is described as serving the "protection of human rights" ("*tutela dei diritti umani*") alongside environmental and social sustainability[187].

Significantly, the illustrative report explicitly notes that several of the decree's definitions, including those bearing on the scope of the sustainability-matters category, reproduce ("*ripropongono*") wording already used in Legislative Decree No. 254 of 30 December 2016, which had transposed the earlier Non-Financial Reporting Directive (NFRD) into Italian law[188]. This indicates that the use of "*diritti umani*" in Decree No. 125/2024 is not an isolated or novel terminological choice made in 2024, but the continuation of a translation adopted in the Italian legal order since 2016, when the NFRD itself required undertakings to report on "social, employee-related, environmental, human rights and anti-corruption matters"[189].

By incorporating human rights directly within the legal definition of sustainability matters in continuity with, rather than departure from, prior domestic and European usage, the Italian framework confirms that the protection of fundamental rights is not an external ethical consideration or a voluntary corporate commitment, but an intrinsic element of responsible business conduct.

This approach reflects the broader evolution of corporate sustainability analysed in the previous chapter, in which the social dimension of ESG progressively expanded towards a more comprehensive consideration of human rights impacts.

The implementation of the CSRD in the Italian legal system therefore reinforces a stakeholder-oriented conception of corporate responsibility. Sustainability is no longer limited to the relationship between companies and shareholders, but requires consideration of the effects generated on employees, consumers, local communities, suppliers, and other actors connected to business activities. In particular, the reference to human rights within sustainability matters highlights the importance of assessing corporate impacts throughout the value chain, including both upstream and downstream relationships. This perspective acknowledges that risks to fundamental rights may

[187] Presidenza del Consiglio dei Ministri, *Relazione illustrativa*, Atto del Governo n. 160, cit., commento all'art. 11 (Coordinamento tra le Autorità).
[188] Presidenza del Consiglio dei Ministri, *Relazione illustrativa*, Atto del Governo n. 160, cit., commento all'art. 1 (Definizioni); Italia, *Decreto Legislativo 30 dicembre 2016, n. 254, "Attuazione della direttiva 2014/95/UE..."*, Gazzetta Ufficiale, Serie Generale, n. 7, 10 gennaio 2017, art. 3, comma 1, lett. e).
[189] European Parliament and Council of the European Union, *Directive 2014/95/EU of 22 October 2014 Amending Directive 2013/34/EU as Regards Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups*, Official Journal of the European Union, L 330, 15 November 2014, art. 19a(1).

emerge not only from a company's own operations, but also from the activities of suppliers, subcontractors, and business partners involved in the production and distribution processes[190].

In this sense, the implementation of the CSRD through Legislative Decree No. 125/2024 represents an important stage in the transformation of corporate responsibility in Italy. By recognising human rights as a fundamental dimension of sustainability, and by doing so in continuity with the terminology already adopted under the NFRD in 2016, the decree strengthens the connection between economic activity, social responsibility, and the protection of human dignity established by the Italian constitutional framework. This development also reflects a broader constitutional understanding of economic activity in Italy, according to which enterprises operate within a social framework where economic freedom must coexist with the protection of fundamental rights and human dignity.

2.3 Human Rights and Fundamental Rights: a conceptual clarification

Having assessed the treatment of human rights within EU sustainability law and their constitutional foundation in the Italian legal order, it is necessary to clarify the relationship between the two lexical categories employed thus far: "human rights", consistently used by the CSRD and CSDDD, and "fundamental rights", the term traditionally associated with EU and Italian constitutional law.

Human rights are generally understood as rights inherent to the person as such, independently of their recognition by any public authority; they are founded on the equal dignity of every individual and apply universally, regardless of citizenship or membership of a specific legal order[191]. This universalist and pre-institutional dimension is reflected in the principal instruments of international human rights law (the Universal Declaration of Human Rights of 1948 and the two International Covenants of 1966) which remain the primary normative reference for the concept[192].

Fundamental rights, by contrast, denote the positivisation of these same substantive interests within a specific legal order: they are enshrined in constitutions or supranational charters and are, as such, directly enforceable before the competent courts. The distinction is, in the first instance, a question of source: human rights derive their authority from international law, fundamental rights

[190] Daniel Litwin and Elsa Savourey, "Human Rights in EU Sustainable Finance," *Journal of Financial Regulation* 11, no. 1 (2025): 61-62, https://doi.org/10.1093/jfr/fjaf001.
[191] Office of the United Nations High Commissioner for Human Rights (OHCHR), "What are Human Rights?," accessed July 21, 2026, https://www.ohchr.org/en/what-are-human-rights.
[192] United Nations General Assembly, *Universal Declaration of Human Rights*, G.A. Res. 217A (III) (December 10, 1948); *International Covenant on Civil and Political Rights*, G.A. Res. 2200A (XXI) (December 16, 1966); *International Covenant on Economic, Social and Cultural Rights*, G.A. Res. 2200A (XXI) (December 16, 1966).

from domestic or supranational constitutional law[193]. Within the European Union, the principal catalogue is the Charter of Fundamental Rights, binding since the entry into force of the Treaty of Lisbon[194]. At the national level, the Italian Constitution performs the same function, notably through Articles 2, 3, 19 and 41[195].

The two categories nonetheless remain closely connected rather than mutually exclusive: many fundamental rights recognised at EU and national level correspond directly to rights first articulated within the international human rights system, which thus provides the normative foundation upon which domestic and European guarantees are built[196].

As shown in chapter 2.2.2, the expression "human rights" employed in Article 1(1)(f) of Legislative Decree No. 125/2024 does not reflect an autonomous terminological choice by the Italian legislator, but rather transposes, virtually verbatim, the wording already used in the CSRD and, before it, in the 2016 NFRD[197]. The relevant conceptual choice therefore lies at the EU level: by placing "human rights", rather than "fundamental rights", alongside environmental, social and governance factors, the EU legislator situates sustainability-related obligations within a value framework of universal scope, extending beyond entitlements attached to citizenship or confined within the boundaries of any single constitutional text[198]. The Italian implementation, in adopting this terminology in continuity with domestic practice since 2016, confirms rather than originates this orientation.

It is against this background that freedom of religion or belief can be read as a case of convergence between the two categories: recognised internationally as a human right under the UDHR and the ICCPR, it simultaneously constitutes a fundamental right under Article 10 of the EU Charter and Article 19 of the Italian Constitution[199]. The following sections investigate this convergence within the specific framework of corporate sustainability regulation.

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[193] Patrick Kinsch, "Human Rights and Fundamental Rights (ChFR and ECHR)," *Max Planck Encyclopedia of European Private Law*, accessed July 21, 2026, https://max-eup2012.mpipriv.de/index.php/Human_Rights_and_Fundamental_Rights_(ChFR_and_ECHR).
[194] *Charter of Fundamental Rights of the European Union*, 2000/C 364/01, consolidated version in *Official Journal of the European Union* C 326 (October 26, 2012): 391–407; *Treaty on European Union* (consolidated version), art. 6(1).
[195] See Chapter 2.2.1 Constitutional Foundations of Human Dignity and Corporate Sustainability
[196] "Human Rights," EUR-Lex Glossary, European Union, accessed July 21, 2026, https://eur-lex.europa.eu/EN/legal-content/glossary/human-rights.html.
[197] See Chapter *2.2.2 Implementation of the CSRD: Legislative Decree No. 125/2024*
[198] This distinction follows from the source-based criterion set out above: see OHCHR, "What are Human Rights?"; Kinsch, "Human Rights and Fundamental Rights (ChFR and ECHR)" (both cited in notes 198 and 200 above).
[199] *Charter of Fundamental Rights of the European Union*, art. 10; *Costituzione della Repubblica Italiana*, art. 19.

2.4 Freedom of Religion or Belief in Corporate Sustainability

Having examined the progressive integration of human rights into the European corporate sustainability framework, it is now possible to focus on one specific fundamental right that has received comparatively limited attention within ESG scholarship and practice: freedom of religion or belief (FoRB). Unlike non-discrimination on grounds of gender or disability, child labour, or occupational health and safety, issues long central to corporate sustainability practice, religious freedom has traditionally received more limited attention within corporate governance, often addressed only implicitly through broader diversity policies[200]. This limited attention contrasts with its significant legal relevance: as the following sections show, FoRB is independently protected at both European and Italian constitutional level, and its manifestation specifically within the workplace has generated a growing body of case law directly concerning private employers. It is therefore increasingly relevant to corporate governance, both as a matter of legal compliance and as a component of a company's broader social responsibility towards employees, customers, and other stakeholders[201].

2.4.1 Freedom of Religion or Belief in European and Italian Constitutional Law

At the European level, freedom of religion or belief is protected under Article 9 ECHR and Article 10 of the EU Charter of Fundamental Rights, the latter reproducing, pursuant to Article 52(2) ChFR, the same meaning and scope as the corresponding Convention provision[202]. The European Court of Human Rights has interpreted Article 9, since *Kokkinakis v. Greece* (1993), as protecting both an internal dimension (*forum internum*) and an external one (*forum externum*, the freedom to manifest belief through worship, teaching, practice and observance)[203]. The relationship between freedom of religion and private employment was scrutinised by the Grand Chamber in Eweida and Others v. United Kingdom (2013), a joined case concerning four applicants. Most notably, the case of Nadia Eweida concerned a British Airways employee who challenged the prohibition on wearing a visible cross at work[204]. The Court held that a restriction on religious dress imposed by a private employer falls within the scope of Article 9, and that States must strike a fair balance between an employee's right to manifest their religion and the employer's legitimate interests, such as a corporate image or

[200] Religious Freedom & Business Foundation, "Corporate Social Responsibility and Freedom of Religion or Belief (FoRB) in the Workplace," accessed July 21, 2026, https://religiousfreedomandbusiness.org/corporate-social-responsibility-and-freedom-of-religion-or-belief-forb-in-the-workplace.
[201] Matteo Corsalini, "Religious Freedom, Inc: Business, Religion and the Law in the Secular Economy," *Oxford Journal of Law and Religion* 9, no. 1 (February 2020): 28–55, https://doi.org/10.1093/ojlr/rwaa008.
[202] Charter of Fundamental Rights of the European Union, art. 10, art. 52(2).
[203] *Kokkinakis v. Greece*, App. No. 14307/88, Eur. Ct. H.R. (1993).
[204] *Eweida and Others v. United Kingdom*, App. Nos. 48420/10, 59842/10, 51671/10 and 36516/10, Eur. Ct. H.R. (2013).

dress-code policy.[205] The judgment is particularly significant because it confirms that the forum externum of religious freedom may operate as a constraint on private corporate policies and not merely on State action.

At the domestic level, freedom of religion is protected under Article 19 of the Italian Constitution, in conjunction with Article 3, which prohibits discrimination on grounds of religion among others[206], and with the principle of *laicità* (secularism)[207]. Although not expressly stated in the constitutional text, this principle was recognised by the Italian Constitutional Court in its landmark judgment No. 203 of 1989 as a "supreme principle" of the constitutional order, derived from the combined reading of Articles 2, 3, 7, 8, 19 and 20[208]. The Court clarified that *laicità* does not imply state indifference towards religion but rather a positive guarantee of religious freedom within a framework of confessional and cultural pluralism[209], an interpretation that favours an equality-based, rather than assimilationist, understanding of religious pluralism, a normative orientation against which the following case study will assess the extent to which Euro Company's own internal policies converge or diverge[210].

Consequently, FoRB cannot be understood solely as a constitutional guarantee governing the relationship between the individual and the State, but also as a right that is increasingly relevant to relationships between private actors, including those arising within the workplace. This broader perspective provides the legal context for examining how companies address religious diversity through their employment practices and sustainability policies.

2.4.2 Freedom of Religion or Belief within the EU Sustainability Framework

Within EU law, religion has long been a protected ground of non-discrimination in employment: Council Directive 2000/78/EC, establishing a general framework for equal treatment in employment and occupation, expressly lists religion or belief among the prohibited grounds of discrimination[211]. The application of this Directive to corporate policies restricting the visible wearing of religious symbols was clarified by the Court of Justice of the European Union in its joined 2017 judgments in *Achbita v. G4S Secure Solutions* (C-157/15) and *Bougnaoui v. Micropole* (C-188/15). Both cases

[205] Human Rights Law Centre, "Balancing the Freedom of Religious Expression with the Protection against Discrimination," *Human Rights Law Centre*, accessed July 22, 2026, https://www.hrlc.org.au/case-summaries/balancing-the-freedom-of-religious-expression-with-the-protection-against-discrimination/.
[206] *Costituzione della Repubblica Italiana*, arts. 3 and 19.
[207] Corte costituzionale, sentenza 12 aprile 1989, n. 203.
[208] Corte Costituzionale, sentenza n. 203/1989, 11 aprile 1989.
[209] Ibidem
[210] See Chapter 3.
[211] Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation, OJ L 303, 2.12.2000, 16–22.

concerned Muslim employees dismissed for wearing an Islamic headscarf. In Achbita, the Court held that an internal company rule prohibiting the visible wearing of any political, philosophical or religious sign, applied in a general and consistent manner, does not constitute direct discrimination under Directive 2000/78/EC. They may be justified by an employer's legitimate policy of neutrality towards customers, read together with the freedom to conduct a business under Article 16 ChFR[212]. In *Bougnaoui*, decided the same day, the Court held that a customer's request not to be served by an employee wearing a headscarf cannot itself justify a dismissal, absent a genuine and consistently applied neutrality policy[213]. Together, these judgments establish the CJEU's framework for balancing corporate neutrality policies and freedom of religion in the workplace, particularly in contexts involving contact with customers. This framework provides the interpretive lens against which the customer-service provisions of Euro Company's Code of Ethics will be assessed in the following chapter.

This employment-based framing is also reflected in the sustainability reporting architecture established by the ESRS. Under the ESRS, ESRS S1 (Own Workforce) requires undertakings to disclose, under Disclosure Requirement S1-1, whether their non-discrimination policies specifically cover religion among the protected grounds, and, under S1-16, to report work-related incidents of discrimination on grounds including "religion or belief"[214]. Notably, this pattern is not specific to religion but reflects the broader architecture of the ESRS: rather than being addressed through a standalone standard, human rights considerations are structured as cross-cutting concerns that recur, in substantially aligned form, across ESRS S1 (Own Workforce), S2 (Workers in the Value Chain), S3 (Affected Communities), and S4 (Consumers and End-Users), which are designed to be aligned in content and structure and to relate directly to one another[215].

This is reinforced at the level of substantive due diligence obligations by the CSDDD, whose obligations are expressly grounded in the international human rights instruments listed in its Annex, including the ICCPR, which protects freedom of religion under Article 18[216]. Consequently, companies subject to the Directive are expected to identify and address adverse impacts affecting freedom of religion or belief as part of their broader human rights due diligence processes.

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[212] Case C-157/15, *Achbita and Centrum voor gelijkheid van kansen en voor racismebestrijding v. G4S Secure Solutions NV*, ECLI:EU:C:2017:203, Judgment of 14 March 2017.
[213] Case C-188/15, *Bougnaoui and Association de défense des droits de l'homme (ADDH) v. Micropole SA*, ECLI:EU:C:2017:204, Judgment of 14 March 2017.
[214] European Financial Reporting Advisory Group (EFRAG), *ESRS S1 — Own Workforce*, Disclosure Requirements S1-1 and S1-16.
[215] EFRAG, "ESRS S1 – Own Workforce," EFRAG Knowledge Hub, accessed July 22, 2026, https://knowledgehub.efrag.org/eng/interactive/simplified-esrs/esrs-s1/technical-advice.
[216] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on Corporate Sustainability Due Diligence, Annex, Part I; International Covenant on Civil and Political Rights, art. 18.

