Università
Ca'Foscari
Venezia

Master's Degree

in Management

Accounting and Finance

Final Thesis

# The Impact of Corporate Social Responsibility in the Airport Industry

## The evolution of Integrated Reporting in the case of Atlantia S.p.A.

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**Academic Year**
2021 / 2022

# Introduction

Corporate Social Responsibility is a wide concept in the modern firm. As the name suggests, it is the responsibility the company has towards its stakeholders. Moreover, it concerns the policies the company puts in place in order to achieve the highest level of Sustainability, policies affecting both the stakeholders and the corporate strategy.

Being Sustainability the pivot point of Corporate Social Responsibility, the analysis should be conducted considering the company operating in different dimensions: social, environmental and governmental ones. With reference to the internal and external stakeholders, Corporate Social Responsibility does not refer to the mere respect of rules and regulations, but also to a voluntary behaviour aimed at improving the overall welfare of the business and its surroundings. As mentioned before, the spontaneous conduct of the business in order to result in being socially responsible, can be performed either through the adoption of codes of ethics or the imposition of rigid standards.

But what does the company gain from implementing these social responsibility policies? Surely, it will improve in terms of reputation and client loyalty. Furthermore, it will also translate into the stakeholders being willing to act in the same ways as the business does, seeing that it is benefitting from that chosen behaviour. From its operations, the company attempts to obtain the highest benefit both in economic and social terms. In order to get to the desired outcome, among its stakeholders the company should select the ones that are willing to follow the same path and have the same company beliefs. If, on the contrary, the company counts with stakeholders that think differently and do not care about environmental and social matters, it will translate into going in a different direction. Going the opposite way means for the company not to achieve the desired result, which could mean both a loss of efficiency, meaning profit, and loss of reputation, so clients and other external stakeholders' loyalty.

The main objective of my thesis is to investigate whether the above mentioned reality is applicable to the transportation industry, specifically air transportation. The first verification will be performed at general level examining if, at European level, air transportation companies are respecting standards and regulations provided by the regulativ bodies in the European Union. Secondly, an analysis of a specific case will be conducted, examining whether a huge enterprise such as Atlantia respects norms and regulations, but also if it was able to adapt to the recent changes and requirements in order to be considered as a socially and environmentally liable company. To conclude, a comparison with its peers in the European Union will be made.

The thesis is structured in six chapters. In the first chapter, I will analyse the origins of Corporate Social Responsibility and its relations with Sustainable Development Goals. In the second chapter, I will discuss the fact that the company has not only the economic profit as a goal, but also a sustainable objective. I will analyse deeper the relation of Corporate Social Responsibility with the environment and with the stakeholders. In the last paragraph of the second chapter, the importance of the social disclosures will be presented. The third chapter will report the European Directives in the field of Corporate Social Responsibility, the actual one and the proposal for a new Directive to be implemented within a few years. In the fourth chapter, the attention will be moved to the airport industry, studying which are the applicable European regulations and directives, focusing on the sustainability of air transportation, which is nowadays a priority. The last chapter will first study the case of Atlantia, the company running airports and highways in Italy. First, I will present the evolution of reporting, especially social disclosures, in the last five years. Then, I will compare this case with two comparable realities, namely AENA in Spain and Fragport in Germany.

# Chapter 1: Corporate Social Responsibility

## *1.1 Corporate Social Responsibility*

Corporate Social Responsibility, in the economic sense of the term, means the ethical voluntary approach the business pursues in order to manage in an efficient way the social and environmental issues. It is more than the simple respect of the rules imposed by external authorities: the distinctive element is the voluntary subjecting to a more rigid model of behaviour than the rules themselves. What is demanded of the business is to have an ethical approach on both the financial and environmental fields and, most important, of fair treatment of employees in terms of working conditions. The human capital in this case is the most important among all capitals constituting a business, being these financial capital, manufactured capital, intellectual capital, social and relationship capital, natural capital.
If the company is able to put in place the above mentioned conduct, it will translate into an effective and efficient management of the social, ethical and environmental impact issue.

As Professor Brent D. Beal wrote in his book *"Corporate Social Responsibility"* it is *"part of the reality of doing business in the twenty-first century"* (Beal, 2013). When mentioning business, we should remember that CSR refers to large enterprises, but also small and medium ones (SMEs). In other words, it is the set of rules and policies one firm adopts with the aim of being considered as sustainable and responsible.

The reputation of the business depends on both internal and external valuations, the reason why the implemented strategy is designed towards internal stakeholders and external entities, hence the primary readers and users of the corporate disclosures. More than just having influence on the reputation of the firm itself, external stakeholders as the clients, the society, the institutions, the audience in general, they bring pressure on the company, being that they have expectations regarding the firm's social and, most importantly, environmental achievements. What is demanded of the business is not to take only profit into consideration as the ultimate goal, but to have a wider vision, taking into account the objective of sustainability equally. Making the concerns of the external users their own, the company gains in stakeholders' loyalty.

Companies acting responsibly incorporate into their management social concerns affecting stakeholders, and more than just in the act of running the business from the Board, they do this also for their commercial operations. This leads us to two themes: first, the means of production should be used in a way that preserves the sustainability of the business and, second, that the whole business systems should satisfy the third parties' expectations. Hence, when talking about Corporate Social Responsibility it can be stated that the seniority inside the business approaches the stakeholders view rather than the stockholder view: instead of pursuing the return demanded and expected by investors only, the stakeholders view refers to a wider audience, caring about the interests of all the subjects that can influence the business or can be influenced by it. Not everyone claims that the stakeholder view is applicable, since they say that when focusing on the sustainability of the business, managers forgets about the main objective, hence the economic one. They also say that this inevitably will lead to some categories of stakeholders to be favoured or advantaged and others to be damaged. Milton Friedman, in the first years in which the topic began to be talked about, sustained that it was an "unnecessary investment of stakeholders funds" (Friedman, 1970). Fortunately, in recent years the view has changed. Researches made use also of financial indicators to render an idea of which the benefits are brought to the company by implementing Corporate Social Responsibility activities - using numerical indicators makes the matter more understandable by the main audience. (Urošević and Stojanović, 2020). Pursuing social impact goals for the enterprise does not represent a cost only, but it will translate into benefits creating added value both for the internal stakeholders and the third parties, allowing the possibility to leverage competitive advantage. In the long term, this added value concretises on the maximisation of the economic result from the point of view of the company; from the other part, involving both the enterprise and the external audience, the maximisation of the social return is realised.

### *1.2 Corporate Social Responsibility Origins*

The first notion of Corporate Social Responsibility appears in the 50's, precisely in 1953, provided by the American economist Howard Bowen in his writing *"Social Responsibilities of the Businessman"* (Bowen, 1953)*:* in that years, Corporate Social Responsibility was defined as an *"obligation to pursue the policies, to make those decisions, or to follow those* *lines of actions which are desirable in terms of objectives and value of our society".* The *"Green Paper"* of the European Commission defines Corporate Social Responsibility as *"the integration in the commercial operations of the business and in their relationships with stakeholders, of matters of social and ecological nature, through a voluntary approach of self-regulation"* (Green Paper, European Commission, 2011). Corporate Social Responsibility is based on three pillars: social, environmental and economic pillars; these dimensions cannot be examined in isolation but it must be remembered that they influence each other and are influenced one another. (Purvis et al., 2013).

The assumption of Corporate Social Responsibility changed in 2010. As an article of Forbes of December 31, 2010 reports, in that year the definition of CSR had an evolution. From being just a matter discussed by the lower level in a corporation, committing few resources only, became in that moment of interest of the board, particularly of the executives. In fact, most of the 500 Fortune companies nowadays include a senior level position in their structure dedicated to Corporate Social Responsibility and sustainability issues (Forbes, 2010). The role of business managers changes also towards stakeholders: before this, the matter was to serve clients and the community. With the evolution of the concept, at the moment it is no longer just a matter of providing them with services or goods, depending on the type of business; now stakeholders are seen also as supporting entities for the business activity (Christensen et al., 2021).

In the same year, the International Standardisation Organisation officially published the Standards and Guidelines for Corporate Social Responsibility. Particular mention has to be made regarding the ISO 26000, reviewed and approved for the last time in 2021, defining the reference standard for social and environmental business liability (ISO 26000, Guidance on corporate responsibility, 2012). The code consists of two parts: in the first one we can read the definition of sustainable development and the relationship existing between Corporate Social Responsibility and sustainable development, while in the second one an operational framework able to make each organisation defining which are the pillar one which to fund their own corporate sustainability strategy is provided. Being that this standard includes several themes about sustainability, it can be used as a driver for the consolidation of the position of the business with respect to those matters, and to assert its reputation among the stakeholders.

The ISO 26000 provides the guidelines for a conscious behaviour with respect to sustainability, with appropriate attention to health and well-being, to take into account stakeholders expectations, to best comply with the current regulations and to apply in an accurate way the principles at every level inside the organisation. Being it a set of guidance and instructions, it is not a certification provided to the business for its conduct, whereas it is a supporting tool leading the company to reach the objective of being responsible.

According to this standard, a firm is held accountable if it complies with these seven assertions: accountability, transparency, ethical behaviour, respect towards stakeholders' interests, respect for the rule of law, for international norms and behaviours and for human rights.

