**Disclosure of environmental practices.**

**An explorative analysis from the leading sustainable companies in Italy**

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## Introduction

Practices in favor of the environment have become a compelling sustainable issue at the cutting edge of business and policy agendas. The business must address its environmental impacts since climate change and natural disasters are consequence of human activity. Similarly, policy-makers have to put their effort into actionable insights and innovative solutions which foreseen environmental scenarios and empower change. Within this context, the disclosure of environmental activities provides critical areas and success of action taken, as well as forecast future trajectories (Liu et al., 2018; Salehi et al. 2018; Chatzoglou et al., 2017; Vardon et al., 2016).

A majority of the existing research on environmental disclosure and corporate environmental management has been mainly conceptualized under the theoretical lens of legitimacy and impression management. Environmental disclosure has been viewed as a tool to gain, maintain, and repair legitimacy to influence societal perception potentially (O’ Donovan, 2002). It has also been addressed to examine the different facets of communication between companies and their stakeholders (Rodrigue, 2014) when considering the volume and tone of environmental disclosures (Rodrigue, Cho and Laine, 2015). Similarly, corporate environmental management has advanced the legitimacy of the stakeholder approach (Onkila, 2009), considering the influences of stakeholders as catalysts of corporate environmental responses (Henriques and Sadorsky, 1999; Madsen and Ulhoi, 2001). Conversely, the literature has remained scattered in its understanding of business engagement with the natural environment in the form of communication (Onkila, 2009; Morrison, Wilmshurst and Shimeld, 2018). Onkila (2009) addresses the relationship between human action and environmental values produced in the texts of environmental reports to determine the human action–environmental protection relationship. Meanwhile, Morrison *et al.* (2018) explore how stakeholders understand environmental issues and how organizations communicate that information.

Drawing on these premises thus far, the aim of this study is to analyze the relationship between business and the natural environment in the companies’ written communication of sustainability reports. The research frames environmental activities and related engagement practices considering the most sustainable companies in Italy, according to the Global 100 ranking of the world’s most sustainable companies.

The paper joins this strand of literature to investigate the rhetorical communication of business–stakeholder–nature relations. Contextualized within the Italian business settings, our research analyses the disclosure on environmental issues and the related engagement with the natural environment. The explorative analysis has been conducted on the two listed companies that are selected as the most sustainable companies in the 2019 Global 100 Most Sustainable Corporations World index. The study develops a qualitative content analysis over the sustainability reports and official website information, and it analyses structural features and underlying meanings that characterize the relation between companies and the natural environment. We purposefully selected as investigation the rhetoric and discourse in the reports and official websites, as they show how companies gain and maintain legitimacy (Patriotta et al., 2011).

Our research contributes to the current debate on environmental disclosure in several ways. First, it frames the language of business–stakeholder–nature engagement activities. Second, it identifies which relationship companies shape in favor of the natural environment. Third, it thoroughly matches business practices together with policy implications which are urgently needed to solve the current environmental and climate crisis. Ultimately, it has been at the forefront of climate-related researches under several disciplines (Nicoletti et al., 2018; Rodiguez et al., 2020).

The study is organized as follows. Section 2 reviews the conceptualization of the natural environment within the stakeholder network and the urgent calls currently demanding environmentally responsible actions. Then, the theoretical underpinnings and practical dynamics of stakeholder engagement mechanisms and the relationship between companies and the natural environment are considered. Under these theoretical constructs, the conceptual framework for the analysis is teased out. Section 3 provides the research methodology, Section 4 describes the results, and finally, Section 5 identifies the main limitation of this study and concludes with theoretical and practical implications.

## Business engagement with the natural environment

## Natural environment within the stakeholder network

The natural environment surrounds the stakeholder network and all the economic activities that take place within it (Laine, 2010). The natural environment is an integral part of the stakeholder network, forging its spirit and the daily human activities that depend on it (Driscoll and Starik 2004; Stead and Stead 1996). Thus, it can be acknowledged that the natural environment has its own dynamics and its own goods that are independent with human purposes and therefore deserving of a certain kind of moral respect (Martin, Maris and Simberloff, 2016).