The same orientation underlies the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, both of which frame respect for internationally recognised human rights (including FoRB) as a baseline expectation of responsible business conduct[217].

Across this regulatory architecture, freedom of religion or belief consistently appears embedded within the broader themes of non-discrimination, diversity, and working conditions, rather than as a distinct compliance domain. This regulatory architecture may help explain why undertakings often address FoRB indirectly, embedding it within broader ESG policies rather than adopting dedicated religion-specific measures. This makes the case of Euro Company, considered in the following chapter, particularly instructive, as it allows an empirical assessment of how a company translates this transversal understanding of FoRB into concrete internal policies and ethical commitments.

2.4.3 Corporate Governance and the Implementation of Freedom of Religion or Belief

The recognition of freedom of religion or belief as a human and fundamental right does not automatically guarantee its effective protection within private organisations. While international and European legal frameworks establish the responsibility of business enterprises to respect human rights[218], the practical implementation of these principles depends on the extent to which companies integrate them into their governance structures, internal policies, and organisational culture. In this sense, corporate governance represents the institutional framework through which human rights commitments can be translated into concrete practices and mechanisms capable of preventing discrimination and promoting inclusion[219].

Within the corporate context, freedom of religion or belief is generally addressed not as an isolated governance issue, but as part of broader principles of equality, non-discrimination, diversity, and respect for human dignity[220]. This reflects the understanding, developed throughout the previous sections, that FoRB constitutes a cross-cutting human right that affects multiple dimensions of corporate responsibility, particularly employment relationships, stakeholder relations, and organisational culture. Consequently, companies increasingly incorporate religious freedom within

[217] UN Guiding Principles on Business and Human Rights (2011); OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.
[218] UN Guiding Principles on Business and Human Rights (2011), Principle 1; see Chapter 2.1 above.
[219] OECD, *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (Paris: OECD Publishing, 2023), chap. II, "General Policies".
[220] Religious Freedom & Business Foundation, "Corporate Social Responsibility and Freedom of Religion or Belief (FoRB) in the Workplace," accessed July 21, 2026, https://religiousfreedomandbusiness.org/corporate-social-responsibility-and-freedom-of-religion-or-belief-forb-in-the-workplace.

wider human rights and diversity frameworks rather than establishing separate policies specifically dedicated to religious matters[221].

One of the main instruments through which companies formalise their commitment to human rights and responsible conduct is represented by corporate codes of ethics. They can be described as the "constitutional charter" of the undertaking: a corporate document setting out the rights, duties, and responsibilities of the entity towards its stakeholders (employees, suppliers, customers, public administration, shareholders, and financial markets)[222]. Within the Italian legal system, the relevance of codes of ethics extends beyond a purely reputational function. In the context of Legislative Decree No. 231/2001, the adoption of an adequate organisational model, including a code of ethics and a supervisory body, may contribute to preventing corporate liability for offences committed in the interest or advantage of the entity[223]. Codes of ethics therefore perform both an aspirational function, by expressing corporate values and commitments, and a preventive function, by establishing behavioural standards within the organisation[224].

In relation to freedom of religion or belief, codes of ethics play an important role in translating general human rights principles into organisational expectations[225]. By expressing commitments concerning dignity, equality, and the prohibition of discriminatory practices, codes of ethics contribute to transforming abstract human rights principles into organisational expectations and standards of behaviour. In relation to freedom of religion or belief, ethical codes may therefore play a significant role in recognising religious diversity, prohibiting discriminatory conduct, and establishing a corporate culture based on mutual respect[226].

This broader understanding of corporate responsibility is consistent with the stakeholder-oriented approach underlying contemporary sustainability frameworks. Companies operate within complex social environments and interact with different groups, including employees, consumers, suppliers, and local communities, whose identities and expectations may vary significantly[227]. Through appropriate governance practices and stakeholder engagement, businesses can better

[221] Brian Grim, "Corporates Often Forget Religious Diversity. Here's Why They Should Not," World Economic Forum, January 16, 2020, https://www.weforum.org/stories/2020/01/religion-diversity-business-inclusion/.
[222] Francesco Sorvillo, "Libertà religiosa e Responsabilità Sociale d'Impresa," *Stato, Chiese e pluralismo confessionale* 7 (2020): 1–32, https://riviste.unimi.it/index.php/statoechiese/article/download/13255/12393/39247.
[223] Legislative Decree No. 231 of 8 June 2001; as amended by Law No. 68 of 22 May 2015 and Law No. 69 of 27 May 2015.
[224] Bosetti & Gatti, "D.Lgs. n. 231 del 2001 (responsabilità enti e società)," accessed July 22, 2026, https://www.bosettiegatti.eu/info/norme/statali/2001_0231.htm.
[225] OECD Guidelines for Multinational Enterprises, chap. II, para. 2
[226] Luis Rodriguez-Dominguez, Isabel Gallego-Alvarez, and Isabel Maria Garcia-Sanchez, "Corporate Governance and Codes of Ethics," *Journal of Business Ethics* 90 (2009): 187–202, https://doi.org/10.1007/s10551-009-0035-y.
[227] Stakeholder Theory, "About," accessed July 22, 2026, http://stakeholdertheory.org/about/.

identify potential human rights impacts and develop policies that respond to the needs of diverse social contexts[228]. In this sense, the protection of freedom of religion or belief forms part of a wider transition from a shareholder-centred model of corporate responsibility towards an understanding of business as an actor embedded within society[229].

The importance of organisational culture is particularly relevant in this context. The protection of religious freedom depends not only on formal commitments but also on how these principles are reflected in everyday business practices. Awareness among employees and managers, together with appropriate internal practices, contributes to ensuring that principles of equality, dignity, and respect for diversity are effectively implemented within the organisation.

Effective governance also requires mechanisms through which potential human rights violations can be identified and addressed. Internal reporting channels and grievance mechanisms contribute to ensuring access to remedies and allow companies to identify and respond to adverse human rights impacts, consistently with the third pillar of the UN Guiding Principles on Business and Human Rights[230].

Therefore, the effective protection of freedom of religion or belief within corporate environments depends on the capacity of companies to incorporate human rights principles into their governance systems and organisational practices. While international and European frameworks establish the normative expectations of responsible business conduct, their practical implementation ultimately depends on the mechanisms adopted at company level. The following chapter examines this process through the analysis of Euro Company's sustainability documentation and Code of Ethics, focusing on how principles of human dignity, equality, and respect for fundamental rights are translated into corporate practice.

[228] Tanenbaum Center for Interreligious Understanding, "Religious Diversity Checklist," accessed July 22, 2026, https://tanenbaum.org/about-us/what-we-do/workplace/workplace-resources/religious-diversity-checklist/.
[229] Tanenbaum Center for Interreligious Understanding, "Corporate Religious Diversity Assessment," accessed July 22, 2026, https://tanenbaum.org/about-us/what-we-do/workplace/corporate-religious-diversity-assessment/.
[230] Tanenbaum Center for Interreligious Understanding, "Trainings & Consultations," accessed July 22, 2026, https://tanenbaum.org/about-us/what-we-do/workplace/trainings-consultations/.

CHAPTER 3 - CASE STUDY: EURO COMPANY

This chapter presents the empirical case study through which the theoretical and regulatory framework developed in the previous chapters is studied in practice. The analysis focuses on Euro Company, an Italian Benefit Corporation and certified B Corp, selected following an internship conducted within the company's Sustainability, Welfare and Internal Communication Department. The internship provided direct access to corporate documentation and enabled an in-depth understanding of the company's sustainability governance and organisational practices.

The chapter first introduces Euro Company and reconstructs the evolution of its sustainability journey, from its transition to a Benefit Corporation and the achievement of B Corp certification to the progressive institutionalisation of sustainability within its governance model. It then analyses the development of the company's sustainability reporting practices, tracing the evolution from the first Sustainability Reports to the most recent ESG Impact & Sustainability Report, with particular attention to the alignment of reporting practices with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

Afterward, the analysis examines how human rights considerations are incorporated into the company's sustainability framework, focusing on supply chain responsibility, corporate governance, and the ethical principles embedded in the Code of Ethics and other internal governance documents. Particular attention is devoted to the relationship between these corporate practices and the European and Italian legal frameworks discussed in the previous chapters, including the integration of human rights into corporate sustainability and the implications for responsible business conduct.

Finally, the chapter considers the main regulatory and organisational challenges emerging from the implementation of the new European sustainability framework. In particular, it discusses the implications of recent regulatory developments, including the CSRD, the Omnibus I package, and the evolving role of the Sustainability Department, while drawing on insights gained during the internship experience to illustrate the practical challenges associated with implementing sustainability requirements within a corporate context.

The case study is based on the systematic analysis of Euro Company's sustainability documentation, including all Sustainability Reports published between 2018 and 2025, with particular attention to the 2024–2025 ESG Impact & Sustainability Report. These sources are complemented by the company's Code of Ethics, internal governance documents, publicly available corporate materials, semi-structured interviews conducted with the Sustainability Manager, and participant observation carried out during the internship.

The aim of this chapter is to assess how the principles and obligations studied in the previous chapters are translated into corporate practice, thereby providing an empirical perspective on the implementation of sustainability governance, human rights, and responsible business conduct within a contemporary Italian company.

3.1 Company Overview: Euro Company

Founded in 1979 and headquartered in *Godo di Russi* (Ravenna, Italy), the company operates in the production, selection, and commercialisation of nuts and dried fruits, employing approximately 400 people and serving a wide consumer base across both the Italian and the foreign market[231] through a business model focused on quality, innovation, and responsible growth.

Since its foundation, Euro Company has developed a strong relationship with its local territory, which represents a central element of its corporate identity. It is enshrined in the concept of *regeneration*, that is, the commitment to give back to the community and environment what is received by creating positive impacts beyond the traditional economic objectives of the company[232].

The company was founded under the leadership of Italo Zani and later continued its development under Mario Zani. Throughout its history, Euro Company's strategic vision has been shaped by a set of core values concerning responsibility towards people, communities, and the environment. These principles have progressively influenced the company's approach to business, contributing to the development of a sustainability-oriented organisational culture.

Rather than being considered a separate area of activity, sustainability has gradually become integrated into the company's identity and decision-making processes. This evolution has led Euro Company to progressively adopt more structured sustainability practices, including formal governance mechanisms, reporting instruments, and organisational functions dedicated to sustainability management. Today, Euro Company operates within a sustainability framework that combines social, environmental, and governance objectives. The company's approach is characterised by a strong focus on stakeholder relationships, employee well-being, responsible supply chains, and the creation of long-term value for both the organisation and the wider community[233].

[231] Euro Company, "History," *Euro Company*, accessed May 17, 2026, https://eurocompany.it/en/history/.
[232] Euro Company, *ESG Impact & Sustainability Report 2023–2024* (2025): 158, https://eurocompany.it/wp-content/uploads/2025/02/BdS-23-24-EN.pdf.
[233] Euro Company, "Values," *Euro Company*, accessed May 17, 2026, https://eurocompany.it/en/values/

3.2 The Evolution of Corporate Sustainability within Euro Company

Euro Company's sustainability journey reflects a progressive transition from an informal, value-driven approach towards a more structured and governance-oriented model. In its early years, sustainability was not defined through formal strategies, reporting systems, or dedicated organisational structures. Nevertheless, corporate decisions were guided by principles of responsibility towards people, the territory, and the environment.

During this initial phase, sustainability initiatives were primarily embedded within the company's culture rather than expressed through formal policies or measurable objectives. The concept of regeneration played a central role in shaping the relationship between Euro Company and its stakeholders, reflecting the idea that business activities should generate value not only for the company itself but, on the contrary, also for the surrounding social and environmental context.

This phase can be interpreted as a value-driven approach to sustainability, consistent with what the literature defines as implicit CSR, where corporate responsibility is embedded in values and norms rather than formalized policies[234]. Although sustainability was not yet supported by dedicated departments or reporting mechanisms, these early initiatives represented the foundations of the company's subsequent sustainability strategy.

A major shift in Euro Company's approach to sustainability took place in 2018, when the company officially became a Benefit Corporation (*Società Benefit*). By changing its legal status, Euro Company explicitly integrated its mission into its corporate statute[235]. In particular, the company committed to pursuing both profit and specific goals of *common benefit* related to society and the environment[236]. In line with this commitment, 10% of the company's annual profits is allocated to the pursuit of its common-benefit objectives.

Moreover, in the year following this transition, the Interdepartmental Committee for Corporate Ethical Sustainability was created, counting more than 30 colleagues participating in the working group, coordinated by the Sustainability point person within the HR Department, now Sustainability, Welfare & Internal Communication Manager. The Committee was made up of the referee from different areas, including Quality, Commercial, Marketing, Environment, IT, AFC, Production, Logistics, Procurements and Packaging. The Committee supported the development of sustainability-

[234] Dirk Matten and Jeremy Moon, "'Implicit' and 'Explicit' CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility, *Academy of Management Review* 33, no. 2 (2008): 404–424, https://doi.org/10.5465/amr.2008.31193458.
[235] Euro Company. *Report di sostenibilità 2018 – 2019* (2019): 2, https://www.eurocompany.it/wp-content/uploads/2019/12/Report-di-sostenibilita%CC%80-al-30.06.2019.pdf.
[236] See Chapter 3.3 The Transition to a Benefit Corporation Model and the Achievement of the B Corp Certification

related knowledge within the organisation and contributed to the coordination of corporate initiatives concerning social, environmental, and organisational responsibility[237].

In parallel to this process, Euro Company achieved an important external milestone in 2019 by obtaining the B Corporation certification. This recognition reflects a broader understanding of business, where value is not measured only in terms of profit, but also in terms of the positive impact generated for the community, employees, and the environment[238]. More importantly, joining the B Corp community allowed the company to align itself with a global network of organizations committed to redefining business as a force for positive change[239].

In the same year, employees were directly involved in defining the company's mission. Through a survey involving around 300 employees, Euro Company identified the seven core principles that still guide its impact report and sustainability strategy today, called *seven roots*, recalling the close relationship between the organisation and the planet. This participatory process highlights the role of sustainability as a shared organisational value, rather than a purely top-down initiative[240].

A further step in this evolution occurred in 2023, with the development of the company's first materiality matrix, marking the transition toward a more structured and standardised approach to sustainability reporting. In this context, the development of the materiality matrix was based on the principle of double materiality, which requires companies to assess both the impact of their activities on the environment and society, and the financial implications of sustainability-related risks and opportunities. This represents a significant shift from previous approaches, as sustainability becomes directly linked to risk assessment and strategic decision-making[241].

Finally, in 2025, Euro Company established the Sustainability, Welfare and Internal Communication Department. The creation of this dedicated function reflects the increasing strategic relevance of sustainability within the organisation. Previously, these activities were carried out within the Human Resources Department, alongside a broader range of responsibilities. The department

[237] Euro Company. *Relazione di Sostenibilità 2020 – 2021* (2021): 36, https://eurocompany.it/wp-content/uploads/2021/12/Brochure_Interno_ITA_DEFcop_web.pdf.
[238] Ivi, p. 14
[239] Ibidem
[240] Euro Company. *Report di sostenibilità 2018 – 2019* (2019): 3, https://www.eurocompany.it/wp-content/uploads/2019/12/Report-di-sostenibilita%CC%80-al-30.06.2019.pdf.
[241] Euro Company, *ESG Impact & Sustainability Report 2023–2024* (February 2025): 14, https://eurocompany.it/wp-content/uploads/2025/02/BdS-23-24-EN.pdf.

coordinates sustainability reporting activities, supports certification processes, promotes internal engagement, and contributes to integrating ESG principles into everyday business practices[242].