The first principle, accountability, regards both the company and the stakeholders, in the sense that it provides that the company is able to furnish appropriate justifications for the implications their actions have on the stakeholders. In fact, as the principle of respect towards stakeholders foresees, it is paramount to identify first which are they and second what they perceive as risk. Regarding transparency, the enterprise should adopt all the necessary tools in order to externalise their policies and actions. The most used instrument is the Social Report, disclosing in a synthetic way all the information considered as material from the organisation itself and the third parties outside the business. With reference to the ethical conduct, it is not sufficient to apply the code at every level inside the organisation considering the internal dynamics only, but it must also include rules aimed at coordinating the dynamics existing with external entities, above all clients and suppliers since their actions reflect on the company. In this case, the principle of respect for the rules of law discerns the need for the company to disclose all applicable regulations and for those to comply with the actual rules.

These years, the earliest of the twenty-first century, are the ones in which the first initiatives regarding corporate social liability are put in place. At the same time managers and executives started to include Corporate Social Responsibility activities together with the multiple actions in the normal business conduct. As we know and have already mentioned, the normal business activities see the presence of different external entities and actors both influencing and being influenced by the company itself, reason why board components begin to include also exterior players in Corporate Social Responsibility activities, first to benefit from their beliefs and suggestions, and second to deliver a better corporate product to the society as a whole.

In 2015, the European Parliament required companies to disclose their non-financial information. As the Directive 2014/95/EU demands, public interest companies, namely listed companies, banks, insurance companies and many others, to disclose social information, so non-financial data (Directive 2014/95/EU, European Parliament and European Council, 2014). The specificity of this directive lies in the fact that non-financial disclosures must be reported separately from the other published acknowledgments. Among them, information regarding human rights, employees' rights and work conditions, environmental liability and social responsibility can be found. This Directive is the first one in history posing an obligation over industries regarding the compliance with Corporate Social Responsibility requirements. This is a decisive revolution, being the first time in which social responsibility concerns are no more a recommendation, but an obligation instead and, in addition, it is the first time in which non-financial disclosures are included in the final report of the businesses together with the financial information. Moreover, this Directive created a link between the acts of reporting, specifically integrated reporting, connecting both the financials and the social company aspects, with business management.

The broader scope of CSR today is the one of aligning the interest of stakeholders with the economic objectives of the enterprise in a way to maximise both of their wealth and welfare. This is possible thanks to the evolution of the concept, to which stakeholders have contributed with the expectations they have towards corporate behaviour.

### *1.3 Corporate Social Responsibility and Sustainable Development: The Sustainable Development Goals*

The Sustainable Development Goals provides an authoritative scheme businesses have to follow in order to englobe Corporate Social Responsibility in their normal business conduct. They were adopted the same year the European Parliament asked companies to follow the Directive 2014/95/EU, so 2015. They focus on poverty, planet protection and wealth insurance for all people, being these three points part of the sustainable development objectives. The Sustainable Development Goals are a set of 17 goals and 169 targets to be achieved within 2030. Here below a picture outlining which are the aforementioned goals.

It can be stated that there exists a relationship between the Sustainable Development Goals and Corporate Social Responsibility. While Corporate Social Responsibility is the spontaneous approach firms follow with respect the society and the environment, a set of guidelines to respect in order to be considered as responsible, the Sustainable Development Goals are set of targets measuring the results of the activities performed by the business in such a way to be held, as previously written, liable towards the community and the surroundings. As it is known, sustainability, precisely sustainable development, is one of the key purposes of the modern firm. In this case, it is also worthwhile to provide a definition of what the modern enterprise is. As an article of the Harvard Law School Forum on Corporate Governance reports, the modern enterprise is the one that is "*lawful, ethical, profitable and sustainable in order to create value over the long-term"* (Lipton and Lipton, 2022). Value creation, in the economic sense of the term, means creating value for the investors. Here, the definition changes slightly, since it means no more just creating value for the investors but producing something from which the whole audience may benefit. Bringing together Sustainable Development Goals with Corporate Social Responsibility, the business can create a robust path to follow to achieve sustainable growth. The framework of goals can be used by every actor being part of the business ecosystem, hence, for example, individuals and regulative bodies, even if the business has one useful instrument with which it can leverage the achievement of the goal: the corporate strategy. In this particular case, the corporate strategy should have a non-financial focus.

As written in the previous paragraph, the strategy, in order to be effective and efficient, should be in line with customers, suppliers and employees, among others, expectations. From another point of view, the stakeholders should all pursue the same objective, namely the achievement of sustainable development. If the company is capable of coordinating their objectives with third parties' expectations, a relationship based on trust will be established between the business and the stakeholders, enhancing loyalty. The result, though, will be a sustainable business growth model. The company must launch a series of initiatives for every category of stakeholders in order for this alignment to be successful. This process is known as stakeholder engagement.

### *1.4 Global Reporting Standards: a set of standards for sustainability reporting*

Here comes into play another set of standards for sustainable reporting, the Global Reporting Standards, or GRI. Stakeholder inclusiveness makes reference to GRI 102-13, about general disclosures, 102-40 regarding the list of stakeholders and 102-42, concerning identifying and selecting stakeholders. The most relevant GRI is 102-43, describing the approach to stakeholder engagement, meaning the activities stakeholders perform inside and outside the organisation to settle their engagement and the channels through which the engagement process takes place. As we know, shareholders are not passive subjects towards the company but, while working, they can influence the performance and the results of the whole company. For this and other reasons, it can be stated that having a solid stakeholder engagement is paramount in order to achieve the outcome of having a sustainable development and sustainable value delivered to the whole audience of shareholders.

Starting from inside the corporation, the first category of stakeholders to be taken into consideration are employees. Initiatives aimed at employees may be, for example, connected with business ethics and volunteering, meeting with trade unions and workers' representatives, or engagement surveys. The channels through which these activities can be conducted are easily reachable and already existing, like a company intranet or an employees' web portal. It is essential that employees communicate among themselves in order to create the desired outcome. Another influential category of stakeholders are clients. Also for them, it is considerably simple to establish the desired relationship, since the contact with them is a direct one: a channel dedicated to clients through which exchange information is straightforward to enact, since it will use the same tools people inside the company use to communicate with them on a daily basis for work purposes, like chats, mail, phone calls. The activities the enterprise can place to establish client engagement are satisfaction surveys, market resources, or dialogue with clients' associations, all aimed at knowing whether clients are satisfied with what the company is doing for them. Crucial for the life of the business are also agents and distributors: in this case the arrangement can be set at roadshows, meetings or conventions simply dedicating vis-à-vis time to the interested person. The same kind of activities can be adopted in order to establish a relationship with contractual partners. Even if we are examining the non-financial business disclosures, the financial community is paramount to the survival of the business, since it is composed of people willing to invest in the business. In this case establishing an engagement is more laborious and time-committing. In this instance, it would be strongly recommended to underwrite policies of stakeholders' engagement management between the Board of Directors and investors. These can then be discussed during annual general meetings in which both analysts and investors participate, interviewing them regarding issues that are considered material, updating them in turn of business performances since their decision-making is based merely on them. The last fundamental activity is to check the financial investors relation. Is not enough to gain customer loyalty; it is also crucial to gain financial community trust.

About the general audience, namely residents and local authorities, the main used channels to communicate with them are for sure the media: they are adopted to advertise meetings and conferences aimed at promoting business sustainability. Also the non-financial community is relevant: here we talk about institutions and associations outside the company having as the primary purpose the one of promoting sustainability both outside and inside the enterprise.

Competitors are to be included within enterprise stakeholders. They can be involved in company conferences. Last but not least, with NGOs and charitable associations a relationship of cooperation or membership can be settled. The most common way of realising this type of affair is through making first the annual social report available for them too, organising dialogue or any kind of other events in which sustainability is on the agenda.

Meanwhile these activities are performed by people inside and outside the organisation, the company must constantly monitor that these schemes are enacted respecting both the rights of the interested parties and the code of ethics, or code of conduct, of the business. This monitoring activity is directed at ensuring that the delivered value to stakeholders respects the standards of sustainability.

In conclusion, fundamental is to publish all this information in an official document, being in the underlying case the social report. When the knowledge is available in a primary source of business information it is perceived as having a significant value, otherwise if available in a secondary source of data it will be perceived as having fewer value with respect to the information contained in an formal paper revised by an authorised person, for example a member of the Board of Directors, and then approved for final publication.

### *1.5 The influence of Covid-19 pandemic over Corporate social responsibility*

As it is known, the last pandemic, Covid-19 pandemic, brought health issues in the society but also economic issues to the enterprises. Companies had to adapt to the social and health needs created by the actual situation of their Corporate Social Responsibility practices and policies (Aguinis et al., 2020). The changed external scenario did not bring changes just in the practices and policies, but also in the way companies pursue their goal, both economic and social, but also environmental objectives. It is now difficult for companies to make long-term projects, so decisions, investments and projects in general are put into action in the short term. Moreover, it also modified the expectations the companies have toward stakeholders. In fact, with the advent of the Covid-19 pandemic, companies now have higher expectations regarding sustainability and environmental matters. As a consequence, all the categories of stakeholders presented in the previous paragraphs had to adapt and to bring changes in their daily working life. From the point of view of stakeholders, facing a high level of uncertainty, the behaviour can be anything but proactive (Lufkin, 2020). In fact, these entities may feel held back from investing the few resources available in the Corporate Social Responsibility activities, placing first issues that they believe are of greater importance.