The natural environment has been considered by human organizations with increasing awareness, and organizations have started to interact in a positive manner in response to the current environmental emergency. In fact, we are currently facing an environmental crisis. There is worldwide concern for the impact of climate change on the vulnerable natural ecosystem, from waste disposal and water pollution to the economic injustice of plastic, among others. Increasing consumption, economic development, and population growth are crucial factors in the limits and uses of natural resources. Our business activities, as well as our daily lives, affect biodiversity, natural habitats, and the natural ecosystem significantly. Climate change is deeply altering the entire earth; for example, mining activities have severe repercussions for biodiversity, as excavation and extraction permanently shape the local ecosystem (Boiral and Heras-Saizarbitoria, 2017). In addition, oil extraction leads to toxic waste, air pollution, and transportation spills, along with the usurpation of indigenous people’s local ecosystems. Furthermore, we can include soil contamination and erosion, the consequences of urbanization and natural reforestation, which are reducing the area of available fertile land every year.

These impacts and related increasing pressures have reinforced the acknowledgment of this issue. Countries and business organizations have started to implement specific activities against such a worldwide and urgent challenge. In effect, they have progressively promoted and enacted practices to prevent natural resource losses, to protect natural habitats, and to conserve the natural ecosystem. This has in urgent demand to “keep human activity within safe ecological limits and to avoid human induced loss of biodiversity through extinctions and passing other ecological points of no return” (Martin, Maris and Simberloff, 2016). Business organizations and citizens have been encouraged to consume resources responsibly, recycle products, reduce waste products, and prioritize renewable energy.

With this urgent call to put in action concrete practices against the imminent natural environmental collapse, business engagement for environmental protection is gaining prominence. Engagement actions should reflect environmental limits and their dynamic complexity; consequently, the impacts of human activities should be integral to ecosystem interactions, just as ecosystems are integral to human activities (Martin, Maris and Simberloff, 2016). Drawing on this premise thus far, we maintain that there is an interconnectedness pattern between the natural environment and the stakeholder network. The stakeholder network has a dual and reciprocal relationship with the natural environment in the sense that it receives positive and negative stimuli and influences which needs to undertake and eventually tackle to maintain and preserve a coexisting balance between natural resources and human power.

The literature on environmental management extensively demonstrates the relevance of taking the interests and expectations of stakeholders into account (Hart and Sharma, 2004; Buysse and Verbeke, 2003; Cragg and Greenbaum, 2002), which is presented in the next section.

## Involvement with environmental issues

Academic studies in the field of stakeholder involvement with environmental issues have gained considerable interest (Onkila, 2009; Boiral and Heras-Saizarbitoria, 2017; Provasnek, Schmid and Steiner, 2018). The study of Onkila (2009) is one of the first to analyze the relationship between human action and environmental issues in business and how companies argue for its acceptability in environmental reports. The language used in those reports promote the acceptability of environmental actions using three power-related rhetorical forms, namely, dominance and subordination, equality, and joint action, and remarkable limitations of responsibility, in the sense that boundaries that impose environmental inaction are lacking.

The academic of work of Boiral and Heras-Saizarbitoria (2017) focuses on the reasons underlying stakeholder involvement, the nature of stakeholders, and the types of measures enacted to manage biodiversity. Based on a content analysis of sustainability reports, motives and antecedents can be circumscribed under complexity and knowledge management, self-regulation and relationships with public authorities, legitimacy and social responsiveness, and commercial and strategic objectives. Depending on the companies’ objectives, stakeholder engagement practices are grouped into management practices, socio-political actions, and research and conservation measures, and they mainly involve experts and universities, public authorities, and non-governmental organizations.

The more recent research of Provasnek, Schmid, and Steiner (2018) investigates whether and how companies inform and communicate with stakeholders in the specific context of the Australian natural mineral water bottling industry. The multiple case study identifies three stakeholder-engagement categories, namely, information, communication, and community activities, which secure legitimacy and reduce information asymmetries in the process. Unsurprisingly, companies implemented a limited number of engagement activities (p. 477).