Altogether, Euro Company's sustainability evolution demonstrates a progressive institutionalisation of responsible business practices. The company moved from a model primarily based on corporate values and informal commitments towards a structured approach characterised by defined responsibilities, governance mechanisms, measurable objectives, and increasing alignment with international and European sustainability frameworks.

3.3 The Benefit Corporation Model and B Corp Certification

Building on the progressive institutionalisation of sustainability outlined in the previous section, the transition to a Benefit Corporation (*Società Benefit*) represents a pivotal step in formally embedding sustainability within Euro Company's legal and governance framework.

The legal framework of Benefit Corporations (Società Benefit) was introduced in Italy with Law No. 208 of 28 December 2015, making Italy the first European country to formally recognise this model. Inspired by the United States experience, this legal innovation reflects a broader transformation in the understanding of the role of business in society[243].

Under Italian law, a Benefit Corporation is not a distinct corporate form, but rather a legal qualification that can be adopted by existing *for-profit* companies. What distinguishes a *Società Benefit* is the integration, within its corporate purpose, of both profit-making objectives and one or more goals of "*common benefit*". These are defined as the pursuit of positive effects, or the reduction of negative impacts, on people, communities, territories, the environment, and other stakeholders[244].

The adoption of this status requires a formal amendment of the company's articles of association, in which the specific purposes of common benefit must be explicitly indicated. This element is essential, as the pursuit of such objectives cannot be considered valid in the absence of a clear statutory provision[245]. In this sense, the Benefit Corporation model represents a shift from voluntary sustainability practices to legally binding commitments. Moreover, the law requires companies to manage their activities in a responsible, sustainable, and transparent manner, balancing the interests of shareholders with those of stakeholders affected by corporate activities. This introduces a

[242] Euro Company, *Bilancio di Sostenbilità 2024-2025* (April 2025): 136, https://eurocompany.it/wp-content/uploads/2025/02/BdS-23-24-EN.pdf.
[243] S. Corso, "Le società benefit nell'ordinamento italiano: una nuova 'qualifica' tra profit e non-profit," *Le Nuove Leggi Civili Commentate*, no. 5 (2016): 995.
[244] Ibidem
[245] Ibidem

significant evolution in corporate governance, as directors are explicitly required to consider broader societal and environmental impacts in their decision-making processes[246].

From a broader perspective, the introduction of Benefit Corporations reflects a paradigm shift in the economic system[247]. This model enhances corporate legitimacy in the eyes of stakeholders, while maintaining the central role of shareholders within the governance structure. The rapid diffusion of Benefit Corporations in Italy further confirms the relevance of this model. While in 2016 only a few companies adopted this legal status, their number increased significantly in the following years, reaching several hundred entities by 2020. This growth reflects a broader transformation in the Italian business landscape, where sustainability-oriented business models are becoming increasingly widespread[248].

In this context, Euro Company's decision to adopt the Benefit Corporation model in 2018 can be interpreted as a strategic choice aimed at formalising a set of values that had long guided its business practices. Rather than representing a radical change, this transformation marked the transition from an implicit, value-driven approach to a legally structured commitment, making sustainability an integral part of the company's corporate identity and long-term strategy. Through the amendment of its statute, the company incorporated the pursuit of common benefit into its corporate purpose (Art. 2 of the Statute), identifying specific objectives related to social and environmental responsibility. These include: (1) promoting physical and mental well-being through healthy nutrition; (2) developing business relationships based on economic, social, and environmental sustainability; (3) supporting scientific research, volunteering organisations, and initiatives consistent with the company's values; (4) fostering a positive and fulfilling working environment; and (5) generating and sharing benefits for people and the planet[249].

The decision to allocate 10% of annual profits to common benefit activities further strengthened the operational dimension of this commitment. Sustainability was therefore no longer conceived as an external initiative, but became embedded within the company's governance model and long-term strategy.

The transition also introduced structured reporting practices. In fact, to verify the effective pursuit of these objectives, Benefit Corporations are required to prepare an annual impact report, based on

[246] Ibidem
[247] Silvia Cantele, Bettina Campedelli, and Giacomo Troisi, "Le Società Benefit in Italia: Un'analisi sulla diffusione e sulle prassi di rendicontazione," *Management Control* (2021), https://doi.org/10.3280/MACO2021-002006.
[248] Federico Anania, "Un Primato Italiano in Europa: Le Società Benefit," *Sapienza Legal Papers* 9 (2022): 241–254.
[249] "Chi siamo," *Rivenditori Euro Company*, accessed May 17, 2026, https://www.rivenditorieurocompany.it/content/chi-siamo-27.

external standards and supported by internal assessment processes. In this context, the use of Key Performance Indicators (KPIs) plays a crucial role, as it allows companies to measure the actions undertaken and evaluate the results achieved in relation to the identified areas of intervention and stakeholders involved[250]. Starting from the 2018–2019 financial year, Euro Company began publishing annual benefit reports. These reports represent an initial step towards a more systematic and standardised approach to sustainability reporting, which would later evolve in alignment with emerging European regulatory frameworks.

Alongside the adoption of the Benefit Corporation model, Euro Company further strengthened its sustainability commitment by obtaining the B Corporation certification in 2019[251]. This certification represents an external and independent recognition of the company's performance in terms of social and environmental responsibility, transparency, and accountability[252].

It is important to distinguish the legal status of Benefit Corporations from the B Corporation certification. While the former is a legally recognized status under Italian law, the latter is a private certification issued by the non-profit organization B Lab, based on the achievement of specific standards of social and environmental performance. The two models are complementary but operate on different levels: legal and voluntary[253]. In this sense, the certification serves as an operational framework through which the company can assess its practices, identify areas for improvement, and engage the entire organisation in a process of continuous development.

For Euro Company, obtaining the B Corp certification can therefore be understood both as a confirmation of its existing values and as a further step in its sustainability journey. The certification reflects the company's belief in a broader purpose of business, where economic performance is combined with the generation of positive impact for society and the environment. At the same time, it reinforces a dynamic and forward-looking approach, in which sustainability is treated not as a final achievement, but as an ongoing process of improvement and innovation[254].

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[250] Maurizio Faroni, "Le Società Benefit: Sostenibilità, Reputazione ed Impatti Finanziari," *Rivista Bancaria – Minerva Bancaria*, no. 5/6 (2022): 129–134.
[251] Euro Company. *Report di sostenibilità 2018 – 2019* (2019): 1 – 32, https://www.eurocompany.it/wp-content/uploads/2019/12/Report-di-sostenibilita%CC%80-al-30.06.2019.pdf.
[252] Euro Company. *Report di sostenibilità 2019 – 2020* (2020): 1 – 130, https://www.eurocompany.it/wp-content/uploads/2023/01/SOSTENIBILITA_DEF.pdf.
[253] Maurizio Faroni, "Le Società Benefit: Sostenibilità, Reputazione ed Impatti Finanziari," *Rivista Bancaria – Minerva Bancaria*, no. 5/6 (2022): 129–134.
[254] Euro Company. *Report di sostenibilità 2019 – 2020* (2020): 1 – 130, https://www.eurocompany.it/wp-content/uploads/2023/01/SOSTENIBILITA_DEF.pdf.

3.4 Sustainability Reporting and the CSRD Alignment

Sustainability reporting represents one of the main instruments through which companies communicate their environmental, social, and governance performance to internal and external stakeholders. Its development can be interpreted through different theoretical perspectives. Legitimacy theory suggests that companies disclose non-financial information in order to align their activities with societal norms and expectations, thereby building and maintaining their reputational capital[255]. Stakeholder theory emphasises that reporting practices respond to the information needs of a broad range of stakeholders, who are directly or indirectly affected by corporate activities[256]. Institutional theory highlights how corporate reporting practices are influenced by external pressures, including regulatory requirements, industry standards, and the diffusion of best practices[257]. This perspective is particularly relevant in the European context, where the introduction of frameworks such as the CSRD and ESRS contributes to the progressive standardisation of sustainability disclosure.

Alongside these perspectives, according to voluntary disclosure theory, companies may choose to disclose sustainability-related information even in the absence of legal obligations in order to reduce information asymmetries and strengthen their credibility[258]. Similarly, signalling theory suggests that such disclosures act as signals to the market, conveying information about the company's reliability, long-term orientation, and commitment to sustainability[259]. All of these theories "suggest that pursuing ESG objectives could boost corporate value in the long term"[260].

In recent years, sustainability reporting has progressively moved from a voluntary communication practice towards a more structured governance instrument. The diffusion of international frameworks, such as the Global Reporting Initiative (GRI Standards), and the introduction of the European Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) have contributed to increasing standardisation, comparability, and accountability in corporate disclosure. Within this context, reporting no longer represents only a means of communicating

[255] Voicu D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice," *Accounting in Europe* 22, no. 1 (2025): 103–140.
[256] Ibidem
[257] Ibidem
[258] Healy, Paul M., and Krishna G. Palepu, "Information Asymmetry, Corporate Disclosure, and the Capital Markets," *Journal of Accounting and Economics* 31 (2001): 405–440.
[259] Brian L. Connelly et al., "Signaling Theory: A Review and Assessment," *Journal of Management* 37, no. 1 (2011): 39–67, https://doi.org/10.1177/0149206310388419.
[260] Choy Lai Yee, "Application of the Global Reporting Initiative Standards and Sustainability Disclosure Performance: An Analysis of the Largest Chinese Companies Listed in Hong Kong," *Accounting, Economics, and Law: A Convivium* 16, no. 1 (2026): 97–174, https://doi.org/10.1515/ael-2022-0082.

corporate commitments, but also a process through which sustainability objectives are integrated into strategic decision-making and organisational practices[261].

Euro Company's reporting journey reflects this broader evolution. Starting from the obligations introduced by its transformation into a Benefit Corporation in 2018, the company progressively developed increasingly structured sustainability disclosure practices. Over time, reporting evolved from an internally oriented and value-based communication tool into a more formalised system based on measurable indicators, stakeholder engagement, materiality assessment, and alignment with international and European standards[262].

In order to trace the gradual institutionalisation of sustainability reporting within Euro Company and its increasing alignment with European regulatory frameworks, the following timeline provides an overview of the key regulatory and organisational milestones between 2018 and 2025.

Reporting Cycle	**Reporting Framework / Methodology**	**Relevant Regulatory Context**	**Applicability to Euro Company**	**Main ESG Developments**
2018 – 2019	Early voluntary sustainability reporting, through the Impact Report required for Benefit Corporations	Benefit Corporation Law (Law No. 208/2015)	Benefit Impact obligations only	Narrative sustainability disclosure
2019 – 2020	Seven Roots framework introduced	Growing diffusion of ESG reporting practices	No mandatory non-financial reporting obligations	Mission-based reporting structure

[261] Emieseifa Agama and Umaru Zubairu, "Sustainability Reporting: A Systematic Review," *Economics, Management and Sustainability* 7, no. 2 (2022): 32–46, https://doi.org/10.14254/jems.2022.7-2.3.
[262] Voicu D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice," *Accounting in Europe* 22, no. 1 (2025): 103–140

2022 – 2023	First materiality analysis aligned with GRI Standards	CSRD approved at EU level (2022)	Future expected applicability under CSRD	Introduction of double materiality approach
2023 - 2024	First report fully drafted in accordance with GRI Standards	Progressive CSRD implementation	Expected CSRD applicability from FY2025 (before Omnibus revisions)	GRI alignment and KPI consolidation
2024 – 2025	ESRS-based approach, using the draft ESRS available at the time	Legislative Decree No. 125/2024 implementing CSRD in Italy	Preparation for future ESRS-based reporting	IROs, value chain analysis, ESRS mapping
2025 - 2026	Continued reporting based on the Simplified ESRS	Omnibus I Package revisions	Not subject to mandatory CSRD reporting; VSME could therefore be adopted as a simpler framework	Strategic continuation of ESG reporting despite regulatory uncertainty

Source: Author's elaboration based on Euro Company Sustainability Reports and ESG Impact & Sustainability Reports (2018–2025), Directive (EU) 2022/2464 (CSRD), Legislative Decree No. 125/2024 implementing the CSRD in Italy, and EFRAG ESRS documentation.

The following sections analyse the evolution of Euro Company's sustainability reporting practices, from the first sustainability disclosures published after the transition to Benefit Corporation status to the most recent ESG Impact & Sustainability Report, with particular attention to the progressive alignment with the CSRD and ESRS framework.

3.4.1 Early Development of Sustainability Reporting

The first phase of Euro Company's sustainability reporting journey began with the adoption of the Benefit Corporation model in 2018. As a *Società Benefit*, the company became required to prepare an annual impact report (*Relazione d'Impatto*), attached to the financial statements, describing the actions undertaken to pursue common benefit objectives, the results achieved, and future commitments. This obligation represented an important step in transforming sustainability from an expression of corporate values into a formally monitored and accountable process[263].

To support this transition, Euro Company established a Sustainability Committee involving representatives from different organisational areas. The Committee played a central role in collecting ESG-related information, coordinating sustainability initiatives across departments, and progressively strengthening internal awareness of sustainability issues. Furthermore, the company introduced internal Key Performance Indicators (KPIs) aimed at monitoring the achievement of its sustainability objectives[264].

The first Sustainability Report, referring to the 2018–2019 financial year, represented the initial attempt to systematically communicate the impact generated by the company. At this stage, reporting remained mainly descriptive, focusing on four broad areas: Governance, Workers, Community, and Environment[265]. Nevertheless, the report already demonstrated a clear orientation towards transparency and accountability, marking the transition from informal sustainability practices to a more structured disclosure approach.

A significant development occurred in 2019, when employees were directly involved in drafting the core principles of the company's mission. Euro Company identified seven core principles ("*roots*") that still guide both the Sustainability Report and the sustainability strategy today[266]. The Seven Roots are explicitly written in the report and concern employee well-being, product quality, environmental protection, responsible supplier relationships, connection with the local territory, ethical business relationships, and community engagement[267]. The introduction of the Seven Roots

[263] Federico Anania, "Un Primato Italiano in Europa: Le Società Benefit," *Sapienza Legal Papers* 9 (2022): 241–254
[264] Euro Company. *Report di sostenibilità 2018 – 2019* (2019): 2 https://www.eurocompany.it/wp-content/uploads/2019/12/Report-di-sostenibilita%CC%80-al-30.06.2019.pdf.
[265] Ibidem
[266] Euro Company. *Report di sostenibilità 2018 – 2019* (2019): 1 – 32, https://www.eurocompany.it/wp-content/uploads/2019/12/Report-di-sostenibilita%CC%80-al-30.06.2019.pdf.
[267] "01. We offer all our staff an ethical and inspiring working environment in which people can be happy, can confront each other, can grow and fulfil themselves, 02. We minimise the processing of raw materials, in order to guarantee day-by-day the best nuts and dried fruit for our consumers, 03. We invest in renewable energy, in waste reduction and in the development of a more sustainable packaging, for the protection of the planet, 04. We believe in long-lasting relationships with our suppliers, the only way to a dignified existence, ensuring at the same time the best possible product for our consumers. 05. We support the Italian market and our territory, preferring local suppliers whenever

represented a relevant organisational choice, as it allowed Euro Company to connect sustainability reporting with its corporate identity rather than adopting a purely technical reporting structure. From the 2019–2020 Sustainability Report onwards, these principles became the main framework through which objectives, actions, and results were presented, creating continuity between the company's values and its sustainability communication.

During this period, reporting progressively moved beyond the simple description of activities. The 2019–2020 and 2020–2021 Sustainability Reports increasingly focused on the impacts generated by corporate actions, linking sustainability initiatives to broader objectives such as the United Nations Sustainable Development Goals (SDGs). In particular, the company began to use the SDGs as a reference framework to evaluate its contribution to sustainable development and to connect internal practices with international sustainability objectives.