There is a specific reason why companies choose to adapt to the conditions imposed by this unexpected event: trying to preserve business value. In fact, as reported in an article of April 2020, hence during the early stages of the pandemic, it was expected that companies lost more value than the wealth lost by companies during the Great Depression in 1930 (Euronews, 2020). The problem is much more pronounced in small and medium enterprises with respect to big firms. A model that could be applied by SMEs in order to survive the critical conditions of the actual business environment, and that asian companies applied, is the one investigated by a researcher of the Indonesian University Muhammadiyah Malang. Following its study, the company should base the survival model on three pivotal points: product excellence, people behaviour and process reliability (Fitriasari, 2020). People's behaviour was investigated just above. Product excellence and process reliability in this peculiar situation are paramount. First, stakeholders will be more willing to sustain a business that is socially liable both regarding processes but also product - the product is the result of a responsible process but also made of raw material that has to respect environmental standards. Secondly, a product that is deemed excellent is made, as just written, of sustainable raw materials following a process not impacting in a negative way on the environment and, as a consequence, on the society - or whichever stakeholders is involved in the activity of the enterprise.

Since Corporate Social Responsibility is still developing, the pandemic represents a high risk of hindering its development. Here a question arises: will the company continue to invest in Corporate Social Responsibility or will the company focus its financing in fields that are considered of vital importance? Companies that were capable of resisting the troubles generated by the pandemic outbreak, avoiding that the Corporate Social Responsibility falls into a stalemate but rather making progress, they considered it appropriate to continue investing in social responsibility, allowing the development to continue (Journal of Business Research, p.116, 2020). Contrary to the trend of corporate goals, the evolution would not take place in the short run, rather in the long term.

# Chapter 2: Field of Application

## 2.1 Triple Bottom Line: People, Planet, Profit

As reported in the previous paragraphs, an enterprise should pursue the goal of economic profit without forgetting about the sustainability one.
An applicable accounting model in the business contest, matching the pursuance and achievement of the above mentioned objectives, is the *Triple Bottom Line,* known also as People, Planet, Profit. This model applies to three spheres: financial, social and environmental. It supports financial reporters in measuring and reporting information and data related to the social and environmental fields, which are difficult to measure and reporting making use of the traditional business tools to assess economic performances.
Even if economists are trying to attribute a proper value also to social and environmental achievement of the business, as reported in the paper "*Triple Bottom Line: What is and How does it works*" (Business and management studies, 2015) written by researchers at *Indiana Business School,* it is challenging to trace the added value of the related activities and initiatives to a proper monetary value.
This model has as ultimate goal the design of the business policies related to sustainability, profitability and stakeholders. If the company is able to apply this model properly, managing to reconcile its need with internal and external stakeholders expectations, then the business can be considered as sustainable.

Now I will examine in depth the three dimensions.
Profit is linked to the analysis of revenues and expenses, and the capabilities of the business to maintain a leading position and the competitive advantage. It is not just business oriented, since wealth creation is directed also towards business' stakeholders, namely clients, suppliers, investors and so on.
For the purpose of creating value for the environment and society, the Sustainable Development Goals were created. Their main goal is to "*ensure people's prosperity in a context that is in progress but always in harmony with nature*" (The United Nations website, SGD's section).
People regard all the subjects, both internal and external, involved in the business activities. When we talk about people we refer to all stakeholders. More precisely, this

sphere of the Triple Bottom Line is aimed at the protection of their interest and rights, since the company's activities may influence them both in a positive and negative way. It is oriented at workers and consumer protection. It is the most important among the three dimensions since a company can be defined as responsible if it meets the needs of its stakeholders.

The last dimension, Planet, cares about the environmental impact of the company. Nowadays, the whole community is aware of the importance the environmental impact of the company has both on them and globally. When a company implements policies that are directed towards the preservation of the environment and the minimization of the environmental impact, then it can be considered as socially responsible.

The three spheres of the triple bottom line influence and sustain each other, but each of them does not have the same weight in every kind of business. Corporate Social Responsibility allows the company to respond in a legitimate way to the needs of the society embedded into these three scopes.

The fact that one company is recognized as socially liable has implications also in its market value, namely in the shares price, in the event the company is a listed one, and in the willingness of the investors to contribute money to that enterprise.

To introduce the concept, it can be stated that sustainability affects investors since the less sustainable the company is perceived, the riskier it is considered. If an investor perceives an investment to be risky, his willingness to put money and effort on it will be lower, with respect to an investment perceived as to be a low-risky one. This will have two direct implications: first, investors will be less willing to invest in the business, on the contrary if the company is perceived as sustainable investor will be enthusiast to invest in the company, having the impression to contribute to sustainability in turn; second, which is a direct consequence of the first, the value of bond and stocks will be affected, reason why we need regulation.

As reported in the research paper *"Stakeholders and the stock price crash risk: What matters in corporate social performances?",* (Dumitrescu and Zakriya, 2021) Corporate Social Responsibility can be positively or negatively related to the market value of the company. We will follow the reasoning according to which CSR is positively related to share price and business performances.

Activities performed by the company in order to implement in an increasing way Corporate Social Responsibility allow the firm value to grow. What is paramount to say is that Board people inside the company have at their disposal more information about the aforementioned activities with respect to the information at disposal of the external parties, in this case investors. Here the problem of informational asymmetry arises, leading to the need for investors to know the details of the activities so as to be willing to invest their fund in such a company, and in the duty of the business to properly disclose the information regarding CSR schemes. What has been seen studying the theme of corporate social responsibility is that high involvement in the matter leads to a reduction of informational asymmetry (Cho et al.,2013).
If informational asymmetry can be eliminated or, at worst, mitigated, also in this case we will see a boost in the firm valuation. When shareholders expectations are met, and the company's value is rising, then we will see an accordingly growth in the companys' stock price. Re-writing, having in place solid social activities will benefit and create advantages for the company, for example increasing firm's shares and its financial performances. When this happens, another objective of the firm is achieved, namely the maximisation of shareholders value expressed in terms of the return the business they have invested in gives them.
We should also remember that CSR activities are not directed towards investors only but towards a multitude of subjects, the reason why the market value of the company is influenced also by their perception and response to the corporate social responsibility activities performed by the firm. Mainly, a good scheme of corporate governance is recommended to achieve the desired outcome.

### *2.1.1 CSR and Stakeholders engagement*

The stakeholder engagement is a necessary tool to recognize stakeholders expectations. It comprises all the processes involving stakeholders interested in the economic activity of the business.
The primary activity the enterprise focuses on is the determination of which its actual and potential stakeholders are (Freeman, 1984). This first step can be developed through the mapping of the area in which the actual and potential stakeholders are. Once the company has identified which they are, it can proceed with the analysis of their interests and

expectations. The result of the investigation should be a taylored model to be proposed to each of the stakeholders identified as of interest to the company.

For the engagement to be successful, the company should be active in the field, meaning it should send its representatives to the selected stakeholders in a way to let them know which are the actions they are intended to put in place. Doing this, the company establishes a strong communication with the interested parties. Communication must not be one way only: when the company informs the stakeholders about the actions and initiatives it intends to undertake, it expects feedback from the interested parties. Moreover, the aim of the process is to establish a long lasting relationship with the stakeholders, otherwise all the process of mapping and tailoring the most suitable alternative for the stakeholder would result in wasted time and resources.

Involving external entities in the business process, for example the production process, could be a good initiative to let third parties know the impact the business has on the whole community, in environmental and social terms as well as economic ones, and to obtain immediate feedback. More than immediate it can be considered that the feedback comes in the short term: why this? Because investors spending money in companies' projects are more interested in short run high returns rather than long run ones. (*Oh* et al., 2011*).* As mentioned earlier, the immediate feedback the enterprise can obtain is a positive one; the company benefits also in the long run from the improved financial achievements (Lys, 2015).

Another instrument the enterprise can make use of, which is also the focus of this work, is the Integrated Report. All the above-mentioned facts should be reported in the final report of the company, and should also be easily readable and understandable from the whole audience, in a way to communicate to them both the actions undertaken and the results achieved.

Stakeholder engagement must be studied both from inside the company and outside for two simple reasons: the first is to investigate the relationship between corporate social responsibility and ownership or management of the firm; the second is to deepen the knowledge of the requirements of external involved parties having interest in investing in the company. What can be taken for granted, is that both categories look for the social security of the company. As written above, external investors look for guaranteed projects that grant them a high payoff in the short term. From the other side, it is well known that the company, so the ownership, acts in its own interest of financial returns. Having said that, it must also be said that the world of firms divides into the ones which are more or less stakeholder-s oriented. Surely, the more stakeholder- oriented the firm is, the more sensitive to their needs and expectations. In addition, the influence they have on the firm will shape the corporate social responsibility strategy *(*Dhaliwal et al*., 2012*). In my opinion, this translates into positive benefits both for the firm and the involved third parties.