## Research methodology

## Context of research

We conducted an explorative analysis of the environmental related-disclosure over two listed companies in Italy. This country can be circumscribed around the “implicit CSR approach” (Matten *et al.*, 2008). According to Matten and Moon (2008) European countries are keen to deliberate CSR decisions in response to or as reflection of codified norms and societal rules of the institutional environment. Formal and informal institutions nudge “requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms” (p. 409). As a matter of fact, the European Union and national governments guide Europeans to safeguard the natural environment and natural resources, to enhance resource-efficient, green and low-carbon economy and prevent citizen’s health and wellbeing against environment-related risks. To cite few examples, we can mention the EU waste management law (Directive 2008/98/EC on waste), the energy efficiency directive to meet “Energy efficiency for the 2020 goal” (Directive 2012/27/EU), and the Paris Agreement which strives to keep the global temperature below 2°C compared to pre-industrial levels (European Commission, 2019). Thus, we can concur that this logic firmly embraces the European institutional frameworks outlined by Matten and Moon (2008) which acknowledge coordinated approaches to economic and social.

## Method of investigation

A purposive sampling strategy was adopted to select the cases for study. Purposive sampling informs a thorough understanding of the phenomenon under investigation, thus allowing an in-depth analysis to examine the theory and suggest conceptual implications accordingly” (Patton, 1990; Mason, 2006; Creswell, 2008). This rationale can be the justification here, as the objective of the qualitative content analysis is to draw the stakeholder-nature-relations in different context on virtuous companies with high an apparent high commitment to sustainability. Therefore, we selected the listed companies which were evaluated by the 2019 Global 100 Most Sustainable Corporations in the World index. The rank considers publicly-listed companies from all over the world with gross revenues of at least 1 billion US $, evaluated preliminarily based on four screens (sustainability reporting, financial soundness, category of products sold and financial sanctions incurred) and, subsequently, on an additional 21 indicators, specific to each industry, pertaining to the management of natural resources, employee management, clean revenues and supplier performance.

The index includes two Italian companies: ERG and Intesa San Paolo. These companies belong to different sectors and exhibit heterogeneous levels of experience in dealing with sustainability, thus environmental activities, related stakeholder engagement practices can be shaped accordingly. This makes our case as relevant for a deepen investigations. (Eisenhardt and Graebner, 2007).

Our analysis seeks to look closely at the environmental activities officially communicated from companies to stakeholders.

Keeping with this objective into practice, we focused on the CSR sustainability reports, official web pages, press releases, and we conducted a qualitative content analysis to interpret the usually written communication (Lock and Seele, 2015), and to track a constructive view of the business engagement with the environment. Content analysis is commonly used to assess disclosure levels because it is ‘a tool for the interpretation of usually written (corporate) communication […] and may help understand and interpret the manifest as well as latent content of communication regarding a corporation’s ethical understanding, conduct, and behavior’ (Seele and Lock, 2015; Lock and Seele, 2015). Content analysis is ‘a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use’ (Krippendorff, 2004; p. 18) that ‘views data as representations not of physical events but of texts, images, and expressions that are created to be seen, read, interpreted, and acted on for their meanings, and must therefore be analyzed with such uses in mind. Analyzing texts in the contexts of their uses distinguishes content analysis from other methods of inquiry’ (Krippendorff, 2013, p. xvii). Lock and Seele (2015) synthesize the power of qualitative content analysis with four points: as a method (1) to reduce the respondent’s bias, (2) to easily check for the validity and reliability of collected data, (3) to properly strengthen triangulation in the event that such a method is intertwined with interviews or questionnaires, and (4) to understand a company’s CSR communication, ethical behavior, or standard of conduct.

The qualitative content analysis was designed around the analytical construct suggested by Miles, Huberman, & Saldana (2014) and Krippendorff (2004) and conducted by going back and forth with the data, which means to concurrently work with the sustainability reports, the scholarly corpus of the literature within the corporate environmental management.