The 2019–2020 Sustainability Report also reflected an increasing awareness of the strategic role of sustainability communication. It explicitly aimed not only to disclose results, but also to provide a concrete and replicable example of responsible business practices, highlighting the role of communication in engaging both internal and external stakeholders[268]. This communicative dimension was further strengthened by the decision to translate the Sustainability Report into English for the first time. The translation represented a practical tool for international communication, and a strategic element aimed at expanding the company's visibility and supporting the search for new business opportunities.

The 2020–2021 Sustainability Report further consolidated this evolution by placing greater emphasis on the outcomes and benefits generated by the company's activities. Compared to previous editions, greater emphasis was placed on the results achieved and on the benefits created for the wider community[269], reflecting a gradual shift from process-oriented reporting towards a more impact-oriented approach.

This evolution reached a turning point in the 2022–2023 Sustainability Report, where Euro Company explicitly emphasised the strong level of personalisation and strategic coherence achieved over time. The report is presented as an expression of the company's identity, reflecting a clear and

possible. 06. We choose customers and suppliers sharing our same values. 07. We promote a correct lifestyle through projects, routes and events aimed at the community", source: Euro Company. *Report di sostenibilità 2018 – 2019* (2019): 14, https://www.eurocompany.it/wp-content/uploads/2019/12/Report-di-sostenibilita%CC%80-al-30.06.2019.pdf.

[268] Euro Company. Report di sostenibilità 2019 – 2020 (2020): 1 – 130, https://www.eurocompany.it/wp-content/uploads/2023/01/SOSTENIBILITA_DEF.pdf.

[269] Euro Company, *Sustainability Report 2020–2021* (2021): 6 https://eurocompany.it/wp-content/uploads/2024/04/RDS-20-21-ENG.pdf.

consistent ethical, operational, and strategic approach to sustainability. In particular, the company highlights how its reporting framework has been shaped according to a "distinct Euro Company imprint"[270], combining global sustainability objectives with internally defined priorities and practices.

What makes this Sustainability Report a turning point for the company is the introduction of the company's first materiality analysis. In line with the principles established by the Global Reporting Initiative (GRI Standards), Euro Company identified the sustainability topics considered most relevant according to their potential impacts on society, the environment, and the company itself [271]. The materiality assessment represented an important methodological evolution because it introduced a more systematic approach to prioritising sustainability issues. For the first time, Euro Company involved external consultants to support the methodological process and engaged internal and external stakeholders through surveys, interviews, and discussions. More than 50 stakeholders contributed to the assessment, including employees, suppliers, customers, institutions, and business partners.

Building on recent developments in the European regulatory framework, the company adopted a double materiality approach, distinguishing between: (i) financial materiality, which considers how ESG factors affect the company's financial performance, and (ii) impact materiality, which assesses the effects of the company's activities on society and the environment[272].

This choice reflects a proactive strategy, as Euro Company anticipated the requirements later formalised under the Corporate Sustainability Reporting Directive (CSRD), demonstrating an early alignment with emerging regulatory standards. Their main objective, as stated in the Sustainability Report, was that of "being forerunners of the future is the best way to generate a positive and flourishing change"[273].

This first phase illustrates the gradual institutionalisation of sustainability reporting within Euro Company. Reporting evolved from a predominantly narrative and value-driven communication exercise into an increasingly structured governance and management tool, supported by dedicated organisational structures, measurable indicators, stakeholder engagement, and materiality analysis.

[270] Euro Company, *Sustainability Report* (2023): 6 https://www.eurocompany.it/wp-content/uploads/2023/02/RDS_Interno_EN-2023_WEB.pdf.
[271] Ivi, 12
[272] PwC, "10 Pitfalls Companies Should Avoid When Conducting a CSRD-Aligned Double Materiality Assessment," PwC, February 20, 2024, https://www.pwc.com/us/en/services/esg/library/csrd-double-materiality.html.
[273] Euro Company, *Sustainability Report* (2023): 13, https://www.eurocompany.it/wp-content/uploads/2023/02/RDS_Interno_EN-2023_WEB.pdf.

These developments laid the foundations for the subsequent alignment with the CSRD and the European Sustainability Reporting Standards (ESRS), examined in the following section.

3.4.2 GRI Standards and Double Materiality

Euro Company took a step further in sustainability reporting with its *ESG Impact & Sustainability Report,* referring to the 2023-2024 financial year. As explicitly stated by the company, this edition represents the first report entirely drafted in accordance with the GRI Standards[274]. This choice was made on a voluntary basis and in advance of the obligations introduced by the Corporate Sustainability Reporting Directive[275], which, before the amendment through the *Omnibus I package*, was expected to apply to the company starting from the 2025 financial year[276].

This choice reflects a broader evolution in the role attributed to sustainability reporting. Rather than considering disclosure as a mere compliance exercise, Euro Company presents reporting as a strategic instrument aimed at strengthening transparency, accountability, and stakeholder relationships. The company explicitly identifies "transparency towards all stakeholders"[277] as a guiding principle of its sustainability approach, framing the report as a means to communicate not only the results achieved but also the broader process through which sustainability objectives are defined and pursued.

From a theoretical perspective, this transition can be interpreted through different complementary lenses. Legitimacy theory helps explain how sustainability disclosure allows organisations to demonstrate alignment with evolving societal expectations[278], while stakeholder theory highlights the role of reporting as a mechanism through which companies identify and respond to the interests of actors affected by their activities. In this sense, sustainability reporting is not merely a communication practice, but also a process through which organisations define their relationship with their stakeholders and reinforce their social legitimacy.

The voluntary adoption of internationally recognised standards before the existence of a legal obligation can be interpreted through signalling theory: by adopting the GRI Standards in advance of mandatory European requirements, Euro Company communicates its long-term orientation, reliability, and commitment to responsible business practices. Sustainability reporting therefore

[274] Euro Company. *ESG Impact & Sustainability Report 2023–2024* (2025): 6, https://www.eurocompany.it/wp-content/uploads/2025/02/BdS-23-24-EN.pdf.
[275] Ibidem
[276] CSRD Institute. *CSRD Fundamentals – Study Notes (2025 STC Update).* 2025.
[277] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 17, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.
[278] Voicu D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice," *Accounting in Europe* 22, no. 1 (2025): 103–140

becomes a strategic signal through which the company differentiates itself and strengthens stakeholder confidence[279].

At the same time, institutional theory provides a broader explanation of the diffusion of sustainability reporting frameworks. The adoption of GRI Standards is not driven exclusively by technical considerations, but also by wider processes of institutionalisation, through which certain reporting practices become recognised as appropriate and legitimate forms of corporate behaviour. In this perspective, adherence to GRI contributes to positioning companies within the international sustainability landscape, enhancing their credibility and visibility among stakeholders[280].

The diffusion of GRI practices can also be explained through mechanisms of mimetic and normative isomorphism. Companies increasingly tend to adopt reporting frameworks that are already widely used within their organisational field, as their diffusion reinforces their perceived legitimacy and desirability. Through processes of imitation, professional influence, and the circulation of best practices, sustainability reporting standards progressively become normalised within corporate environments[281].

Therefore, Euro Company's transition towards GRI Standards reflects the interaction of multiple drivers. On the one hand, the company anticipated future regulatory developments linked to the CSRD and ESRS framework, progressively preparing its internal processes for increasing reporting requirements. On the other hand, the decision was not merely compliance-oriented, but also reflected a strategic intention to position Euro Company as a proactive actor in sustainability reporting. This approach was consistent with a broader sustainability journey that had already developed in previous years and aimed at embedding ESG practices within the organisation[282].

The adoption of the GRI Standards was supported by the materiality assessment introduced in the previous reporting cycle (2022–2023). This process represented a methodological improvement compared with previous reports, as it introduced a more systematic identification and prioritisation of sustainability topics according to their relevance for both the company and its stakeholders[283]. Building on this process, Euro Company adopted a double materiality approach, which anticipated one of the central principles later formalised within the CSRD and ESRS framework, demonstrating

[279] Ibidem
[280] Choy Lai Yee, "Application of the Global Reporting Initiative Standards and Sustainability Disclosure Performance: An Analysis of the Largest Chinese Companies Listed in Hong Kong," *Accounting, Economics, and Law: A Convivium* 16, no. 1 (2026): 97–174, https://doi.org/10.1515/ael-2022-0082.
[281] Ibidem
[282] Voicu D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice," *Accounting in Europe* 22, no. 1 (2025): 103–140
[283] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 1 – 314, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

the company's intention to progressively align its internal sustainability management system with emerging European standards.

A further innovation introduced by the 2023–2024 report concerns the formalisation of the reporting methodology. In accordance with the requirements applicable to Benefit Corporations under Italian law, the document continued to function as the annual Impact Report required to describe the pursuit of common benefit objectives. However, through the adoption of GRI Standards, the report also progressively assumed the characteristics of a broader sustainability disclosure document[284].

As explained in the methodological note, the report adopts the "*with reference to option*" under the GRI Standards and introduces, for the first time, explicit links between each of the *seven roots* of the company's mission and the corresponding GRI indicators[285]. Although Euro Company demonstrated a proactive attitude by voluntarily aligning with international standards before being legally required to do so, the partial application of the framework also reflects the organisational effort required to transform sustainability information into structured, comparable, and standardised disclosures. In this sense, the reporting process represents not only an exercise in external communication, but also an internal process of organisational learning and adaptation.

The methodological evolution was also reflected in the relationship between international standardisation and the company's existing sustainability framework[286]. Rather than replacing the Seven Roots model developed since 2019, Euro Company integrated the GRI indicators within its existing structure. As explained in the methodological note, the selection of GRI indicators was based on the topics identified as relevant through the double materiality assessment and on the need to prepare for future alignment with CSRD and ESRS requirements. This integration created a hybrid reporting model, combining standardisation with a strong degree of organisational personalisation. While the use of internationally recognised frameworks enhances comparability and accountability, maintaing a mission-based structure allows the company to preserve its identity and narrative coherence.

This approach illustrates one of the central characteristics of Euro Company's sustainability strategy: the attempt to reconcile external pressures towards standardisation with the preservation of organisational identity. While frameworks such as GRI and ESRS provide common rules and structures, the company continued to use the Seven Roots as the main narrative framework through

[284] Healy, Paul M., and Krishna G. Palepu, "Information Asymmetry, Corporate Disclosure, and the Capital Markets," *Journal of Accounting and Economics* 31 (2001): 405–440.
[285] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 308, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.
[286] Ibidem

which sustainability objectives, actions, and results are communicated. Sustainability reporting therefore became a process of adaptation rather than simple compliance, as external standards were incorporated into an already existing organisational model.

The increasing complexity of reporting also emerged in relation to the definition of the reporting perimeter. Following the acquisition of Dream Fruits in July 2023[287], Euro Company faced the challenge of progressively integrating it into its sustainability reporting system. The 2023–2024 report mainly referred to Euro Company, while recognising the need for future harmonisation of data collection procedures and reporting methodologies at group level[288]. This aspect illustrates one of the practical challenges associated with the expansion of sustainability reporting from individual companies towards more complex organisational structures.

The quality of this reporting approach was externally recognised in 2025, when Euro Company received the *Sustainability Report Award* in the Large Companies category, promoted by *Corriere della Sera* in collaboration with *NeXt – Nuova Economia per Tutti*[289]. The recognition represents an external validation of the maturity reached by the company's sustainability reporting practices. Beyond its symbolic value, the award reinforced the signalling function of sustainability reporting. It highlights how the reporting process is perceived not only as a compliance or communication tool, but also as a continuous, collective journey aimed at generating shared value, improving stakeholder trust, and contributing positively to broader societal outcomes, while encouraging other firms to adopt similar sustainability pathways[290].

To sum up, the 2023–2024 *ESG Impact & Sustainability Report* represents a fundamental stage in the institutionalisation of sustainability within Euro Company. Through the voluntary adoption of GRI Standards, the introduction of double materiality, and the preparation for future CSRD and ESRS alignment, sustainability reporting progressively became an integrated governance process rather than a purely communicative activity. At the same time, the preservation of the Seven Roots

[287] Ibidem
[288] One of the cases for which a company may choose to report through the *with reference to option*, is when "the organization is not able to comply with some reporting requirements under the GRI Standards" in Choy Lai Yee, "Application of the Global Reporting Initiative Standards and Sustainability Disclosure Performance: An Analysis of the Largest Chinese Companies Listed in Hong Kong," *Accounting, Economics, and Law: A Convivium* 16, no. 1 (2026): 97–174, https://doi.org/10.1515/ael-2022-0082.
[289] The award recognises companies distinguished by transparency, quality of disclosure, and integration of ESG principles into their business model. The 2025 edition involved 231 companies across 14 Italian regions and 18 sectors, evaluated on thirty ESG-related criteria, including supply chain traceability, renewable energy use, employee well-being policies, and responsible governance practices.
[290] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 1 – 314, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

framework demonstrates how the company sought to combine increasing standardisation with the continuity of its organisational identity.

3.4.3 CSRD Alignments and Future Developments

The evolution of Euro Company's sustainability reporting continued through the *2024–2025 ESG Impact & Sustainability Report*, representing the company's seventh sustainability disclosure on environmental, social, and economic matters and its second fully structured *ESG Impact & Sustainability Report*[291]. This edition marks a significant development in the evolution of Euro Company's reporting practices, particularly through the gradual integration of the logic underlying the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

A relevant development concerns the extension of the reporting perimeter following the acquisition of as it partially integrates, where possible, the information related to Dream Fruits S.r.l[292]. Although the integration process is not yet complete, the report includes, where available, information relating to Dream Fruits within a broader process of methodological harmonisation. This represents an important organisational challenge, as the progressive expansion of the reporting boundary requires the consolidation of ESG data collection processes and the alignment of reporting practices across different entities.

The 2024–2025 report also confirms Euro Company's interpretation of sustainability reporting as more than a regulatory exercise. As explained in the President's letter to stakeholders opening the report, Euro Company presents sustainability reporting as an ethical and strategic choice aimed at fostering broader cultural change within the business environment. The company explicitly states its intention to make public not only its achievements, but also its decisions and critical issues, with the objective of encouraging other companies to embrace a responsible and transparent approach to business[293]. Sustainability reporting is therefore framed as a tool through which the company seeks

[291] Ivi, 7

[292] Dream Fruit S.r.l is a company specialised in the packaging of high-quality dried and dehydrated fruit, founded in 1995 and based in *Calenzano* (Florence), which was recently acquired through a majority stake. As a controlled company with more than 50% ownership, in line with the requirements introduced by the CSRD at that time, Dream Fruits is expected to be progressively integrated into both the Sustainability Statement and the consolidated Financial Statements. At this stage, the report includes the data currently available within a broader process of gradual harmonisation with the reporting criteria, methodologies, and standards adopted by the Group, in: Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 1 – 314, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

[293] Ivi, 6

to contribute to a broader transformation of corporate culture and promote responsible business practices[294].

This orientation, which could be found also in the previous sustainability reports, can be interpreted through different theoretical lenses. From the perspective of institutional theory, organisational practices tend to become progressively standardised through processes of imitation, social validation, and normative diffusion[295]. Frameworks such as the GRI Standards and the ESRS do not operate only as technical reporting tools, but also as institutionalised models of appropriate corporate behaviour, which organisations adopt in order to strengthen legitimacy within their external environment[296].

Concurrently, Euro Company should not be considered a passive recipient of these institutional pressures. Rather, the company actively participates in the diffusion of sustainability reporting practices by voluntarily aligning with international standards and publicly presenting its reporting journey as a replicable example. This dynamic reflects mechanisms of mimetic and normative isomorphism, whereby organisations both respond to emerging expectations and contribute to their consolidation within the business environment[297].