### *2.1.2 Environmental dimension*

Corporate Social Responsibility is related to the environment: sustainable development is in fact one of the pillars of CSR. As written in the first chapter, sustainable development is crucial for the modern firm, both for the reputation of the enterprise itself and for the preservation of the environment. In fact, enterprises in the last decades have been seen as the greater responsible of climate change bringing issues to sustainability. Preservation of the environment doesn't mean just preventing polluting the area in which the company is operating but also, as will be seen later, improving all the factors related to the social sphere, like labour conditions.

The ultimate goal of applying Corporate Social Responsibility in the environmental field is the one of limiting the detrimental effects the business processes may have over the environment, since business processes at every level impacts on the environment.

Nowadays, above all stakeholders like consumers, clients and governments, are putting pressure over firms about sustainability concerns, the reason why companies are becoming more responsible everyday. Even if CEOs and board components worry and undertake actions regarding the financial side of Corporate Social Responsibility, they should also worry about the environmental side. In fact, senior management in companies had realised the importance of environmental management.

Studies in this field have not been deepened since the last few years, but the cases so the evidence of companies operating also towards environment preservation have grown. According to *Ruggiero and Cupertino (2018)*, the growing number of these kinds of companies makes it possible to have enough material over which to conduct a study capable of providing us with accurate information and results (Ruggiero and Cupertino, 2018).

One of the first concerns of companies is their reputation. This makes the company moving from the traditional scope, the one of making profit, to a renewed doctrine of gaining not to the detriment of the community. (Famiyeh et al., 2016) Another actor certainly contributing to this shift is the government: all over the world, from USA to Europe, governments raised the "green standards" and companies, in order to be compliant with these standards, had to adapt and bring changes from the inside.

Being a socially responsible company, meaning having included Corporate Social Responsibility in the business strategy, is a good starting point for managing environmental concerns in the proper manner. Evidence from the recent studies show us that solid and programmed corporate initiatives improve environmental efficiency and reduce the environmental footprint of the company. The other sign of the coin is that environmental activities represent additional costs for the enterprise, but the benefits of such efforts may not be immediately seen from who implemented the activities. As reported by early scholars of the fact (Waddock and Graves, 1997) and demonstrated today, the trade-off between expenses and result is a positive one. In order to have a stronger environmental preservation in the future, companies should overshadow their profit-favoring investments in the field, since in the last decades this was not the story (Wagner et al., 2002).

So far top level management in the company has been discussed. Not to forget is that every component of the business from inside to outside, from high level to lower levels, contributes with its action to the success of the plan, reason why also external stakeholders and employees have to be involved, at individual and group level, making them both aware and responsible.

As written in *"Social Responsibility of the Businessman" (Bowen, 1953),* corporate activity has an impact over the community, hence the business should set goals that are in line with social beliefs and standards. Examples of good environmental practices, adopted in the daily life of the company are very simple, like lowering the emissions and following dedicated waste management systems. If the procedure goes smoothly, the adverse impact of the company over the society reduces and the positive effect is reflected on the company, increasing the environmental performances first and, as a consequence, the overall business performances.

*2.1.3 Social dimension*

In the last decade companies and researchers put too much attention on CSR activities related to the financial performances of the businesses leaving aside the social aspects. In the recent time it has been realised that the overall efficiency of the business and the complete effectiveness of Corporate Social Responsibility policies can be reached only if there is a proper balance between commitment implied to maximes financial performances and social aspects at the same time. In fact, it can be said that the social aspect of CSR is the newest and the one that nowadays attracts the most attention. Moreover, the social dimension is considered as the building blocks of relationship between the community and the business (Nasrullah and Rahim, 2014).

The social dimension of Corporate Social Responsibility covers many of the considered social aspects and involves the whole stakeholders, from the employees inside the company to the clients and investors. Some of these aspects refer to the workplace while others fall under the sphere of the external community. Workplace related features are workplace conditions and safety, on the job training, equal laboral opportunities and job rights. Factors attached to the external environment surrounding the business are public health, education of people, which are actual or possible company's employees, community issues and social justice.

Talking about the working conditions and safety, it has to be reported that still nowadays there are many under-developed countries in which there are forms of irregular working not guaranteeing the proper conditions to employees. In developed and developing countries the matter does not represent a problem since workers are guaranteed decent laboral circumstances. It is noticeable that Corporate Social Responsibility in under-developed countries is not considered as having the same impact and importance as it has in developed countries, in some cases not even considered as of competence of the business. Clearly, taking Corporate Social Responsibility for granted is not a good move from the point of view of the business, since this behaviour comes at the expense of the company itself. In the last decade, and above all with the advent of the Covid-19 pandemic, stakeholders are putting pressure over businesses regarding Corporate Social Responsibility matters. A firm that implies CSR practices and makes its employees follow them will have as a result employees helping the company shape itself as a Socially responsible business, which translates into having a sustainable workplace environment.

For workers who see the company commit with respect to the social and environmental aspect, trying to develop and respect high standards responsibility policies, it is a source of pride and motivation to apply in turn (Yuan et al., 2020). To enhance the importance of corporate social responsibility among employees more than applying dedicated policies based on standards to be respected, business managers develop, with the help of experts, courses having the purpose of making employees aware of the priority of CSR. (Muller, 2006). To finalise work-related concerns, it has to be reported that corporate social responsibility policies and practices boosted the concept of equal job rights and opportunities, trying to render it accessible in the same way job places for all employees, and trying to guarantee them adequate labour rights.

More than just having responsibility towards employees, among the above-mentioned stakeholders, the company has responsibilities regarding the customers, in the sense that it should deliver them a product, or a service depending on the kind of business we are referring to, which is durable over time, which respects the required standards of conformity, and should provide also the adequate after-sales assistance.

Regarding the sphere of the external community, it is paramount that enterprises located in a specific area dedicate themselves to CSR in order to deliver benefits to the people living in the surroundings (Amoako, 2017), since the prosperity of the business depends on the well being of the community. More than just providing them benefits, Corporate Responsibility practices and policies are implemented to protect the rights of workers. This drives me to the conclusion that there exists also a connection between CSR and Corporate Governance, being the latter a system of rules aimed at defending the rights of involved parties. Even if some argue that governance is adopted by managers to elevate their status at the expense of people not managing the business, it was seen that effective Corporate Governance is not only applied to the best interest of managers and the company itself but also to profit shareholders. Corporate governance is used also to resolve the agency problems arising between managers and stakeholders or employees, and to align their interests. Having reported so, it can be stated that there is a positive relationship between Corporate Governance and Corporate Social Responsibility.

Covering all the above-mentioned dimensions, developing corporate social responsibility practices, enhances the contribution of companies and people towards sustainability. This allows the company to move from the conventional perspective of financial maximisation to the mindset of sustainability maximisation (Ashrafi et al., 2020). When the company is perceived as being committed to sustainability and its improvement, more than promoting its image and reputation it conveys to people the willingness to contribute in turn.

## *2.2 CSR and Strategy*

To explain the association between Corporate Social Responsibility and the corporate strategy we have first to make a premise: it is merely impossible to properly disclose if the company is compliant with the norms and directive regulating CSR without having in place a corporate strategy. According to Yuan et al., (2020), Corporate Social Responsibility has been identified as one of the critical business strategies from the competitive point of view. As written before, having CSR three dimensions, and the most important being the environmental one, the strategy of companies should be the one of reporting as much as possible about environmental strategy; regulators, in my opinion, should set this kind of reporting as mandatory.

To be competitive the company should have uncomparable skills and assets. When a firm has strong capabilities that other organisations' don't have and cannot develop since they are based on a unique plan, the Corporate Strategy, the firm can claim superior performances - based on concrete information, like profit or more in general value creation - and sustainable competitive advantage. Miles and Snow, (2013), categorise companies distinguishing them into two macro-groups: the defenders and the prospectors. The first class of companies can be seen as being "conservative" in the sense that they focus on their business and try to avoid misuses of resources in fields not concerning Corporate Social Responsibility since, considered in isolation, it implies a considerable amount of economic and human resources. More than not being a straightforward process it is a costly one. Prospectors on the contrary are forward thinking and forward looking companies. Their approach is the one of embracing Corporate Social Responsibility since it is considered as having a positive impact on business performances despite having downsides like the substantial commitment in people and financing.

I will try first to report my own elaboration of the matter.

As is already known, corporate strategy is the process through which a company defines its goals and objectives in a long-term perspective and outlines the initiatives undertaken for these objectives to be achieved. When outlining the business project, the company must always be compliant with the regulations in force. In this peculiar instance, the corporation must respect the effective current regulation in the field of the respect of stakeholders as well as the environment. The most significant set of rules is the *Directive 2014/95/EU,* also known as *Non-Financial Reporting Directive*, which will be explained in detail in the next chapter.
Main aim of the firm is to maximise the return both for itself and for the investors. Corporate strategy relates positively to the efficiency of investing activities: a company having a complete business strategy will be unquestionably favoured by the efficiency of its investing activity with respect to a company having an incoherent long-term program.