The analysis started with within-case analysis (Yin, 1994), thus the cases were comparatively classified with each other by identifying the companies’ key characterizations which delineate the disclosure of environmental practices The disclosure on stakeholder engagement serves to understand how the company deals with reasonable expectations and multiple interests of stakeholders (Sierra-garcía, Zorio-grima and García-benau, 2015; Fasan and Mio, 2017). Then, the analytical construct followed Miles, Huberman, & Saldana (2014) and Krippendorff (2004) and clustered qualitative and quantitative information into codes as they “are labels that assign symbolic meaning to the descriptive or inferential information compiled during a study” (Miles et al., 2014; p. 79).

## Findings

## Within-case analysis

The within-case analysis synthesized the demographic information of the targeted firms and provides the background of every single case. Table 1 shows the results with reference to general information on 1) ranking and score according to the 2019 Global 100 Most Sustainable Corporations in the World index; 2) industry sector; 3) number of personnel 3) total asset from the 2018 Annual Report 4) reporting document of sustainability issues; 5) adopted reporting standard. Table 2 provides the score published by the 2019 Global 100 dataset form on the Corporate Knights: Energy Productivity, Carbon Productivity, Water Productivity, Waste Productivity. Data show an interesting commitment toward environmental issues. The next section will provide general information on each company.

**4.1.1. ERG SpA (16th rank)**

ERG is an Italian company and works in the renewable energy sector by producing electricity using wind, water, sun and natural gas. ERG was founded in 1938 as sole-proprietor firm by Dr. Edoardo Garrone. The company became a refinery after the end of the Second World War with the name “ERG” namely “Edoardo Raffinerie Garrone”. In 1997, ERG was listed to the Italian stock market and in the 2000s started to turn the core business as an oil company to a multi-energy company. In 2006, ERG entered for the first in the renewable energy sector, but the radical transformation happened between 2008 and 2015 by disinvesting from the oil sector and reinvesting in the renewable energy. In such vein, when presenting its core business, ERG SpA states: *“Our strength comes from nature: thanks to the energy of wind, water, sun and natural gas. We are the first wind power operator in Italy and in the top ten in Europe. We can rely on a combination of sustainable energy sources that we manage with a business approach and with 80 years of history behind us”*. When considering ERG’s vision of the Future, the company address its future developments: “*The future we see is renewable. We will continue to move in this direction, implementing the 1.7 billion euros investment programme included in our 2018 - 2022 Business Plan, pursuing high quality projects and keeping ready to seize any opportunities that arise, applying our know-how, flexibility and financial capabilities”.*

Furthermore, the letter to stakeholders claims “*Our sustainability goals, defined in accordance with the Business Plan, will see us focus particular attention on the development of electricity production from renewable sources (UN SDG 7), the environment (UN SDG 6 and 15), working conditions (UN SDG 8) and welfare (UN SDG 4)”.*

**4.1.2. Intesa SanPaolo Group (80th rank)**

Intesa Sanpaolo Group is an Italian banking group founded in 2007 through the merger of Banca Intesa and Sanpaolo IMI. The former was established in 1998 from the merger of Cariplo and Banco Ambrosiano Veneto, whereas the latter derived from the merger of Istituto Bancario San Paolo di Torino and IMI (Istituto Mobiliare Italiano) which was a public entity founded in 1931. Today, Intesa Sanpaolo Group is the country’s leading banking group as it has 11.8 million customers and approximately 4,100 branches in Italy. It provides financial products and services to both households and businesses in Italy. The banking group builds its identity on *“integrity”*, *“excellence”*, *“transparency”*, *“respect for specific qualities”*, *“equality”,* *“values of the individual”* and *“responsibility in the use of resources”*. In this regard, the Group promotes *“a style of growth that is attentive to financial strength and capital solidity, sustainable results and the creation of a process based on the trust deriving from customer and shareholder satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of the community and the local area”.*

In the letter to stakeholder, a clear commitment towards the environment has been sort out: “*Intesa Sanpaolo’s environmental commitment has ensured the continuity of the CO2 emission containment measures, thanks to a multi-year action plan, and also of the support for the development of the green economy, with loans totaling over 1.9 billion euro disbursed in 2018”.*