This approach can also be connected to more recent debates on the moral role of corporations. Contemporary stakeholder theorists and corporate governance scholars increasingly argue that firms are expected not only to generate profits and comply with legal obligations, but also to contribute positively to society, sustainability, and human well-being[298]. In this perspective, sustainability reporting becomes part of a broader process through which companies seek to establish what has been defined as "moral authority": a form of legitimacy grounded not only in economic performance or legal compliance, but also in the perception that corporate actions are ethically desirable and socially responsible[299].

From a structural perspective, the 2024–2025 report shows a clear evolution towards increasing alignment with ESRS logic while simultaneously preserving Euro Company's distinctive narrative identity. Although the report progressively incorporates ESRS logic, the company maintained the organisational structure based on the Seven Roots of its mission. Each section

[294] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 12, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.
[295] Kristen Guth, "Institutional Theory," in *The SAGE Encyclopedia of Corporate Reputation*, ed. Craig E. Carroll (Thousand Oaks, CA: SAGE Publications, 2016), http://dx.doi.org/10.4135/9781483376493.n145 .
[296] Ibidem
[297] Ibidem
[298] Abdullah Muhammad Dhrubo, "The Moral Authority of the Firm: Rethinking Organizational Legitimacy Beyond Profit and Compliance," *Philosophy of Management* (2026), https://doi.org/10.1007/s40926-026-00382-6.
[299] Ibidem

introduces the relevant root, followed by the ESRS standards addressed and the related sustainability objectives[300].

This choice reflects a deliberate attempt to preserve the narrative dimension that has characterised Euro Company's sustainability communication since its first reports. While external consultants suggested separating the Benefit Impact Report from the Sustainability Report in order to respond to the increasingly technical nature of European sustainability disclosure, the company decided to maintain an integrated structure. This decision was facilitated by the fact that the Seven Roots framework had already become embedded within internal ESG processes and KPI monitoring systems, providing a coherent organisational structure for connecting corporate values with reporting requirements.

The compatibility between the Seven Roots framework and ESRS requirements also demonstrates the flexibility of sustainability standards when integrated within existing organisational models. While the company adopted a more structured reporting architecture, it continued to interpret external frameworks through its own identity and strategic narrative. In this sense, Euro Company did not simply implement sustainability standards, but actively re-elaborated them within its organisational context.

A further development concerns the increasing attention devoted to governance mechanisms and internal processes. The report strengthens its alignment with ESRS disclosure architecture by introducing a clearer mapping between material topics, internal policies, governance instruments, and management procedures. In particular, the inclusion of information related to Policies, Actions, Targets and Metrics (PATM) enhances the visibility of how the company manages material impacts, risks, and opportunities (IROs)[301]. This addition reflects a further step towards greater transparency and alignment with ESRS requirements, particularly regarding governance processes and risk management systems. The inclusion of these elements demonstrates an increasing level of maturity in the company's sustainability governance, moving beyond narrative disclosure towards a more structured representation of internal control and accountability mechanisms.

Finally, as in previous editions, the report maintains an explicit connection with the United Nations Sustainable Development Goals (SDGs), which continue to function as an overarching framework guiding the company's sustainability strategy and long-term orientation.

[300] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 16, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.
[301] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 308, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

The most significant innovation introduced in this reporting cycle concerns the reporting framework adopted by the company. As stated in the methodological note, the document represents the first *ESG Impact & Sustainability Report* prepared through the voluntary and gradual adoption of the European Sustainability Reporting Standards (ESRS), developed by EFRAG on behalf of the European Union. The company explicitly describes this transition as "gradual"[302], explaining the ongoing revision and publication of the definitive ESRS standards, reflecting the evolving and still unstable regulatory environment surrounding the implementation of the CSRD framework[303]. At the same time, the document continues to fulfil the obligations established under Italian legislation governing Benefit Corporations, demonstrating the coexistence of national Benefit Corporation requirements and emerging European ESG reporting standards[304].

A central element of this transition is the expansion and refinement of the double materiality assessment process. To align with ESRS requirements, Euro Company conducted a new materiality analysis involving key corporate actors from both Euro Company and Dream Fruits explicitly incorporating the value chain[305] perspective required under the ESRS framework. The assessment aimed to identify the impacts, risks, and opportunities associated with the activities of both companies, considering not only internal operations but also broader relationships within the value chain[306].

The adoption of ESRS requirements also required adjustments to internal data collection systems. According to the methodological note, the company revised reporting tools and increased the involvement of different organisational departments in ESG data management. This demonstrates how sustainability reporting increasingly requires organisational capabilities comparable to those traditionally associated with financial reporting.

At the same time, Euro Company adopted a pragmatic approach by postponing the application of certain detailed data requirements linked to ESRS topical standards until the publication of the simplified standards under revision. This choice reflects the complexity of implementing an evolving regulatory framework while balancing anticipatory alignment with operational feasibility.

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[302] Ibidem

[303] By July 2026, part of this regulatory instability had been resolved through the adoption of Directive (EU) 2026/470 of 24 February 2026, which finalised the Omnibus I amendments to the CSRD and CSDDD, although the related delegated acts on the simplified ESRS remained under review.

[304] See Chapter 3.3 The Transition to a Benefit Corporation Model and the Achievement of the B Corp Certification

[305] The company refers directly to the ESRS definition of value chain as "the entirety of activities, resources and relationships connected to the undertaking's business model and external environment", as established under Annex II of Regulation (EU) 2023/2772

[306] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 29, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

To conclude, the evolution of Euro Company's sustainability reporting illustrates how ESG disclosure progressively transformed from a voluntary and narrative-oriented communication practice into an increasingly structured governance and organisational process. While the adoption of GRI Standards and the gradual alignment with ESRS requirements reflect the growing institutionalisation and standardisation of sustainability reporting at the European level, the company simultaneously sought to preserve its distinctive organisational identity through the continuity of its Seven Roots framework and its narrative approach to sustainability communication.

The case of Euro Company therefore shows that sustainability reporting cannot be understood solely as a response to regulatory pressure. Rather, it emerges as a hybrid organisational practice shaped by institutional expectations, stakeholder demands, strategic considerations, and internal values. Through the gradual integration of international and European standards, sustainability reporting has become a tool for strengthening legitimacy, improving governance, and positioning the company as a proactive actor within the evolving sustainability landscape.

3.5 Human Rights and Supply Chain Responsibility

Supply chain management represents a critical dimension of corporate sustainability, as companies increasingly influence social and environmental outcomes beyond their organisational boundaries. Through supplier selection, monitoring, and development practices, companies can contribute to shaping suppliers' behaviour and promoting responsible business practices throughout their value chains[307]. However, the increasing globalisation of production has considerably complicated this task. The geographical dispersion of supply chains, combined with outsourcing, subcontracting, and increased supplier specialisation, has generated complex networks characterised by significant differences in labour standards, environmental regulations, and institutional frameworks across countries and regions. These developments have increased both the horizontal complexity of supply chains, through the growing number of suppliers involved at different levels, and their vertical complexity, through the fragmentation of production processes among multiple actors. Consequently, ensuring sustainability and respect for human rights throughout supply chains has become a major challenge for contemporary corporate governance[308].

Within this context, companies have progressively developed governance mechanisms aimed at extending their ethical commitments beyond their own operations. Among these instruments, corporate codes of conduct represent one of the most widespread approaches. Originally conceived

[307] Martin Schleper, Christian Busse, and Michael Henke, "Towards a Standardized Supplier Code of Conduct – Requirements from a Literature-Based Analysis" (2012): 1 - 12, https://doi.org/10.1007/978-3-642-32838-1_21.
[308] Ibidem

as internal documents establishing standards of behaviour for employees and managers, codes of conduct have increasingly been extended to suppliers through Supplier Codes of Conduct (SCoCs), which define the social, environmental, and ethical requirements expected from business partners[309]. Corporate codes of conduct have been defined as "distinct and formal document[s] containing a set of prescriptions developed by and for a company to guide present and future behaviour on multiple issues of at least its managers and employees, toward one another, the company, external stakeholders and/or society in general"[310]. Although the use of such instruments dates back to the early twentieth century, their widespread diffusion accelerated from the 1970s onwards, largely in response to growing concerns regarding the social and environmental impacts associated with foreign investment, outsourcing, offshoring, and sourcing practices in countries characterised by weaker labour and environmental protections. Today, codes of conduct remain among the most widely adopted instruments for promoting sustainability alongside mandatory regulatory frameworks[311].

The increasing relevance of supply chain responsibility has also shaped the evolution of the European sustainability regulatory framework. The Corporate Sustainability Due Diligence Directive (CSDDD) extends corporate obligations beyond a company's own operations to encompass its chain of activities, reflecting an understanding of responsibility that includes business relationships throughout the value chain. Similarly, the European Sustainability Reporting Standards (ESRS) define business relationships broadly, encompassing both direct and indirect relationships with suppliers, business partners, and other actors connected to corporate operations. This evolution reflects the recognition that companies may contribute to, or be associated with, adverse human rights and environmental impacts occurring beyond their organisational boundaries[312].

Within this framework, Euro Company's approach to supply chain responsibility can be analysed through its Supplier Code of Conduct, which represents the main formal instrument through which human rights and environmental standards are embedded within its supply chain governance[313]. The Code is based on internationally recognised principles, including UN human rights frameworks and International Labour Organization (ILO) conventions, and addresses a wide range of issues, such as the prohibition of child labour and forced labour, non-discrimination, working

[309] Ibidem
[310] Ivi, 3
[311] Krista Bondy, Dirk Matten e Jeremy Moon, "Multinational Corporation Codes of Conduct: Governance Tools for Corporate Social Responsibility?", *Corporate Governance: An International Review* 16, n. 4 (2008): 294–311, https://doi.org/10.1111/j.1467-8683.2008.00694.x.
[312] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516.
[313] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 213-221, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

conditions, freedom of association, collective bargaining, and environmental responsibility. Furthermore, the document includes principles related to ethical business behaviour, fair competition, and responsible sourcing, demonstrating an attempt to integrate social and environmental considerations into supplier governance[314].

Human rights commitments are further reinforced through Euro Company's broader ethical framework. The Code of Ethics extends principles of human dignity, equal treatment, and non-discrimination to employees, corporate bodies, and external stakeholders, explicitly prohibiting discrimination based on characteristics such as race, nationality, religion, gender, disability, sexual orientation, political affiliation, or age[315]. Therefore, the company's human rights approach is not limited to labour-related issues within the supply chain, but forms part of a broader organisational understanding of ethical responsibility.

From the perspective of the CSDDD, Euro Company's Supplier Code can be interpreted as an instrument of supply chain governance that contributes to extending ethical expectations beyond first-tier suppliers[316]. By requiring suppliers and business partners to comply with defined ethical and sustainability standards, the Code reflects the cascading logic through which companies attempt to influence actors beyond their direct control. This approach is further supported by the company's Code of Ethics, which applies not only to internal stakeholders but also to external parties acting on behalf of Euro Company[317]. In this sense, the company has developed a multi-layered governance system aimed at embedding responsible practices across its network of relationships.

However, despite these elements of alignment, the governance logic underpinning the Code remains predominantly compliance-based and prescriptive[318]. It relies mainly on the definition of behavioural expectations, contractual commitments, supplier assessments, and monitoring mechanisms. This differs from the due diligence model introduced by the CSDDD[319], which requires companies to establish an ongoing and risk-based process aimed at identifying, prioritising, preventing, mitigating,

[314] Ibidem
[315] Euro Company, *Code of Ethics* (2021): 6, https://eurocompany.it/wp-content/uploads/2021/03/Euro-Company-Code-of-Ethics.pdf.
[316] European Union, *Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859*, Official Journal of the European Union, 5 July 2024, art. 3, https://eur-lex.europa.eu/eli/dir/2024/1760/oj/eng/.
[317] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 289-302, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.
[318] Agata Rudnicka, "Codes of Conduct and Codes of Ethics as Tools Used to Support the Idea of Social Responsibility in Supply Chains," *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, no. 464 (2017): 91–100
[319] As Euro Company does not meet the size thresholds established by the legislation, it does not fall within the scope of the CSDDD.

and addressing adverse human rights and environmental impacts[320]. Although Euro Company is not subject to the CSDDD due to its size, the comparison with the due diligence framework provides a useful reference point for assessing the evolution of its responsible sourcing practices. In this respect, Euro Company's existing mechanisms demonstrate a significant commitment to responsible sourcing, while remaining primarily focused on supplier governance and related monitoring practices rather than on the fully integrated due diligence approach envisaged by the Directive.

A distinctive feature of Euro Company's model lies in its relational governance approach to suppliers. The emphasis on long-term contractual relationships, operational proximity, and financial support mechanisms reflects a logic of stability and collaboration aimed at fostering sustainability through partnership rather than strict enforcement alone[321]. Such mechanisms indicate a form of embedded governance that combines ethical expectations with economic support, particularly in certain supply chains where pre-financing and reverse factoring arrangements are used to enhance supplier resilience[322].

The implementation of these principles is supported by additional assessment and monitoring tools, including supplier qualification procedures, self-assessment questionnaires, external certifications, and audit mechanisms such as Sedex and SMETA[323]. Environmental expectations are further complemented by provisions contained in the Code of Ethics, which require suppliers to minimise waste generation, reduce the consumption of natural resources, limit emissions, adopt energy-efficient equipment, and operate in ways that minimise risks to the environment and human health[324]. These requirements reinforce the company's expectation that environmental responsibility should be shared throughout the supply chain rather than confined to its own operations[325]. Where external certifications are not available, internal questionnaires are used as instruments for assessment and dialogue[326]. While these tools contribute to formalising monitoring and transparency, they primarily configure a compliance-oriented system focused on verification and corrective action rather than continuous impact-based risk management.

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[320] Nicolas Bueno, Nadia Bernaz, Gabrielle Holly, and Olga Martin-Ortega, "The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise," *Business and Human Rights Journal* 9, no. 2 (2024): 294–300, https://doi.org/10.1017/bhj.2024.10.
[321] Ibidem
[322] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 213-221, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf
[322] Ibidem
[323] Ivi, 220
[324] Euro Company, *Code of Ethics* (2021): 7, https://eurocompany.it/wp-content/uploads/2021/03/Euro-Company-Code-of-Ethics.pdf.
[325] Agata Rudnicka, "Codes of Conduct and Codes of Ethics as Tools Used to Support the Idea of Social Responsibility in Supply Chains," *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, no. 464 (2017): 91–100
[326] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 213-221, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

When assessed against the CSDDD framework, Euro Company's approach appears to reflect a transitional model of supply chain governance[327]. On the one hand, it shows significant alignment with the Directive's substantive objectives, particularly in terms of human rights coverage and the extension of responsibility along the value chain. The coexistence of the Supplier Code of Conduct, supplier assessment procedures, and the broader Code of Ethics further demonstrates an attempt to institutionalise sustainability expectations across business relationships through multiple governance instruments. On the other hand, its procedural architecture remains less explicitly systematised in terms of risk prioritisation, continuous impact assessment, and integration of due diligence outcomes into corporate risk management processes[328].

All in all, Euro Company represents a valuable example of a company progressively strengthening its approach to responsible supply chain governance. Although the company is not subject to the CSDDD, the due diligence framework provides a useful reference point for highlighting some of the practical challenges associated with the management of global supply chains. In particular, the mapping of the supply chain represents a critical challenge for companies such as Euro Company, which relies on raw material suppliers located across different regions of the world. As geographical distance increases, obtaining complete, accurate, and timely information on suppliers and upstream activities becomes progressively more complex. This highlights the importance of robust traceability and information-gathering mechanisms, particularly when seeking to identify and assess potential human rights and environmental risks beyond direct suppliers. In this sense, Euro Company illustrates not only the opportunities offered by proactive sustainability governance, but also the organisational and practical challenges involved in progressively strengthening responsible supply chain management.