To the best of my knowledge, here is where the link between CSR, investment and strategy creates.
As written before, corporate social responsibility is positively related to investments: in fact, if a company undertakes a lot of fruitful actions in a way so that its social liability grows, the willingness of investors to provide their funds to that enterprise will increase accordingly. On the contrary, if investors perceive that these initiatives are qualitatively substandard, their willingness to lend money to that firm will verge to zero. To plan excellent and satisfactory initiatives, having a solid and concrete management, namely corporate strategy, is paramount. The lack of a strong business strategy will translate into the lack of orientation for senior positions inside the company, responsible for the development of the long term plans and objectives. If this happens, it will not be possible to draw up in a pertinent way the correct strategy to implement to achieve the desired results.

Evidence from studies of the last ten years illustrates how companies qualified as "high CSR companies", companies having strong CSR policies and strategies, can benefit from better investment opportunities. Higher investment opportunities identified by external parties converts into greater market capitalization for the company (Jo and Harjoto, 2011). This is not the only benefit: the enterprise can take advantage of its own social liability lowering the risk of unpredictable capital loss and the volatility of investments, known as financial risk (Bouslah et al,, 2013), and also ensure straightforward access to finances (Cheng et al., 2014).

As already written in the previous paragraphs there are two different points of view: some believe that Corporate Social Responsibility is the most important activity and must be one of the first concerns of the company; others comment by supporting the idea that focusing too much on social responsibility diverts the company from its main objective which is the creation of added value in terms of economic profit. Moreover, investing in social matters reduces part of the resources that could be applied for the ones considered by them as primary activities, thus reducing the possibility of creating a profit and obtaining a competitive advantage with respect to competitors.

Following the reasoning illustrated above, it can be stated that companies making corporate social responsibility their daily occurrence can benefit from better investment opportunities and better returns. The evolving environment triggered managers in deciding how to operate on the social responsibility front. The question is accentuated for listed firms. (O'Riordan and Fairbrass, 2012). What has been written so far reflects the case of publicly traded firms. In fact, it is appropriate to distinguish between listed and non-listed companies. *(*Erhemjamts, Li and Venkateswaran, 2012).
More than just benefitting from investment opportunities, being strongly involved in social practices permits the enterprise to be considered as transparent in reporting financial and non-financial information, avoiding the risk that the external audience believes the financial statement and as a consequence the integrated report has been manipulated (Kim et al.,2012) . Looking at the other face of the medal, it can be seen that managers may have the opportunity to take advantage of the situation when the strategy is not solid, and improve their own situation at the expense of the company and its stakeholders. In a certain way, managers can force the company to embrace the kind of activities I am writing about to benefit from the situation. A risk in which the company may incur is in the end the opportunistic behaviour of managing people in the company, known as agency problem, happening when the interest of the stakeholders divert from managers' ones. Misconduct of managers in this case is realised through their intent to cover or hide that the activity of the business has in reality a negative impact on the society and the environment, and as a consequence on the expectations of shareholders.

The product will not be an integrated report reporting about the real activity of the business but about the manipulation prepared by managers in order to grant themselves a profit at the end of the financial year and to appear as a socially liable industry in the eyes of third parties. (Prior, 2008)

Having a predetermined strategy in place prevents from the risk of ineffectively managing the business.

As already written in the first chapter, Covid-19 pandemic challenged the company to adapt and survive in the changing economic - but not only - environment. For them, this meant also adapting their strategies to resist the adverse situation. (Ullah et al., 2021). The pandemic also affected the compliance of companies with the social standards since another effect of the pandemic were the changed priorities of the company.

## 2.3 *The Sustainability Report*

The sustainability report is the document firms generate to permit their stakeholders to be informed about their social and environmental impacts, and the activities and processes the enterprise goes through in a way as to be considered socially and environmentally responsible. This document is very paramount since in recent years' sustainability concerns are more relevant than ever, due to increasing pressure from the system as a whole to be more and more involved in sustainability concerns.

Companies in the last decade had to change a lot in order to adapt to the current circumstances, and had to imply social and environmental principles in their managerial structure.

To deliver a document that is understandable for the main audience, the company makes use of the known standards about sustainability.

In this case, we cannot talk about simple reporting. We have to refer to this business activity as integrated reporting, since it integrates to ordinary financial reporting and sustainability reporting.

According to the International Integrated Reporting Framework (IRRC), to be defined as satisfactory, an integrated report should be drafted following the seven guiding principles of reporting. The very first one is *Materiality*: a disclosure is material when its exclusion or error in reporting will distort the decision of report end users based on the report. Materiality is in fact considered by audit companies as the threshold within which facts and numbers are of such relevance as to be considered at disclosures levels. In the document produced by the company it is now a habit to depict the so-called *"Materiality Matrix",* representing in a diagram which are the priorities of the firm. The second assertion is *Completeness*: the report should include all these aspects that are relevant for stakeholders when making their economic business decisions. In the case of the social report these aspects should be the ones regarding sustainability and the set threshold is on what is negatively impacting the business and its surroundings and what delivers benefits. Third principle to be respected is *Balance*, stating that the report should include both positive and negative aspects concerning business performances allowing entities making use of the social report to make consistent choices. This rule goes hand in hand with completeness, since as already written no omissions or manipulation in relation to negative aspects are permitted. *Comparability* is the fourth investigated assumption. This principle is about report consistency: reporting should be coherent so as to allow company performances consultation over time and across the same categories of industry. A principle that should not be taken for granted is *Accuracy*, since the writing should be written including also the necessary details to estimate business performances. Along with accuracy goes *Clarity*: it is essential to disclose information in a way that they are easily understandable and accessible. In addition, the organisation should report following a regular schedule, to let users integrate the information in their decision-making process in the appropriate time: this is what defines *Timeliness*. Last but not least *Reliability*: as it is known, the reported data, especially for listed companies as required by law, are subject of audit, so from the the auditor should infer its materiality and quality. (International Integrated Reporting Framework, 2021)

Taking a step back, I have to make mention to the program foreseeing the realisation of all of this. The *International Integrated Reporting Framework,* also known as *IIRC Framework,* has as its main aim the endorsement of integrated reporting across countries in a brief timelapse. Rather being a regulative body it is an association of investors, companies, regulators and standards setters having the same beliefs and expectations regarding what should be disclosed and finally reported in the integrated report. Pursuing the principles outlined above, this union of people divulged the focal point of their program. Regarding reliability, the objective of the program is the one of realising better quality information allowing the business to allocate the six capitals in a more efficient way. They provided actions also in relation to reliability. In fact, the scheme foresees all the information that are materially relevant with respect to value creation, in terms of both economic profit and social benefits, both for the companies and stakeholders. About economic profit, it has as one of the main aims the creation of durable value both in the short and in the long term. (Cheng et al., 2014)

The benefits the business derives from the creation of the integrated report are not over. After the examination of the available material regarding the matter, I realised that two benefits are not deeply explained even if, in my opinion, are not to be overshadowed. The first one is that producing an integrated report rather than a simple financial report avoids duplication. Having all information and disclosure available in one document prevents the business from wasting time and effort, and above all money, in providing the information required from stakeholders at a later time. This leads to the second benefit, cost avoidance. To maximise the economic result, the enterprise should reduce or eliminate all these costs that are superfluous. For this to be conceivable, the organisation must exclude the above mentioned "duplication costs", created in the moment in which an external entity demands information that is not readily available. The company in this case should spend time disclosing information from databases, implying personnel that would be rather applied in other kinds of activity. In addition, the social report should be preferred rather than the financial report, which is included in it, since it contains all the social performances, objectives and achievements of the organisation which nowadays for many companies have almost the same importance as financial information and are put on the same level. Moreover, they have a considerable weight in the decision-making process.

# ***Chapter 3: Corporate Social Responsibility Directive***

## *3.1 Directive 2014/95/EU*

The actual trend is the one of investing capital in more sustainable economic activities. To secure capitals are moved to these kinds of activities - in my case companies - in the European Union there exists a dedicated regulation.
As already mentioned in the previous chapter, the actual directive in force is *Directive 2014/95/EU*, also known as the *Non-Financial Reporting Directive*. Until this moment, the European companies were reluctant regarding the incorporation of corporate social responsibility practices (La Torre et al., 2018): the main reason for such hesitancy was the fact that the first companies involved were the large companies, which had no interest in reporting information other than strictly economic and financial information. Surveys of recent years (2016-2017) demonstrated that companies still reported social and environmental information, referred to as SED, on a voluntary basis in a way to improve their image and reputation rather than on a mandatory basis because there was a regulation in force (KPMG, 2017).

This Directive amended the pre-existing Directive 2013/34/EU. It was approved by the European Parliament in November 2014 and applied since December 2014. European companies had two more years time to transpose the Directive into the national legislation, hence till 2016, and started applying the provisions of the Directive in 2018 with reference to disclosure regarding fiscal year 2017 (European Union, 2018).

First it has to be remembered that considered companies are large public entities whose transferable securities are admitted to trading on a regulated market of any of the Member States, credit institutions, insurance companies and companies that have significant public interest because of their business, their size or the number of employees.
This directive applies to large companies exceeding certain predetermined thresholds.