## Cross-case analysis

With regard to the cross-case analysis, we considered the activities for and within the natural environment which companies declared as practices. The categories were inductively derived in reading the sustainability reports and addressed to differentiate the environmental practices. They are fight global warming, reducing greenhouse gas emission, development of energy resources, taking into account visual and noise impact of plants, treatment of effluents and waste, eco-friendly technologies, circular economy projects, supplier environmental assessment, protecting and managing biodiversity, loans and service for green culture and green culture initiatives. Table 3 summarizes the all environmental practices taken into account and present related quotes to enrich the disclosure of such environmental actions. Such a disclosure is the starting point for an engaging arena of debate over environmental initiatives to improve it further. What is missing here is the disclosure around new projects on revolutionizing urban infrastructures, and co-creation for future plants as activities which are already taken into account in other realities (e.g. Finland).

## Discussion and conclusion

The present exploratory research in its embryonic form attempted to examine the disclosure of environmental practices choosing the most sustainable companies in Italy.

The analyzed cases have been informative to address the environmental commitment, the list of environmental practices companies are currently taking into account and the related ways of engagement. Companies are well aware on global warming, and environmental concerns, as they posit their commitments and caring for the environment at the forefront of their mission. The list of environmental practices ranges from managing biodiversity to developing circular economy projects, and revolutionizing urban infrastructure. It should be noted that companies are keen to enhance environmental activities at the core of their business, which means that they are likely to adopt an integrated logic of company responsibility (Freeman et al., 2010). Regarding the business engagement practices, it seems to prevail a two-way relation in form of a dialogue under a “listening approach”, which is the necessary step to further pursue common interests partnering with each other.

The analysis has several limitations needed to take into account in further developments of this research project. First, the study focused on only four cases and based only secondary sources of information. We fully acknowledge the necessity to enrich and expand these preliminary insights through the inclusion of more cases. The only four observed cases belong to different sector, which obviously jeopardize the comparability of data as environmental action are generally promoted closely to the business. Second, another concern can be circumscribed around the mere analysis of sustainability reports which “may speak on behalf of reporting firms with messages that firms expect their stakeholders to consume”(Böhling, Murguía and Godfrid, 2019; p. 202). Sustainability reports can be drawn in a positive vein, in pursuit of an impression management tactic, which occurs when information is displayed in a way that alters and deceives readers’ perceptions of companies’ accomplishments (Brennan, Guillamon-Saorin and Pierce, 2009). Eventually, companies may be inclined to refer to it in a symbolic fashion for maintaining corporate legitimacy. This is also known as greenwashing behavior, which occurs when companies engage with CSR practices to improve their corporate image rhetorically and not in practice (Mahoney, S. et al., 2013). In comparable situations, it may become likely that a company will decouple its communication about norm application from its actual implementation practices. Quoting Böhling et al. (2019)’s discussion about the social license to operate in extractive industries, it “should take both beyond- and below-compliance effects of SR into account, and conceive of this practice as complementary to other policy approaches that address environmental stewardship (Prakash & Potoski, 2006) (p. 219). Furthermore, with the sustainability reports, companies generally state adherence to appropriate regulations and regulatory standards, thereby justifying a deontological approach (Morrison, Wilmshurst and Shimeld, 2018). To overcome the limitations related the analysis over secondary sources of information, the study can be enriched through interviews which can therefore allow the researchers to deepen the analysis over the cultural differences.

Drawing final remarks, a responsible commitment in order to protect, restore, and enhance the natural environment is vital. Thus, concrete applications of responsible actions are fundamental to progress beyond conservation-only in favor of an interactive approach with and among stakeholders. Businesses are called to cooperate with each other with a common value: a commitment to chance for protecting the natural ecosystem.

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## Tables

## Table 1. Companies’ demographic information

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| --- | --- | --- | --- | --- | --- | --- |
| Company | Ranking and Score\* | Industry sector name | Num. of personnel | Total Asset (EUR million) | Sustainability Report | Reporting Standards |
| ERG | 16th75.39% | Wholesale Power | 737 | 8,224 | Sustainability issues integrated within the Annual Report | GRI Reporting Standards (Core option) |
| Intesa SanPaolo  | 80th57.93% | Banks | 92.117 | 796,861 | Stand-alone report separated from the Annual Report  | GRI Reporting Standards (Core option) |

\* according to the 2019 Global 100 Most Sustainable Corporations in the World index.