3.6 Corporate Governance and Ethical Framework

The integration of human rights into corporate sustainability requires more than the recognition of ethical principles within external reporting frameworks. As discussed in Chapter 2, the evolution of the European sustainability framework has progressively transformed human rights from a set of principles external to corporate decision-making into an element that companies are increasingly required to integrate into their governance structures, risk management systems, and operational processes. In this context, governance represents the organisational dimension through which

[327] Massimiliano Agovino, Antonio Garofalo, Katia Marchesano, Simona Monteleone, and Gaetano Musella, "The Role of the Institutional Supply Chain in the Transition from the Linear to the Circular Paradigm: The Italian Case," *Socio-Economic Planning Sciences* 99 (2025): 1-13, https://doi.org/10.1016/j.seps.2025.102196.
[328] Ibidem

companies translate commitments to human dignity, equality, and responsible business conduct into concrete practices.

Within this framework, corporate governance cannot be understood exclusively as a mechanism of control and compliance. Rather, it constitutes a broader system through which companies define responsibilities, manage potential risks, establish accountability mechanisms, and embed sustainability principles into strategic decision-making[329]. This approach is particularly relevant in light of recent European developments, including the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), which increasingly require companies to demonstrate not only their sustainability performance, but also the processes through which they identify and address potential adverse impacts on people and society.

Euro Company's governance model reflects this broader understanding of sustainability as an organisational principle. The company presents governance, ethics, and legality as fundamental components of its regenerative business model, emphasising the importance of integrity, transparency, fairness, and responsibility towards employees, communities, and the environment. Therefore, ethical conduct is not framed merely as a legal obligation, but as a constitutive element of the company's identity and long-term strategy[330].

The development of Euro Company's governance architecture illustrates a progressive institutionalisation of sustainability within the organisation. As the company expanded its activities and strengthened its sustainability commitments, governance mechanisms evolved from traditional compliance instruments towards a more integrated framework combining internal controls, risk management procedures, ethical guidelines, and stakeholder-oriented initiatives. This evolution reflects a broader transformation identified in Chapter 2: the increasing expectation that companies should assume responsibility not only for their own operations, but also for the impacts associated with their activities and relationships.

At the same time, the case of Euro Company highlights a central challenge characterising contemporary corporate sustainability governance. The existence of formal instruments does not automatically guarantee the effective implementation of human rights principles. The transition from commitment to practice requires organisational processes capable of embedding these principles into everyday decision-making, monitoring mechanisms, and stakeholder relationships. In this sense, Euro

[329] Archie B. Carroll, "Corporate Social Responsibility: Evolution of a Definitional Construct", *Business & Society* 38, no. 3 (1999): 268.
[330] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 289-302, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

Company's governance framework provides an interesting example of the opportunities and limitations involved in translating human rights commitments into corporate structures.

The following sections analyse the main elements of this framework, focusing first on the company's compliance and risk management system and subsequently on the role of the Code of Ethics as a governance instrument through which Euro Company defines its approach to human rights, equality, and responsible conduct.

3.6.1 Governance Structures, Compliance Systems and Sustainability Integration

The evolution of Euro Company's governance structure reflects the company's broader sustainability journey and its progressive attempt to integrate responsibility and accountability into its organisational model. Following its transformation into a joint-stock company (*Società per Azioni*), the organisation strengthened its governance architecture through a more articulated system of corporate oversight and internal control[331]. This development can be interpreted as a response to increasing organisational complexity and to the need to support sustainability commitments through adequate governance mechanisms.

A central element of this framework is represented by its compliance and risk management system, particularly through the adoption of an Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001. Introduced in 2018, the Model was developed following a structured assessment of corporate activities and potential areas of legal risk. The process involved the identification of activities potentially exposed to criminal liability and the implementation of preventive organisational measures designed to mitigate such risks[332].

Although the Model 231 was introduced within the specific context of Italian corporate liability law, its underlying logic presents relevant similarities with the risk-based approach characterising recent European sustainability regulation[333]. As analysed in Chapter 2, the CSRD and the CSDDD represent a shift from a reactive conception of corporate responsibility towards a preventive model based on the identification, assessment, and management of potential adverse impacts. Similarly, the Model 231 requires the organisation to identify areas of vulnerability, establish preventive controls, and monitor compliance over time[334].

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[331] Ibidem
[332] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 289-302, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.
[333] Luis Rodriguez-Dominguez, Isabel Gallego-Alvarez, and Isabel Maria Garcia-Sanchez, "Corporate Governance and Codes of Ethics," *Journal of Business Ethics* 90 (2009): 187–202, https://doi.org/10.1007/s10551-009-0035-y.
[334] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 289-302, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

To support the implementation of the Model, Euro Company established an independent Supervisory Body (*Organismo di Vigilanza – OdV*), responsible for monitoring compliance, assessing the effectiveness of internal controls, and supervising the functioning of the organisational system[335]. The presence of an independent oversight mechanism strengthens accountability by ensuring that compliance monitoring is separated from ordinary managerial activities.

From a sustainability perspective, the Model 231 and the OdV contribute to the institutionalisation of ethical responsibility within the company. They demonstrate an attempt to move beyond individual commitment by creating formal structures capable of supporting responsible behaviour. In this sense, Euro Company's governance system reflects the broader development discussed in Chapter 2: human rights protection increasingly depends not only on the recognition of fundamental principles, but also on the creation of organisational mechanisms capable of implementing and monitoring them.

Nevertheless, the case also illustrates the ongoing challenges faced by companies in integrating traditional compliance systems with emerging sustainability governance models. While instruments such as the Model 231 provide important safeguards against misconduct, contemporary sustainability frameworks require a broader integration of human rights considerations into corporate strategy, stakeholder engagement, and risk management processes. Therefore, the challenge for companies lies in progressively integrating compliance systems with wider ESG governance processes.

3.6.2 The Code of Ethics as a Human Rights Governance Instrument

Alongside formal governance mechanisms, Euro Company's ethical framework is anchored in its Code of Ethics, which serves as the primary reference document for guiding corporate conduct and stakeholder relations. The Code can be defined as "written documents through which corporations hope to shape employee behaviour and produce change by making explicit statements as to desired behaviour"[336].

In this case, the Code performs a dual function. On the one hand, it supports compliance objectives by contributing to the prevention of unlawful conduct and by complementing the organisational safeguards established under Legislative Decree No. 231/2001[337]. On the other hand, it acts as a governance instrument through which Euro Company articulates its corporate identity, values, and expectations towards both internal and external stakeholders.

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[335] Ibidem
[336] Luis Rodriguez-Dominguez, Isabel Gallego-Alvarez, and Isabel Maria Garcia-Sanchez, "Corporate Governance and Codes of Ethics," *Journal of Business Ethics* 90 (2009): 188, https://doi.org/10.1007/s10551-009-0035-y.
[337] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 289-302, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

From the perspective developed in Chapter 2, the relevance of the Code lies particularly in its treatment of human rights. The European sustainability framework increasingly recognises that companies have responsibilities extending beyond economic performance and legal compliance, requiring them to consider their effects on individuals and communities. Euro Company's Code reflects this approach by placing human dignity, equal treatment, personal development, and respect for individuals among its fundamental principles[338].

A particularly significant aspect is the explicit recognition of non-discrimination. Article 7 first sets out a general clause condemning discrimination or violence on racial, ethnic, national, or religious grounds[339]. It then commits the company, within the same article, to avoiding any form of discrimination, "in particular" that based on race, nationality, sex, age, physical disability, sexual orientation, political or trade-union opinions, philosophical views, or religious convictions[340]. The same non-discrimination clause, including religion among the prohibited grounds, recurs in Article 13 with specific reference to personnel management, covering recruitment, promotion, and equal treatment of employees[341]. Moreover, Article 17 explicitly requires the company to provide care and attention to every customer or category of customers, without discrimination based on their nationality, religion, or gender[342].

The inclusion of religion among the protected grounds is especially significant, as freedom of religion or belief is often only implicitly addressed in corporate sustainability documents through broader diversity policies, a pattern already highlighted, at the level of EU sustainability regulation, in Chapter 2.4.3 above, and confirmed empirically by comparative data on corporate diversity practices[343].

This recognition therefore demonstrates that Euro Company acknowledges freedom of belief as part of its human rights framework. However, the analysis of the Code also reveals the limits of this approach. The protection remains primarily centred on preventing discriminatory behaviour rather than on establishing specific mechanisms for accommodating religious diversity in the workplace: neither Article 7 nor Article 13 makes any reference to religious accommodation, dress, dietary requirements, or the management of religious holidays, matters that, as noted in Chapter 2.4.3, are

[338] Euro Company, *Code of Ethics* (2021): 1 – 25, https://eurocompany.it/wp-content/uploads/2021/03/Euro-Company-Code-of-Ethics.pdf.
[339] Euro Company S.r.l. Società Benefit, *Codice Etico*, art. 7, "Equità, Obiettività e Tutela della Persona; Lotta alla Discriminazione," 6–7.
[340] Ibidem
[341] Ivi, art. 13, "Rapporti con il Personale – Contrasto alle Forme di Sfruttamento," 13.
[342] Euro Company S.r.l. Società Benefit, *Codice Etico*, art. 17, "Rapporti con Clienti e Fornitori", 16.
[343] Brian Grim, "Corporates Often Forget Religious Diversity. Here's Why They Should Not," World Economic Forum, January 16, 2020, https://www.weforum.org/stories/2020/01/religion-diversity-business-inclusion/.

the concrete instruments through which religious diversity is typically operationalised beyond a purely anti-discrimination logic[344].

Therefore, Euro Company's approach represents an important step towards recognising freedom of religion within corporate governance, while also illustrating the challenges involved in transforming general principles into concrete organisational practices.

The Code also places strong emphasis on transparency and integrity in corporate communications. Euro Company commits itself to disseminating truthful, complete, transparent, and understandable information and explicitly prohibits false or misleading corporate reporting[345]. This focus is particularly relevant in the context of increasing regulatory attention to sustainability disclosure and corporate accountability within the EU framework.

The connection between ethical governance and sustainability reporting is therefore implicit but significant: reliable reporting, accurate information, and transparent communication are treated not only as legal obligations but also as ethical responsibilities towards shareholders, stakeholders, and the public[346]. In this sense, the Code reinforces the broader governance culture underpinning Euro Company's sustainability strategy.

Finally, the ethical framework is reinforced through mechanisms aimed at preventing and reporting misconduct. The company explicitly promotes the monitoring and prevention of behaviours contrary to legal requirements, the Code of Ethics, and the Model 231. Together, these instruments contribute to the creation of an organisational culture based on integrity, responsibility, and transparency[347].

Euro Company's governance architecture illustrates the gradual integration of sustainability, ethics, and compliance within a single organisational framework. However, the analysis also shows that the effectiveness of governance instruments depends not only on the formal recognition of principles, but on their capacity to be translated into operational practices and measurable organisational processes.

[344] Brian Grim, "Corporates Often Forget Religious Diversity. Here's Why They Should Not," World Economic Forum, January 16, 2020, https://www.weforum.org/stories/2020/01/religion-diversity-business-inclusion/.
[345] Ivi, 8
[346] Luis Rodriguez-Dominguez, Isabel Gallego-Alvarez, and Isabel Maria Garcia-Sanchez, "Corporate Governance and Codes of Ethics," *Journal of Business Ethics* 90 (2009): 188, https://doi.org/10.1007/s10551-009-0035-y.
[347] Euro Company. *Bilancio di sostenibilità 2024-2025* (2026): 289-302, https://eurocompany.it/wp-content/uploads/2026/05/BDS_internocop_WEB-OK_D.pdf.

3.6.3 Fondazione Ossigeno and the External Dimension of Corporate Sustainability

The ethical and governance principles articulated within Euro Company's internal framework are not confined to organisational boundaries but extend outward through concrete initiatives directed at the broader community. A particularly significant expression of this commitment is represented by *Fondazione Ossigeno*, a non-profit third-sector entity (*Ente del Terzo Settore*) established by Euro Company in 2019. The Foundation was created with the explicit purpose of generating positive and lasting social and cultural impact, supporting scientific research, voluntary organisations, and projects promoting healthy and sustainable food practices[348]. In 2025, it was then officially registered in the *Registro Unico Nazionale del Terzo Settore (RUNTS)*, a recognition that formalises its public utility status and enables citizens to direct their 5×1000 tax contributions to its activities.

This approach is consistent with the logic of the Benefit Corporation model, through which the company formally integrated common benefit objectives into its corporate purpose. The allocation of part of the company's annual profits to social initiatives provides a concrete mechanism through which economic performance is connected with broader societal objectives, reflecting the shared value perspective underlying Euro Company's sustainability strategy.

The activities supported by Fondazione Ossigeno demonstrate how governance principles can generate impacts beyond the company's internal boundaries. Among its initiatives, the Foundation has contributed to projects supporting local healthcare, including the donation towards the completion of the Community Hospital of Russi, as well as educational programmes promoting environmental awareness among schools affected by the 2023 floods in Emilia-Romagna[349].

Taken together, *Fondazione Ossigeno* illustrates how governance structures can serve not only as mechanisms of internal control and compliance, but as vehicles for embedding corporate values into the social fabric of the communities in which a company operates. In this sense, the Foundation represents the external dimension of Euro Company's ethical architecture, translating governance principles into shared value creation beyond the boundaries of the firm.

To sum up, Euro Company's governance framework illustrates the progressive expansion of corporate responsibility from internal compliance mechanisms towards a broader model integrating ethics, human rights, stakeholder relationships, and social impact. Nevertheless, the case also confirms that sustainability governance requires continuous balancing between formal commitments, operational implementation, and the capacity to generate measurable outcomes. In this sense, Euro

[348] Ivi, 264
[349] Ibidem

Company's experience reflects both the potential and the complexity of embedding sustainability principles within corporate structures.

3.7 Future Developments and Regulatory Challenges

As explained in Chapter 1 of the present thesis, the regulatory framework governing corporate sustainability in the European Union is undergoing a profound transformation[350]. For companies operating in the food sector, these developments are particularly significant, as they affect not only reporting practices but also product design, supply chain management, packaging, procurement, and marketing communications. Food sector companies are in a "uniquely strong position: few sectors have such a direct ability to generate measurable, real-world sustainability improvements"[351]. In this context, sustainability can no longer be considered a peripheral corporate function. Rather, it has become an integral component of strategic decision-making and long-term business resilience.

For Euro Company, the changing regulatory environment presents both challenges and opportunities. Although the company is not currently subject to all of the reporting obligations imposed on larger corporations, it operates within a market increasingly shaped by stakeholder expectations, sustainability-related due diligence requirements, and regulatory pressures that extend throughout global value chains[352]. As a result, anticipating future developments rather than merely reacting to them has become a strategic necessity[353]. The following sections considers the principal regulatory changes expected in the coming years, the growing importance of impact measurement and assurance, the evolution of sustainability certification systems, and the implications of these developments for Euro Company's future sustainability strategy.