The first threshold is an economic one, in fact the directive applies to entities having a balance sheet exceeding twenty million euros, or surpassing forty millions turnover. The second threshold is set on the number of employees: the regulation applies to companies having more than 500 employees. *(*European Union, 2014*)*.
Having made the premise behind the applicability of the Directive, I will now discuss the attached requirements. The *Non-Financial Reporting Directive* required public entities to disclose all the data regarding their business model, policies, results, risk and risk management and their main performances, and also the Key Performance Indicators associated to the four key sustainability questions: environment, social and employee issues, human rights, bribery and corruption. To render its goals achievable it was fundamental to set some minimum statutory requirements and make them compulsory (La Torre et al., 2018)

The Directive is based on the guiding principle of reporting. The most important principle is *Materiality* and, as seen before in chapter 2, a disclosure is material when its omission or error in reporting will distort the decision of users based on the report. When considering the NFRD, materiality must be assessed both in financial terms and environmental and social terms. It is considered as a *Double Materiality*, comprising financial materiality and social and environmental materiality. In the ESG sustainability reporting framework, financial materiality refers to ESG related to operational performances of the business and its financial health (Schiehll et al., 2020). On the other side, environmental materiality is more oriented towards environmental protection and preservation, and social matters inclined.
The identification of environmental materiality is a process which is paramount to disclose for the purpose of this thesis.

The objective of the European Union since the draft of the Directive was the one of harmonising and enhancing the so-called European single market. This is rendered possible by creating trust between the customers or investors and the company, trust that can be built through the disclosure of financial and non-financial information, since they are the ones on which third parties fund their decision making activities. The more the information available for final readers, the stronger the trust relationship. (Johansson and Baldvinsdottir, 2003). Nowadays it has also to be added that the more social and

environmental information are disclosed by the company when reporting, the greater the esteem towards it.
A major criticism of the Directive refers to the fact that it mandates organisations reporting more information in quantitative terms rather than information of greater quality and value for the purpose of non-financial reporting.

A point in favour of the law is that it has enhanced the awareness of Corporate Social Responsibility. Still today the fact of making certain disclosures mandatory or voluntary is under consideration by the legislators. (Caputo et al., 2019), but this could lead to a problem of inconsistency. Leaving social reporting as voluntary can translate into company producing information which is inaccurate, biassed, and not comparable within organisations. (Adams et al., 2004). Studies from the last decade have shown that in countries where the regulation was formalised as mandatory, such as France, the quality of reporting is better with respect to countries where this was left to the choice of the individual, like in the US (Crawford and Williams, 2010).

Even if not exceedingly specific regarding the requirements, the Directive boosted the reporting regarding non-financial information, since it offers a set of guidelines to be followed by organisations in order to be compliant with it. In order to help the individual Member States, the European Union has opted for a set of guidelines which were already in line with the laws in force in the Member States in a way to favour the alignment, since the main aim in that moment was the one of supporting the Member States in the transition (Szabo and Sørensen, 2015).
Still ambitious today is to contextualise the actuation of the *Non-Financial Reporting Directive* in light of the Covid-19 pandemic. For sure the economic and social, above all environmental, scenario has changed to face the issues brought by the pandemic, but there is not sufficient material at disposal to conduct a specific analysis on the concern.

## *3.2 Implementation of the Directive 2014/95/EU in Italy*

The Directive 2014/95/EU was transposed into Italian legislation with the Legislative Decree 254 of 30 December 2016, entered into force in January 2017, applicable with reference to the fiscal year 2017.

Also here, as it was for Europe, the Directive was transposed in companies and applied by management people inside them on a voluntary basis, rather than because of a legal requirement, to improve the quality of reported information to give a better image of the enterprise and to enhance its reputation. This choice undertaken by managers is evidently a strategic choice made on the purpose of better appearing to stakeholders and delivering them increased value. In fact, as previously written, the higher the quantity and quality of information disclosed, the higher the value of the company perceived from the outside.
For the Italian situation, it is better to consider national companies and international companies operating in Italy since the two categories should be contextualised differently. This is because, unlike an Italian company operating in the national context, a multinational company operating both in Italy and abroad, is more influenced by the context in which it is inlaid. The issue related to the national context is attached to an informational inconsistency, the reason why in Italy the guidance and support of the European Union should be greater than what minded in the moment of the drafting of the Directive. Italy is the case in which the regulation would bring a serious addition to non-financial disclosures reported by companies, being them in the previous years to an unsatisfactory level with respect to the European average and standards.

From 2017 till 2022 the quality and quantity of social and environmental disclosures has increased for Italian companies, having them start to adopt the sustainability integrated report as the main document for their annual performances disclosures. There still exists a gap between Europe and Italy regarding the integrity of disclosures, since information reported by Italian companies is still lacking in completeness. Despite this downside, it has to be said that Italian organisations are aligning with European standards and requirements in the forms of reports and, rather than worry about financial performances only, in the last five years they have accentuated their concerns regarding sustainability issues, environment and sustainable development, having seen that this has a positive impact also over financial performances, meaning it ameliorate them too. As a consequence, enterprises will see a reaction of stakeholders, undoubtedly positive, in the sense that, as previously reported, a company is attributed a higher value when it respects the environment and the interest of its stakeholders.

## *3.3 Proposal for a Corporate Sustainability Reporting Directive (CSRD)*

To start analysing the future context one question has to be posed first: will the company be considered capable of being compliant with the *"Proposal Directive*", namely the *Corporate Social Responsibility Directive* (European Union, 2021). What this directive will require is more commitments by companies in order to produce a report that offers better information and data, from the qualitative point of view particularly, regarding sustainability.

In order to understand if the firm will be able to get closer to the requirement of the new legislation that will be adopted next year, we must check if the company is compliant with the actual law. For these disclosures looking at the sustainability report only will no longer be sufficient, so also the integrated annual report and the information available in the website must be taken into consideration. Second remark, we should acknowledge first if the company has put in place a strategy for the upcoming period, since without a strategy it would be quite difficult to state if the required target could be met - as already stated - having no strategy implies difficulty in setting targets. Some companies could haven't put in place a strategy for the forthcoming period yet, and if this happens they should write properly in the report the reasons for the lack of the strategy.

It can be supposed that the proposal of the new Directive is an evolution of the NFRD. The proposal for the new Directive is nowadays known as *Corporate Social Responsibility Directive.* The proposal of the new Directive is seen as a progression of the *Non-Financial Reporting Directive* in order for the European Community to result, in the shortest possible time, in line with the objective of the European Green Deal, that is to reach climate neutrality within 2050. The need for a developed regulation is the following, as reported at page 2 of the *Proposal Directive of European Union: "What this directive will require, as written also before in the paragraphs above the table, is more commitments by companies in order to produce a report that offers better information and data, from the qualitative point of view particularly, regarding sustainability."*

As the before investigated one, it will apply to certain categories of enterprises based on specified thresholds. In this case it is applicable to the so-called "large enterprises" established in one of the European Member States or ruled by the law of one of them. The economic threshold didn't change following the evolution, since it is still established on the fact that companies should have a total balance sheet of 20 million or a turnover exceeding 40 million euros. The threshold on employees changed with the progression of the Directive since with the *Corporate Social Responsibility Directive* companies required to report following the latter should have an average number of employees during the fiscal year greater or equal to 250 employees.

This Directive also has a time limit. From the 1st of January 2026 all the listed small and medium size public entities are required to produce a social report, and to create it following the prerequisites of the directive. It has been decided that from 2023 large enterprises, and from 2026 also small and medium enterprises, should be compliant with this new regulation because the actual one, as reported in the text of the directive *"The current legal framework does not ensure that the information needs of these users are met. This is because some companies from which users want sustainability information do not report such information, while many that do report sustainability information do not report all the information that is relevant for users. When information is reported, it is often neither sufficiently reliable, nor sufficiently comparable, between companies.*" (Context of the proposal, European Union, 2021)

It has been detected that the intangibles of the business and capitals are under-reported even if of great importance, since a considerable portion of investments are based for example on the value of the brand of a society, their patents and other kinds of intellectual properties. (S. Zambon, 2004). Moreover, investors' awareness regarding reporting, specifically sustainability reporting, has increased in the last decade since they realised that financial performances are put at risk by sustainability issues. Companies are also seeking to follow those lines of investments allowing them to achieve their sustainability objectives. (Cohen et al., 2012). In the last two years there was a reaction causing the increasing demand of sustainability information induced by the uncertainties derived by the Covid-19 pandemic.

On a voluntary basis also small and medium non-listed companies can follow the conditions of the law.

*3.2.1 Fundamental Principle and contents of the Proposed Directive*

With respect to the previous directive, the proposed CSRD brings with it important innovations regarding the guidelines to be respected and principles in reporting. As written before, the first novelty regards the kind of companies required to produce the integrated report. From 2023 and 2026 on for all large and listed companies the drafting of the report will be mandatory. Among the new principles of the directive we find the requirement of assurance for sustainability information. Regarding this principle, we have to see the two sides of the coin: the negative one is that the company must incur additional costs to produce assurance for sustainability data; on the other hand, a sort of standardisation creates since all companies have to follow specific standards: it will take not a long time, in my opinion, to reach cost savings for business approaching the new requirements. Companies, with the new provisions, are required, in addition to having to report disclosures in line with the EU sustainability standards of reporting, have to report information in a detailed form. Moreover, disclosures have to be reported in a digital readable format, also known as XBRL format. This is an XML language specially designed for the communication and interchange of accounting, financial and recently non-financial information.