Table 2. Companies’ environmental scores according to 2019 Global 100\*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Energy Productivity Score | Carbon Productivity Score | Water Productivity Score | Waste Productivity Score |
| ERG | 97% | 61% | 29,8% | 63% |
| Intesa SanPaolo | 45,5% | 29% | 11% | 51% |

\*2019 Global 100 dataset form on the Corporate Knights.

## Table 3. Practices for and within the natural environment

|  |  |
| --- | --- |
| Environmental practices | Italy |
| ERG | Intesa Sanpaolo |
| Fight global warming | The Carbon Disclosure Project (CDP) is an initiative that was launched to collect and disseminate both quantitative and qualitative information and data on the strategies that companies adopt to combat climate change. | Intesa Sanpaolo is backing the transition to a low-carbon economy through its actions to mitigate its direct emissions and with its support for green initiatives and projects. This commitment was reaffirmed in the 2018-2021 Business Plan |
| Reduce greenhouse gas emission | The ERG Group’s renewable energy plants (wind, solar and hydroelectric) do not generate direct emissions  | The mitigation and containment of CO2 emissions play an important role in the policies of the Group which, with the Climate Change Action Plan, has identified specific medium-term actions for reducing its environmental footprint and, as a result, its emissions. |
| Development of energy resources  | The ERG Group renewable energy plants (wind, solar and hydroelectric) use a fairly small amount of electricity acquired from the grid, enough to guarantee a continuous supply of electricity to the ancillary systems and safety systems. During regular operations the plants produce enough electricity to satisfy their requirements. | – |
| Take into account visual and noise impact of plants | Visual and noise impact of plants: assessment and mitigation action | – |
| Treatment of effluents and waste | The existence of certified systems guarantees the constant monitoring of updates to the regulations and that plant operations are carried out according to procedures that respect best practices and the reference regulations. | Intesa Sanpaolo adopted an Environmental and Energy Management System (EEMS), implemented in accordance with the most important reference international standards (ISO 14001 and ISO 50001), and subject to annual certification by an independent, third-party body. In addition, in order to translate the environmental protection commitment into concrete actions, the roles of Energy Manager and Mobility Manager were established, responsible for ensuring constant oversight in areas within their remit. |
| Eco-friendly technologies | In-sourcing of activities is a resource for our future, to increasingly better handle our plants and achieve the best profitability. However, maintenance is an activity that requires significant physical effort and highly diversified knowledge: for this reason, we have developed and are experimenting with a series of technological innovations that allow us to be more efficient and effective, improving theworking conditions of our technicians. | – |
| Circular economy projects | Education project: the business plan competition of sustainable energy and the circular economy | The 2019-2021 three-year cooperation agreement for the transition to the Circular Economy Project: promoting the principles of the new economic model; contributing to the creation of business opportunities; creating value and growth through Open Innovation initiatives organised between start-ups and companies, as well as with universities and institutions  |
| Supplier environmental assessment  | qualified suppliers based on HSE parameters  | – |
| Protecting and managing biodiversity | Thanks to the partnership with ERG and the province of Terni, the WWF takes care of the Oasis of Alviano, opened in 1990, verseeing its maintenance and guaranteeing the best possible home for the various species. | Charity fund in 2018 to support actions on protecting the environment and biodiversity |
| Loans and service for green culture  |  | In 2018, the Group disbursed 1,922 million euro to the green economy (over 18 billion between 2010 and 2018), equal to 3.2% of all Group loans. In 2017, Intesa Sanpaolo was the first Italian bank to issue a 500-million-euro Green Bond connected with environmental sustainability projects |
| Green culture and initiatives | Educational projects (Vai col Vento!, A tutta Acqua!, Progetto Scuola, Electricity Day).Collaboration with Universities (MAGER project, classroom lessons | Rules for environmental and energy policy is the spread of the culture of sustainability among employees and customers – Think Green Bio – Think Green Wine |