3.7.1 Emerging Regulatory Requirements: CSRD, Omnibus I and the Simplification Debate

The Corporate Sustainability Reporting Directive (CSRD) represents one of the most ambitious regulatory initiatives ever undertaken by the European Union in the field of corporate sustainability[354]. However, the implementation of the CSRD has also generated concerns which contributed to the adoption of the Omnibus I package in 2025. The reform reduced the number of

[350] Sergey E. Shmelev and Elisa Gilardi, "Corporate Environmental, Social, and Governance Performance: The Impacts on Financial Returns, Business Model Innovation, and Social Transformation," *Sustainability* 17, no. 3 (2025): 1, https://doi.org/10.3390/su17031286.
[351] Renata Zielińska, "Sustainable Food Sector: Regulation, Risk, and Opportunity," The ESG Institute, May 29, 2025, https://www.the-esg-institute.org/blog/sustainable-food-sector-regulation-risk-and-opportunity.
[352] Muhammad Sani Khamisu and Ratna Achuta Paluri, "Emerging Trends of Environmental Social and Governance (ESG) Disclosure Research," *Cleaner Production Letters* 7 (2024): 100079, https://doi.org/10.1016/j.clpl.2024.100079.
[353] Voicu D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice," *Accounting in Europe* 22, no. 1 (2025): 103–140
[354] Elena-Nicoleta Vâlcu and Laura C. Spătaru-Negură, "EU and Corporate Sustainability: Meeting the European Standards – CSRD and CSDDD Explained," *Journal of Agricultural and Environmental Law* 20, no. 38 (2025): 475–516, https://doi.org/10.21029/JAEL.2025.38.475.

companies falling within the mandatory reporting perimeter, raised reporting thresholds, and granted additional implementation time to certain categories of undertakings[355].

Alongside these modifications, the European Commission introduced alternative reporting pathways for organisations that are not immediately subject to mandatory CSRD obligations. The first option consists of the simplified ESRS[356], a streamlined version of the original standards published in December 2025 and expected to become applicable through delegated regulation in 2026[357]. The second option is represented by the Voluntary SME Standard (VSME), a lighter reporting framework specifically designed "to support micro-, small-, and medium-sized undertakings"[358] in seeking to demonstrate sustainability performance without facing the full complexity of ESRS requirements.

For Euro Company, the choice between the available reporting frameworks is not merely a technical matter but a strategic decision[359]. Having voluntarily invested in sustainability reporting for several years, the company has already developed organisational processes and reporting capabilities that exceed the requirements associated with the VSME framework. Consequently, adopting the simplified ESRS appears more consistent with the level of reporting maturity already achieved.

From a strategic perspective, this early investment represents a significant competitive advantage. Companies that have already developed sustainability reporting infrastructures generally face lower adaptation costs when new regulations enter into force[360]. Rather than undertaking extensive organisational restructuring, they can focus on refining existing processes and improving data quality. For Euro Company, the transition towards the simplified ESRS framework therefore requires adjustment rather than transformation[361].

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[355] See Chapter 1.4. Regulatory Tensions and Simplification Efforts

[356] PwC, "Deep Dive Into the Simplified ESRS," *PwC Viewpoint*, 2025, https://viewpoint.pwc.com/gx/en/pwc/in-depth/id_int202506.html.

[357] In the meantime, Directive (EU) 2026/470 of 24 February 2026 formally completed the Omnibus I package, raising the CSRD reporting thresholds to undertakings with more than 1,000 employees and over €450 million in net turnover, with first-time application for financial years beginning on or after 1 January 2027. This thesis accounts for regulatory developments up to July 2026.

[358] EFRAG, *VSME Standard: Voluntary Standard for Non-Listed Micro-, Small- and Medium-Sized Undertakings* (Brussels: EFRAG, 2024), https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/VSME%20Standard.pdf.

[359] Voicu D. Dragomir et al., "Double Materiality Disclosure as an Emerging Practice," *Accounting in Europe* 22, no. 1 (2025): 103–140

[360] Choy Lai Yee, "Application of the Global Reporting Initiative Standards and Sustainability Disclosure Performance: An Analysis of the Largest Chinese Companies Listed in Hong Kong," *Accounting, Economics, and Law: A Convivium* 16, no. 1 (2026): 97–174, https://doi.org/10.1515/ael-2022-0082.

[361] Tomasz Braun, "Corporate Sustainability Reporting Directive – Engagement of SMEs into the EU Multilevel Sustainability Enforcement System," *Journal of Global Responsibility* 17, no. 2 (2026): 343–365, https://doi.org/10.1108/JGR-04-2025-0126.

The revised ESRS framework introduces several simplification measures intended to reduce the administrative burden associated with data collection and reporting activities[362]. Nevertheless, because Euro Company has already established comprehensive reporting processes, the simplification is unlikely to affect the overall quality or ambition of its Sustainability Report. Instead, it provides an opportunity to allocate resources more efficiently while maintaining a high level of transparency and stakeholder engagement.

3.7.2 The Evolution of ESG Certifications

The B Corp certification framework is currently undergoing a substantial revision aimed at strengthening accountability mechanisms and increasing alignment with emerging sustainability regulations. The introduction of the new certification standards by B Lab reflects a broader trend towards greater transparency, more rigorous impact measurement, and stronger verification procedures. For certified companies, these developments require not only compliance with updated assessment criteria but also the continuous monitoring of evolving certification requirements[363].

In the case of Euro Company, however, the current strategic direction is to evaluate alternative ESG certifications rather than renew the B Corp certification. The aim is to identify certifications that are more closely aligned with the company's business activities, its supply chain, and its environmental priorities. This approach is also connected to the integration of Dream Fruits into the Group and to the increasing sustainability requirements of Euro Company's customers. Several among them are themselves subject to the CSDDD or other European sustainability-related requirements, and therefore increasingly request detailed and reliable information from their suppliers concerning environmental performance and supply chain practices.

The search for new certifications is therefore intended to strengthen Euro Company's environmental commitments, and to support a more precise mapping of its supply chain and provide externally verified evidence of relevant sustainability practices. This is particularly relevant given the geographical breadth of Euro Company's supplier network. As highlighted in Chapter 3.5, the company sources raw materials from suppliers located in different parts of the world, making the collection and verification of accurate and timely information increasingly challenging, particularly as geographical distance from the company increases[364]. The Sustainability Department consequently

[362] PwC, "Deep Dive Into the Simplified ESRS," *PwC Viewpoint*, 2025, https://viewpoint.pwc.com/gx/en/pwc/in-depth/id_int202506.html
[363] B Lab, "Policy di ricertificazione: linee guida per tutte le B Corp con ricertificazione nel 2025/2026," B Impact Assessment Knowledge Hub, accessed July 1, 2026, https://kb.bimpactassessment.net/it/support/solutions/articles/43000753161-policy-di-ricertificazione-linee-guida-per-tutte-le-b-corp-con-ricertificazione-nel-2025-2026.
[364] Hayatte Loukili, "Should Your Organisation Have a Dedicated Sustainability Function?" *EnableGreen*, April 28, 2025, https://enable.green/news/should-organisation-have-dedicated-sustainability-function/.

plays a strategic role in monitoring sustainability standards and regulatory developments, evaluating potential certification schemes, and coordinating the collection of information across different business areas. Its role extends beyond sustainability reporting to connecting external requirements, customer expectations, and internal organisational processes[365].

The evolution of Euro Company's certification strategy thus reflects a shift towards more targeted instruments capable of supporting its specific business, environmental, and supply chain objectives[366].

3.7.3 Regulatory Challenges for the Food Sector

Beyond reporting requirements, Euro Company must also address a series of sector-specific regulatory developments that directly affect the food industry. Recent European initiatives increasingly target the environmental and social impacts associated with products, packaging, sourcing practices, and consumer communication. Consequently, sustainability management within food companies can no longer be limited to disclosure activities but must extend throughout the entire value chain[367].

As part of the company's ongoing monitoring of regulatory developments, Euro Company's Sustainability, Welfare and Internal Communication Department organised an internal training session in collaboration with external sustainability consultants on 10 June 2026[368]. The meeting focused on the main environmental regulations expected to affect the food sector in the coming years.

[365] Karima Ourari, "Sustainability Manager: Who They Are and What the Corporate Sustainability Officer Does," *Bologna Business School*, January 23, 2025, https://www.bbs.unibo.it/en/sustainability-manager-who-they-are-and-what-the-corporate-sustainability-officer-does/.
[366] Hayatte Loukili, "Should Your Organisation Have a Dedicated Sustainability Function?" *EnableGreen*, April 28, 2025, https://enable.green/news/should-organisation-have-dedicated-sustainability-function/.
[367] Rozemarijn Bloemendal, "Sustainability & Food – EU Regulatory Outlook 2025: Overview of EU Sustainability Regulatory Initiatives Affecting the Food Sector in the Context of the EU Green Deal," *Deloitte*, June 2025, https://www.deloitte.com/nl/en/services/legal/blogs/sustainability-food-eu-regulatory-outlook.html.
[368] This internship-based observation reflects the regulatory landscape as monitored by Euro Company up to July 2026, including the framework introduced by Directive (EU) 2026/470.

Figure 5 summarises the regulatory framework presented during the session and highlights the key legislative developments that will shape the company's sustainability strategy.

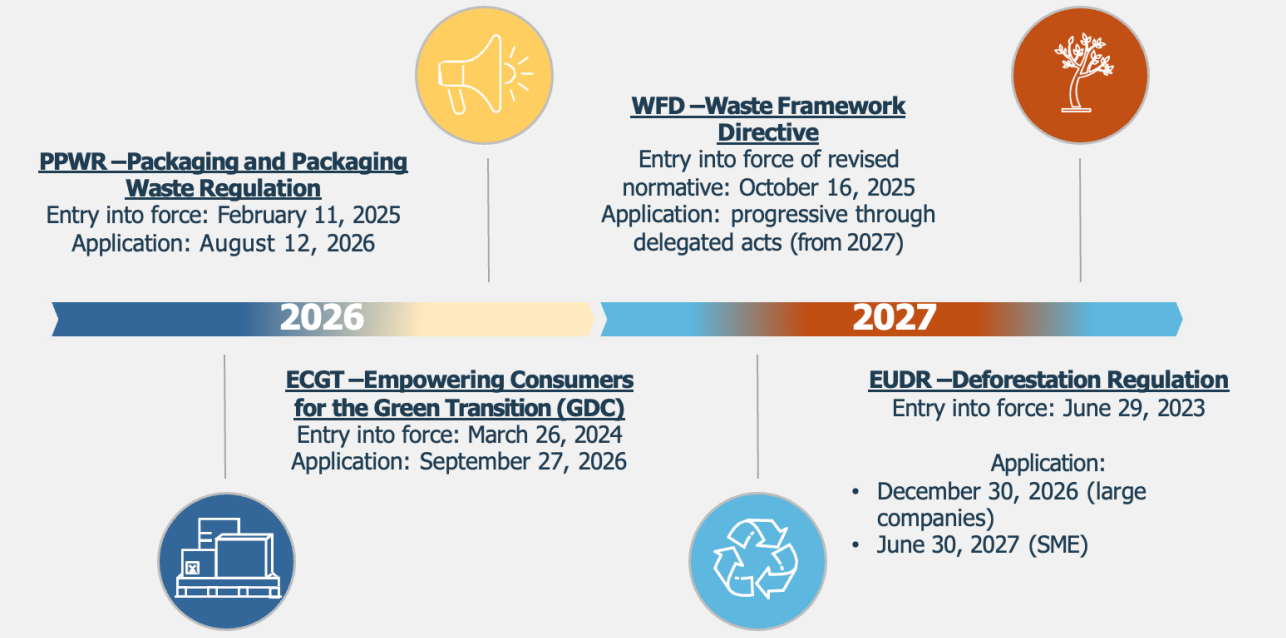


Figure 5. Main environmental regulations relevant to the food sector. Source: SCS Consulting presentation shown during the sustainability meeting held at Euro Company on 10 June 2026 author's elaboration.

- The Empowering Consumers for the Green Transition Directive (ECGT), which introduces stricter requirements regarding environmental claims and sustainability labels[369], is one of the most significant developments. All sustainability-related communications must be supported by robust and verifiable evidence. Marketing messages, packaging claims, and corporate communications will therefore require closer coordination with sustainability and legal functions to minimise the risk of greenwashing allegations[370].

- The Packaging and Packaging Waste Regulation (PPWR) is expected to influence packaging design and lifecycle management. Requirements concerning recyclability, recycled content, and restrictions on specific substances used in food-contact materials will require companies to review existing packaging solutions and collaborate closely with suppliers and packaging manufacturers[371].

[369] European Parliament and Council of the European Union, Directive (EU) 2024/825 of 28 February 2024 on Empowering Consumers for the Green Transition, OJ L 2024/825, March 6, 2024, http://data.europa.eu/eli/dir/2024/825/oj.
[370] B Lab, "Standard B Lab e Direttiva UE Empowering Consumers for the Green Transition (ECGT)," *B Impact Assessment Knowledge Hub*, accessed March 31, 2025, https://kb.bimpactassessment.net/it/support/solutions/articles/43000764829-standard-b-lab-e-direttiva-ue-empowering-consumers-for-the-green-transition-ecgt-.
[371] European Commission, "Packaging Waste," *Environment – European Commission*, accessed July 1, 2026, https://environment.ec.europa.eu/topics/waste-and-recycling/packaging-waste_en.

- The revised Waste Framework Directive (WFD) introduces food waste reduction targets and strengthens producer responsibility obligations. These provisions are particularly relevant for food companies, as they encourage greater attention to resource efficiency, waste prevention, and the traceability of materials throughout the value chain[372].

- The EU Deforestation Regulation (EUDR) further reinforces the importance of supply chain transparency. Companies are increasingly expected to possess detailed knowledge of the origin of raw materials and to demonstrate the sustainability of their sourcing practices through reliable documentation[373].

Taken together, these developments confirm that the future of corporate sustainability will depend not only on companies' ability to comply with new regulatory requirements, but also on their capacity to integrate sustainability into governance structures, strategic planning, and day-to-day decision-making. In this respect, Euro Company appears well positioned to adapt to the evolving European framework, although the increasing complexity of sustainability regulation will continue to require organisational learning, cross-functional coordination, and continuous adaptation.

3.8 From Strategy to Implementation: Insights from the Internship Experience

The analysis developed throughout this chapter has shown how Euro Company progressively integrated sustainability into its governance structures, reporting practices, supply chain management, and organisational identity. While these elements demonstrate the strategic dimension of sustainability, the internship experience provided the opportunity to observe how such commitments are translated into everyday organisational processes.

The internship took place during the initial preparation phase of the company's 2025–2026 Sustainability Report. This offered practical insight into the organisational complexity underlying sustainability disclosure. Although sustainability reporting is often perceived as the final outcome of corporate sustainability activities, the experience demonstrated that the preparation of a report represents only the visible endpoint of a broader process involving data collection, internal coordination, stakeholder engagement, and continuous adaptation to regulatory developments.

A key aspect that emerged was the central coordinating role of the Sustainability, Welfare and Internal Communication Department. Preparing the Sustainability Report requires the involvement

[372] European Commission, "Waste Framework Directive," *Environment – European Commission*, accessed July 1, 2026, https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en.
[373] European Commission, "Regulation on Deforestation-Free Products," *Environment – European Commission*, accessed July 1, 2026, https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en.

of multiple organisational functions, since environmental, social, and governance information is generated across different areas of the company. Sustainability reporting is therefore not an isolated task performed exclusively by sustainability professionals: it is a cross-functional process that depends on collaboration between departments, clearly assigned responsibilities, and a shared internal understanding of sustainability objectives, conditions that have to be actively built.

This observation reflects a broader transformation in corporate sustainability governance. As discussed in Chapter 1 and 2, European sustainability regulation increasingly moves beyond a purely disclosure-oriented approach towards a model in which sustainability considerations become integrated into corporate decision-making processes. The practical experience at Euro Company confirms this shift: sustainability reporting depends not only on the quality of the final document, but also on the ability of the organisation to establish reliable internal procedures, ensure data availability, and coordinate different sources of information.

The experience also made visible some of the practical difficulties of this transition, which are examined in more general terms in the discussion that follows (see Chapter 3.9). Growing regulatory complexity requires companies to build appropriate internal structures, clarify who is responsible for what, and continuously update their knowledge of an evolving framework. The effectiveness of a sustainability strategy, in other words, depends on the existence of formal commitments, together with the organisation's day-to-day capacity to implement them.