The Proposal of the Directive is funded on the principle of proportionality: as the word suggests, big undertakings will be required to disclose more information with respect to small and medium enterprises. Moreover, it envisages new reporting requirements for SMEs listed in the regulated market.

As written in the first paragraph of this chapter, the Proposal of the Directive amended the existing Directive 2013/34/EU. As the whole Directive was amended, also its content followed the same circumstances.

Interesting for the case of the company I will analyse in the following chapters, being Atlantia a listed big enterprise having more than five hundred employees, is the article 19a of the previous directive 2013/34/EU - substituted with the contents of points from a to f in Article 19 of the *Proposal DIrective*, regarding Consolidated Sustainability Reporting, in order to disclose if they are compliant with the report of the following matters, paramount to understand if the business is developing sustainably: business model, policies, outcome of the aforementioned policies, risk management and the key performance indicators of the underline business.

The preamble of the Article has been already outlined. What is left to study is the content of the Article.

First, the provision requires the company to describe its business model and business strategy. This acknowledgment serves for readers to understand the business risk and its approach to sustainability matters. One focal point is in fact to analyse how the strategy is applied with respect to sustainability matters.

The company must also provide a description of the business target related to sustainability matters and the plan it intends to reach those targets. Here it is important to distinguish between goal and target. The main difference is that a target is verifiable whereas a goal can't be, above all in the long term. To set a target is important since being verifiable it can grant an assurance over the information disclosed, which is one of the new requirements of the directive. To better understand the difference between goal and target, it is meaningful to add that the goal is set on a higher level: in the case the goal is the one of reaching carbon neutrality within 2030, hence being set on a higher level means also that the goal is reached by the integrity of the involved subjects at European level and not by a single entity examined in isolation. Following the descending scale of the terms, I have also to provide a definition for the *"objective"*. An objective has to be in line with the goal, but it is not the goal itself. As said before, a target is verifiable while an objective is quantifiable: in fact, we use *indicators* to measure objectives. To come to the end of the terminology so far used, the target is the threshold of the indicator.

The additional requirements of Articles 19a demand one enterprise provide a description of the role of administrative and management people towards sustainability, meaning the decision-making process and the action undertaken with respect to the matter and the targets to achieve. One of the last novelties is that the firm must also report the environmental social and responsibility policies as to be in line with the requirements and to elevate their position and reputation. Last but not least, the Article of the Directive requires the company to disclose the due diligence process applied to sustainability concerns. As already mentioned in the first paragraphs of this chapter and in chapter 2, the Directive requires companies to disclose all the data that are considered material and information regarding business capitals, as outlined by the IIRC Framework.

The approach of the business towards sustainability has not to be seen in the moment in which the company evaluation is made, but also in perspective, in the sense that it has to be determined whether the company can be compliant with what is expected from outside stakeholders and regulatory bodies in terms of sustainable development. The example reported in the third point of Article 19a is whether the company could be in line with the provisions of the Paris Agreement.

To be compliant with Directives' arrangements, an investigation on how the company takes care of stakeholders' interest must be performed.

### *3.2.2 Broad Scope of the Directive*

The objectives of the CSRD can be summarised as follows.

The first objective is to avoid duplication and unnecessary costs sustained by the company to produce the sustainability report and allow them to put the available resources in the production of sustainability information that are increasingly demanded by report users. The second objective is the proper allocation of financial capital to the companies that have activities and policies in place that renders them more accountable with respect to the social and environmental themes. If the allocation of capital is adequate, the availability of information regarding issues that can harm the company can be assured. Last but not least, a broader objective, the one of improving the reporting at European level in order to exploit the potentiality of the European single market, permitting the transition to an economic and financial system which is fully sustainable, in line with the European Green Deal and the Sustainable Development Goals.

Core element of the proposal for the directive is to render companies more accountable and transparent with respect to sustainability issues, basing on the principle of proportionality, meaning that big companies are required to disclose more with respect to small and medium companies. To do so, the Directive was intended as an instrument to fill the gap between the information already reported by business reporters and the increasing requirements of external readers. So we can state that the narrow scope of the directive is the one of improving the sustainability reports, above all on the qualitative aspect.

## *3.3 Taxonomy Regulation*

Another help in ascertain environmentally sustainable activities and investments comes from the *Taxonomy Regulation*. In fact, it helps classify which of them can be considered as "environmentally sustainable". It was created with the aim of supporting undertakings, granting them transparency and clarity about sustainability, and at the same time providing stakeholders, like financial institutions and investors, with the same clarity and transparency. The activity of the Taxonomy Regulation is the one of influencing with the best intentions the decision-making activity of businesses. The expected result is a financial product, namely an investment, having as one of the main objectives its own sustainability, embedding environmental peculiarities. Another focal point of this Regulation is that it applies to participants in the financial markets having Corporate Social Responsibility in their management and objectives. In case a company has CSR activities out of scope, it should report the fact in the closing year disclosures.

This regulation is one of the most recent concerning environmental and sustainability matters, being published in June 2020 and entered into force in July 2020. It applies to financial products that fall under these categories: the investment has to be in line with the provisions of Article 4(1) of the Directive 2014/65/EU (MiFID II), it should be an alternative investment fund or a UCITS, a pension related plan. More than just providing us with the class of products, it supports us in the recognition of which of these products are environmentally sustainable. A sustainable product, for the Taxonomy Regulation, is in fact something giving a meaningful contribution to the main environmental objective, being the climate change, the preservation of resources and the prevention of pollution, the transition to a circular economy instead of a linear economy. When an activity can be included in these sectors we can be sure that it is not harmful with respect to one of these milestones first, and to the whole environment as a consequence.

The first application of Taxonomy Regulation was seen in January 2022, regarding climate change application and adaptation. From next year, namely 2023, the field of application will enlarge to other fields: protection of water and marine resources, transition to circular economy, control and prevention of pollution and protection of the biodiversity of ecosystems.

As reported in the context of the Regulation, one of its focal points is the one of switching the concentration of business managers from the one of making profit to the one of

sustainably doing business for them and for stakeholders. If the company will be able to do so, hence to follow the scope of the directive, it can be stated that the *Taxonomy Regulation* is a good instrument to resolve the agency problems that could arise between principals and agents because of their disjoint interests.
This Directive is seen as being part of the basis of the sustainability corporate governance and also as an instrument to reduce negative externalities.

## *3.4 Sustainability Reporting Frameworks*

Nowadays there exist many ESG Frameworks according to which companies should report their environmental and social disclosures. The reason for the existence of many different schemes is the presence of different categories of companies having diverse needs and kinds of information to disclose. At the same time, there are different stakeholders having different needs and interests in disparate information.
Together with the already mentioned International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI), another important organisation funded with the aim of developing accounting and sustainability standards is the Sustainability Accounting Standard Board (SASB). GRI was funded in 1997 with the main objective of providing standardisation and a straightforward method to report non-financial information in order to obtain comparable information across industries. As can be deduced, the issues the GRI tries to resolve is the comparability of information and their materiality, as for GRI only information that is material to the scope should be reported in order to avoid duplication. IIRC was one of the last established frameworks, funded in 2010. This scheme is more engaged with integrations, aiming at creating the alignment of non-financial information together with financial information. The approach of this plan fits the best with the actual need, being it integrated reporting oriented, focused on integrated thinking and value creation Among the framework, the SASB can be considered the youngest since it was founded in 2011. In comparison with the others, it has a peculiarity for which it can be considered unique: it is the only organisation that develops dedicated standards for each business category, meaning it is a useful help for companies in determining which disclosures are material for them based on the sector they belong to. Usually, companies making use of SABS standards use them jointly with GRI since the

former disclose deeply information regarding impact on the financial aspects whether the latter focuses more on the overall organisational impact, from the financial ones to the environmental and social. With SASB we see the fulfilment of integration of non-financial reporting with financial reporting, considering the standards it develops are consistent with the financial regulation. SABS makes use of the specific KPIs of each industry in a way to address comparability matters. In the last year of the XX century, 1999, two more schemes came to life: AA and OECD. The first one was established with the objective of providing companies with a series of principles for the supervision of their accountability under different perspectives, from the application of the law in force regarding accountability to the communication of results to the general audience. The approach of AA is different from the one I have reported so far: taking care of the communication of accountability it is considered as stakeholders oriented. The OECD, Organisation for Economic Co-operation and Development, instead, treats the principle set as non-mandatory, but as advice provided to companies as for organisations to be compliant with the applicable rules. Being a non-regulative oriented approach, it deals with transparency and integrity concerns. The following year, 2000, saw the establishment of UNGC, the United Nation Global Compact: also this is not a set of rules but a framework giving support to enterprises in the adoption and implementation of sustainability and social responsibility principles, and in the reporting of the outcomes in the integrated report. Its main activities are connected to resolve risk management issues. Year 2010, in addition to IIRC, they also established ISO 26000, as outlined in the first chapter of this thesis, and EFAS. As already written, ISO 26000 *"provides the guidelines for a conscious behaviour with respect to sustainability, with appropriate attention to health and well-being, to take into account stakeholders expectations, to best comply with the current regulations and to apply in an accurate way the principles at every level inside the organisation"*. The aim of ISO 26000 is wider, since it tries to create a universal ground for Corporate Social Responsibility, improving companies' transparency with respect to the communication of CSR activities and results. As like AA, it is a stakeholders-oriented approach caring about the reaction of third parties, namely internal and external stakeholders. ISO 26000, with its orientation, strengthens the social responsibility of the undertakings. EFAS is another scheme of supporting enterprises in incorporating Corporate Social Responsibility activities into the integrated reporting, together with the financial results. EFAS deals with ESG and business KPIs. The most recent framework is FEE's Core & More, which is the youngest, established in 2015, and the most complete too, in my opinion. Being that undertakings find themselves in a faster environment with respect to the past decades, it is now necessary to have smarter schemes and plans. It is more exhaustive from both its aim and approach, and issues it addresses. In fact, the objective of the framework is to organise the financial and non-financial disclosures of the company to accomplish the needs and interest of stakeholders, being used by report readers and users, namely stakeholders, for their decision-making activity. It is considered a multi-stakeholder oriented approach since it cares about the needs of all the categories of stakeholders. In addition, it is also directed to resolve much of what could be the issues connected with reporting. For the "Core & More" program, reported information has to be, as for the other schemes, material and relevant to the scope of the business, in order to avoid duplication and to incur in unnecessary waste of resources to produce double information. Data should also be comparable across industries by stakeholders. This is the *"Core"* part of the plan. The *"More"* part brings with it a novelty: following a multi-stakeholder approach, it is implemented with the objective of assessing specific users' necessities in an interactive way. (Federation of European Accountants (FEE), 2016)