Although the internship covered only the initial phase of the reporting cycle, it provided concrete evidence of how sustainability at Euro Company has progressively moved beyond a communication exercise and become embedded within organisational processes. In this sense, the experience supports the broader argument emerging from the case study: sustainability institutionalisation requires the alignment of values, governance mechanisms, reporting systems, and operational practices.

3.9 Discussion: Challenges Emerging from the European Sustainability Framework

Euro Company's trajectory, from the Benefit Corporation model and B Corp certification to voluntary alignment with GRI and, progressively, ESRS, illustrates a proactive and largely successful path towards sustainability institutionalisation. Precisely because of this, it is useful to step back and ask which of the difficulties managed by Euro Company are, in fact, structural challenges that the wider population of companies subject to the European sustainability framework is likely to face more acutely. The following sections use Euro Company as a point of departure rather than as the object of analysis, and draw on the broader literature and regulatory debate introduced in Chapters 1 and 2 to generalise beyond the single case.

3.9.1 From Regulatory Compliance to Organisational Transformation

The introduction of frameworks such as the CSRD, ESRS, and CSDDD reframes sustainability from a reporting obligation into an organisational one: companies must disclose information, whilst building internal mechanisms to identify, manage, and address sustainability impacts on an ongoing basis[374].

Euro Company approached this transition from a relatively favourable position, having already established a dedicated Sustainability Department and progressively developed its sustainability reporting practices over several years before the introduction of the CSRD (see Sections 3.4.1 and 3.4.2). Conversely, many organisations entering the reporting perimeter for the first time, together with undertakings intending to adopt the VSME framework, are required to establish governance structures, reporting methodologies, data collection processes, and internal coordination mechanisms within a relatively short implementation period. This suggests that one of the main challenges associated with the evolving European sustainability framework lies not only in complying with new disclosure requirements, but also in developing the organisational capabilities necessary to support them[375].

More broadly, this suggests that the practical implications of European sustainability regulation may differ considerably across companies. Although the regulatory framework establishes common reporting requirements, the organisational effort required to comply with them depends largely on each company's existing governance structures, reporting experience, and internal capabilities. As a result, organisations with less mature sustainability systems may face disproportionately greater implementation challenges during the transition towards increasingly structured reporting frameworks.

3.9.2 Comparability, Assurance and Regulatory Uncertainty

A second challenge concerns the increasing complexity associated with the collection, management, and verification of sustainability information. One of the main objectives of the ESRS is to improve the comparability and reliability of sustainability disclosures across companies by introducing a more structured and standardised reporting framework. At the same time, however, these requirements

[374] Walter Leal Filho et al., "European Sustainability Reporting Standards: An Assessment of Requirements and Preparedness of EU Companies," *Journal of Environmental Management* 380 (2025): 125008, 1 – 9, https://doi.org/10.1016/j.jenvman.2025.125008.
[375] Silvia Galesso and Marco Cisi, "Reporting di sostenibilità. Tra obblighi e innovazione nei sistemi di gestione," *Cortellazzo & Soatto*, September 27, 2023, https://www.cortellazzo-soatto.it/it/reporting-di-sostenibilita-sole24ore-27settembre2023.

significantly expand both the quantity and level of detail of the information that organisations are expected to collect, document, and, where required, submit to external assurance[376].

As illustrated by the case of Euro Company, even organisations with well-established sustainability reporting practices must continuously adapt their methodologies to reflect the evolving regulatory framework. The progressive transition from GRI-based reporting to ESRS-aligned materiality assessment discussed in Sections 3.4.2 and 3.4.3 exemplifies this process. For companies with less developed reporting systems or more limited organisational resources, these requirements are likely to generate additional costs associated with the development of internal expertise, the implementation of new data collection processes, and the involvement of external consultants and assurance providers.

Regulatory uncertainty further complicates this transition. Recent developments, including the Omnibus I package, the "stop-the-clock" Directive, and the ongoing revision of the simplified ESRS[377] and the Voluntary Sustainability Reporting Standard for SMEs (VSME) discussed in Sections 1.3.2 and 3.7.1, illustrate the dynamic nature of the current European sustainability framework. Rather than providing a stable regulatory environment, these reforms have required companies to adapt while the reporting architecture itself continues to evolve. Consequently, organisations face the challenge of making long-term investments in reporting systems, internal governance structures, and sustainability expertise despite the persistence of regulatory uncertainty[378]. This creates a strategic dilemma that extends beyond the specific circumstances of Euro Company: firms must determine the appropriate level of investment in sustainability reporting while recognising that both the scope and the technical requirements of future disclosure obligations may continue to change.

3.9.3 Extending Responsibility Beyond Organisational Boundaries

A further challenge concerns the implementation of the risk-based due diligence model introduced by the CSDDD. As discussed in Sections 1.2.2 and 2.1.1, the Directive requires companies to identify, prevent, mitigate, and, where necessary, address adverse human rights and environmental impacts throughout their chain of activities. This represents a substantial evolution compared with the more traditional governance mechanisms adopted voluntarily by many companies, including Euro

[376] Deloitte, "Heads Up — Unpacking the Double Materiality Assessment Under the E.U. Corporate Sustainability Reporting Directive," *Deloitte Accounting Research Tool (DART)*, June 27, 2024, https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2024/csrd-esrs-double-materiality-assessment.
[377] This overview reflects developments up to July 2026. The Omnibus I package referred to here was formally completed by Directive (EU) 2026/470 of 24 February 2026, which amended the CSRD and the CSDDD.
[378] PwC, "Omnibus Directive Finalised," *PwC Viewpoint*, 2025, accessed April 18, 2026, https://viewpoint.pwc.com/gx/en/pwc/in-briefs/ib_int202527.html#glance.

Company (see Chapter 3.5). While instruments such as Supplier Codes of Conduct primarily establish the standards and expectations applicable to business partners, the CSDDD requires companies to develop continuous processes for identifying, assessing, monitoring, and responding to sustainability-related risks across their value chains.

The practical implementation of this approach presents significant organisational challenges. Although companies may exercise a relatively high degree of influence over their direct suppliers, their capacity to monitor and verify practices decreases progressively across lower tiers of increasingly global and fragmented supply chains. Consequently, ensuring that human rights and environmental standards are effectively implemented throughout the value chain, rather than simply reflected in contractual commitments or supplier declarations, remains one of the most complex aspects of the emerging European due diligence framework[379].

As the analysis of Euro Company has shown, this transition requires the adoption of formal governance instruments and the development of more systematic risk assessment procedures, enhanced stakeholder engagement, and stronger coordination across business relationships.

3.9.4 Standardisation and Corporate Identity: A Persistent Tension

A further challenge concerns the relationship between standardisation and corporate identity. Euro Company's decision to preserve its "Seven Roots" framework (Section 3.2) while progressively aligning its reporting practices with GRI Standards and ESRS requirements illustrates the attempt to reconcile external expectations of comparability and transparency with an internally developed sustainability narrative rooted in the company's history and employee participation.

This tension extends beyond a mere communication issue and reflects a broader challenge within the evolution of sustainability reporting. While standardised frameworks such as the ESRS contribute to greater consistency, comparability, and accountability, they may also risk encouraging a predominantly technical approach to sustainability disclosure, potentially weakening the connection between reported information and the organisational values, practices, and stakeholder relationships underlying corporate sustainability strategies. Companies therefore face the dual challenge of complying with increasingly structured reporting requirements while maintaining a meaningful sustainability narrative capable of engaging internal and external stakeholders. As the case of Euro Company demonstrates, standardisation can provide a common reporting language, but it does not by

[379] Martin Schleper, Christian Busse, and Michael Henke, "Towards a Standardized Supplier Code of Conduct – Requirements from a Literature-Based Analysis" (2012): 1 - 12, https://doi.org/10.1007/978-3-642-32838-1_21.

itself ensure that sustainability commitments are effectively integrated into corporate identity and organisational culture.

3.9.5 Final Remarks

Taken together, these four challenges (uneven organisational starting points, the costs and uncertainties associated with increasingly standardised reporting, the limits of corporate control across complex value chains, and the tension between standardisation and organisational identity) demonstrate that the difficulties associated with the European sustainability framework are not specific to Euro Company. Rather, they reflect broader structural challenges arising from a regulatory model that requires companies to identify, manage, verify, and communicate an expanding range of environmental and social impacts, including those occurring beyond their direct organisational boundaries.

Euro Company's case is particularly informative because it illustrates that these challenges persist even in the presence of significant organisational preparation. Despite more than a decade of voluntary sustainability practices, dedicated governance structures, and an established reporting function, the company continues to face the complexities associated with evolving regulatory requirements and expanding sustainability responsibilities. This suggests that the transition towards more integrated sustainability governance represents a substantial organisational challenge, particularly for companies approaching these frameworks with fewer resources, limited expertise, or less developed internal processes.

In this sense, the case study supports a broader conclusion that extends beyond Euro Company itself: within the European sustainability framework, the central challenge for companies is increasingly shifting from the initial adoption of sustainability disclosure practices towards the development of the organisational capacities required to continuously manage, integrate, and respond to sustainability-related expectations over time.

CONCLUSION

This dissertation has investigated the evolution of corporate sustainability within the European Union, focusing on the progressive transition from a predominantly voluntary approach to a more structured framework of corporate responsibility. By combining a theoretical and regulatory analysis with an empirical case study, the research has investigated how this transformation affects corporate governance, sustainability reporting, human rights and organisational practices. The analysis shows that the development of the European sustainability framework represents a broader transformation of corporate responsibility, extending beyond disclosure requirements and increasingly affecting the structures and processes through which companies organise and manage their activities.

The regulatory analysis has shown that the development of the CSRD and ESRS has progressively transformed sustainability reporting from a mainly voluntary and narrative practice into a more structured system based on common standards, materiality assessment, comparability and verification. At the same time, the CSDDD extends corporate responsibility beyond disclosure by introducing a stronger focus on the identification, prevention, mitigation and remediation of adverse human rights and environmental impacts across companies' chains of activities. Sustainability consequently emerges as an increasingly integrated component of corporate governance and organisational decision-making. However, the analysis of recent regulatory developments also highlights a fundamental tension within this transformation: the objective of strengthening corporate accountability must be balanced against the complexity and administrative burden generated by an increasingly detailed regulatory framework. The European sustainability framework should therefore be understood as an evolving process rather than a consolidated regulatory model[380].

The breakdown of the social dimension further shows that human rights are becoming increasingly embedded within corporate sustainability. Their inclusion in sustainability reporting and due diligence frameworks strengthens the connection between corporate activity and its effects on affected stakeholders, while the Italian framework demonstrates how these developments interact with existing principles concerning human dignity and fundamental rights. The examination of freedom of religion or belief also illustrates a broader issue emerging from the research: the existence of formal commitments to equality and non-discrimination does not necessarily guarantee their complete translation into organisational practice. The effectiveness of human rights protection within companies therefore depends on the mechanisms through which general legal principles are incorporated into policies, procedures and everyday organisational decisions.

[380] This dissertation accounts for regulatory developments up to July 2026, including Directive (EU) 2026/470 of 24 February 2026, which completed the Omnibus I package by amending the CSRD and the CSDDD.

The Euro Company case provides an empirical perspective from which these broader developments can be studied. The company's trajectory suggests that the institutionalisation of sustainability emerges from the interaction between external requirements and pre-existing organisational values, structures and capabilities. Euro Company's transition towards the Benefit Corporation model, B Corp certification and increasingly structured sustainability reporting created an organisational basis that facilitated the incorporation of new sustainability requirements. Nevertheless, the case demonstrates that an established sustainability culture does not eliminate the challenges associated with regulatory change. Rather, increasing standardisation, data requirements, cross-functional coordination and value chain responsibilities create new organisational demands even for companies with a relatively mature sustainability approach.

One of the main findings emerging from the case study concerns the relationship between standardisation and corporate identity. The integration of GRI and ESRS requirements within Euro Company's Seven Roots framework shows that the adoption of common sustainability standards does not necessarily require companies to abandon their own understanding of sustainability. Standardisation can coexist with organisational specificity, provided that external requirements are incorporated into existing structures and practices rather than treated exclusively as compliance obligations. In this sense, sustainability reporting emerges as more than an exercise in external communication: it can become a mechanism through which information, responsibilities and sustainability objectives are progressively integrated across the organisation.

The analysis of human rights and supply chain responsibility further demonstrated that Euro Company's existing governance instruments incorporate several principles that are consistent with the broader direction of European sustainability regulation. As in this case, government instruments may establish expectations concerning human dignity, equality, non-discrimination and responsible business conduct, extending the company's sustainability principles beyond its internal organisational boundaries. Still, the transition towards a more systematic due diligence approach requires companies to continuously identify, assess and monitor risks throughout increasingly complex value chains. Similarly, the examination of freedom of religion or belief suggests that the presence of general commitments to equality and non-discrimination does not necessarily provide detailed mechanisms for addressing all forms of religious accommodation within the workplace. These findings reinforce the importance of considering sustainability not only in terms of formal commitments, but also in terms of the processes through which those commitments are translated into practice.

Taken together, the findings suggest that the European sustainability transition is characterised by a reciprocal relationship between regulation and organisational change. Regulation establishes

common expectations and increasingly formalises corporate responsibilities, while the way these requirements are implemented depends on the organisational cultures, structures and capabilities already present within individual companies. The Euro Company case cannot provide statistical generalisation to all companies subject to the European sustainability framework. Be that as it may, it offers analytical insights into broader organisational dynamics that may be relevant to companies undergoing a similar transition from voluntary sustainability practices towards more formalised and regulated systems. In this respect, the case study serves not merely to illustrate the regulatory framework, but to understand how its requirements interact with corporate identity, existing governance structures and organisational capacity. Sustainability institutionalisation should consequently be understood as an ongoing process rather than as a condition that can be permanently achieved.

The research aims and objectives have therefore been substantially met. The dissertation has reconstructed the evolution of corporate sustainability within the European Union, investigated the growing integration of human rights into the sustainability framework, and analysed how these developments are reflected in corporate governance and sustainability practices through the case of Euro Company. The evidence supports the central argument that the institutionalisation of sustainability involves a transformation in the way companies manage and understand corporate responsibility. At the same time, the research shows that this transformation is neither uniform nor complete: its development depends on the interaction between regulatory requirements and the internal conditions of individual organisations.

These limitations point towards several possible directions for further research. Comparative case studies involving companies operating in different sectors and characterised by different levels of sustainability maturity could investigate whether the organisational dynamics identified in the Euro Company case emerge across different contexts. Further research could also explore the implementation of corporate sustainability due diligence as the relevant requirements become more and more operational, particularly in relation to human rights and environmental impacts across complex value chains. Another area of interest concerns the relationship between standardisation and corporate identity, including how different organisations incorporate common sustainability standards within their existing cultures and governance models. Finally, comparative research could investigate more in depth how fundamental rights, including freedom of religion or belief, are translated from general legal principles into concrete corporate policies and workplace practices.

To conclude, the analysis suggests that the most significant consequence of the European sustainability framework lies in the gradual transformation of sustainability from a largely voluntary

area of corporate action into an increasingly institutionalised organisational responsibility. The development of the CSRD, ESRS and CSDDD contributes to this process by connecting reporting, governance, human rights and responsible business conduct within a common regulatory framework. Yet regulation alone cannot determine the extent to which sustainability becomes embedded within corporate practice. The Euro Company case demonstrates that this process depends on the capacity of organisations to translate external requirements and formal commitments into internal structures, processes and everyday practices. Corporate sustainability therefore emerges as an ongoing process of organisational transformation, shaped simultaneously by regulatory developments, corporate identity and organisational capacity.

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