Following a predetermined pattern allows the company to reap plentiful benefits. First of all, a company that follows and respects sustainability imposed standards will inevitably tend to be compliant with these standards. This leads also to a second benefit: a company that is perceived to be compliant by authorities will avoid being subjected to investigation over the financial statement. Since the standards have as one of the main objectives the reduction of the carbon footprint of businesses, the activities undertaken by enterprises should be aimed at reducing the usage of resources. Controlling the use of resources with the final purpose of limiting it at the use of the quantity that is really needed leads to the benefit of reducing operational costs. A study conducted by researchers at McKinsey demonstrated that improving social and environmental performance allows the company to increase the operating profit up to 60% (Henisz et al., 2019). Being a multinational strategic company, McKinsey is dedicated to strategic innovation, growth and risk management, so it is their work to conduct studies over the enhancement of business performances. Other evidence emerging from their research is that, from designing activities to boost ESG performances, the firm can grant better return for itself and for the investors. It was also demonstrated that, in the first time period in which the company embraces the activities to be in line with the ESG standards the amount of implied time and resources increases, until the moment in which the firm complete the transition from being a standard company to convert into a *"new"* company under the social and environmental aspects. As already mentioned in the first and second chapter of the thesis one of the advantages the firm can derive is attached to customer loyalty. In addition to customer loyalty, mention of employees' engagement must be made. Since the company looks for the interest of stakeholders and employees are one stakeholder categories, one of the firms' objectives in line with the ESG policies is the maximisation of employees' well-being. If employees' expectations are met, their faithfulness towards the business will increase and as a consequence their commitment with respect to the business' ultimate goals.

Even if companies have at their disposal many frameworks as supporting tools for the disclosure and the reporting of sustainability information, many of them overlap in content. Confusion may create among users of these schemes since they can't recognize which is the most suitable for their business. In fact, at European level it is under consideration the possibility of building up a unique standardized system.

# *Chapter 4: Airport Industry Regulations in the European Union*

## *4.1 The airport sector*

Transportation sector, above all the air transportation sector, can be identified as an economic indicator of the well-being of a country. In fact, people opt for aeroplanes to move both for working reasons but also for their leisure. This to say, that a country in which the transportation sector is driving for the economy indicates that the general status is the one of economic well-being. There is an economic indicator that helps us read this trend, which is the Gross Domestic Product of a country, or GDP: the higher the GDP, the faster the demand for transport by aeroplanes is growing. The airport industry contributes to the global GDP for the 4% (atag.org, 2021). Analysing the specific data for the Italian economy, it can be seen that the numbers do not differ so much from those that are the global results. In fact, the contribution of the sector to the GDP of the Country is for the 3,6%.

As it is known, the economy is made by the match between demand and supply: the demand for air services can be considered as a derivative demand in the sense that it is derived from, in this case, the necessities arising from globalisation.

In the last two years the trends regarding occupation and revenue generation in the industry have been swinging due to the Covid-19 pandemic. Statistics from IATA in 2020 show the severe impact of the pandemic over the industry. In 2020 just 1,8 billion people all over the world took a plane, with respect to the 4,5 billion people flying in 2019 (IATA, 2020), meaning a collapse of more than 50%. Also the offer in the same examined period was limited, since companies opted for closing some of their routes in order to avoid incur in unnecessary costs in terms of, above all, fuels and personnel, since these itineraries were not frequented for any reason, neither laboral, nor for leisure. It was estimated that the loss in terms of revenues was around 190 billion dollars, globally speaking. In Italy the trend was the same as globally: there is talk of losses of around 50-55% in 2021 in terms of revenues with respect to 2021 (ACI, 2020). The transportation sector was one over which the most restrictions applied. Revenues of the air transportation sector comes from two sources, people transport and goods shipment, for which a separate consideration has to be made: in the last two years, in fact, cargo has overtaken people transportation. As just said, the airport economy works like any others: by the match between demand and supply. From the demand side, it can be stated, from the analysis of IATA data, that both the internal demand of each state and the overall demand at global level decreased.

Unfortunately, these years are not profitable for this sector: data from 2020 and 2021 showed that it registered considerable losses. Some companies were able to amortise the losses and survive this situation due to their dimensions and the aid given by governments, whereas other organisations of smaller dimensions were not able to bear the strong moment.

The global market size of the airport industry was estimated to be around 90 billion dollars in 2021, showing a decline of almost 50% with respect to 2019. Previously to Covid 19 pandemic, globally people spent on travels, both for businesses and leisure purposes, among 1 trillion dollars.

Data from 2022 presents a general recovery under many aspects, first of all due to the fact that people are allowed to move across countries without too many impediments. Studies conducted over the industry show that the general trend for the coming years is an increasing one, attributable both to the increasing demand of this kind of transportation but also to the increasing offer, related to the growing amount of structures and the renovation of old airports.

About the occupation, the last two years saw the loss of more than 1 million job positions in the industry due to the pandemic, and the loss in terms of passengers' number reached approximately 2 million. In a pre Covid situation, it has to be reported that, at global level, it created occupation for about 5 million people (IATA, 2021). IATA released a statistic showing the percentage loss in terms of passengers divided by geographical area. Compared to 2019, these are the numbers: Asia Pacific minus 53,4%, North American showed a loss of 60,8%; Europe passengers declined by 67,4% and Middle East of 67,6%; also Africa and Latin America showed a down of more than 50%: the first of 65,7% and the second of 60,6%.

Overall, the global demand in the sector decreased by more than 75%. (Fortune, Business Insight, 2022).

Being one of the economic activities that is most in connection with the environment, it has to be, in my opinion, considered as responsible for the condition of the biosphere - the responsibility of the companies is connected with the emissions of pollutant agents in the ecosystem. Even if it is considered the safest means of transport, and so the most chosen among the means of transport, it is the one that brings with it the most contradiction. For these reasons, management people in the airport industry saw the necessity to report about their Corporate Social Responsibility activities to promote a socially responsible image of their company, demonstrating they are performing activities to avoid being totally responsible for the pollution and degradation of the environment as it is believed by the majority of the population. Another factor stimulating the consciousness of managers is, as for all the other sectors of the economy, the pressure resulting from internal and external stakeholders, namely investors, the community and the employees. Airport sector companies had to revise their strategy, adding Corporate Social Responsibilities into their daily activities, in order to be perceived by report readers and users as caring for the sustainability of the future scenario (Chang and Ye, 2016). The result of the reporting activities is a strengthening of stakeholders' engagement.

From an analysis of the first eight months of 2022, I must report that it is sure that in the first months (January - May), the industry has certainly seen a good recovery. In the last three months (June - August) the increasing costs of energy and fuels has given a new blow to the economy of the sector, so much so that as we have seen, there have been many strikes with consequent inconvenience to passengers.

## *4.2 European Directive on the Airport Industry*

As already mentioned in the first paragraph of this chapter, in recent years, airports and air transportation of goods and people are becoming more relevant from an economic point of view: growth estimates show an annual increase of 5% in terms of revenues (European Commission, Mobility and Transport). In the last years it has been determined that the willingness of investment of the companies has increased, above all concerning international routes, indicating a +4,7 % (CENSIS, 2017). This requires a strengthening in the regulations regarding above all safety conditions of passengers.

At the same time the competition among airlines has followed the same trend, increasing over years. This led to the need for regulations in the market in order to avoid unpleasant inconveniences, mainly dictated from the budget scarcity of airlines. To cope with the problem, it became necessary to also change the market form of this sector: if after the II World War airports were structured as a monopoly, in the last decades this industry had a transformation, becoming a private industry. The company I will examine, namely Atlantia S.p.A. is in fact a limited liability company.

The market rules of the airport sector are based on the article 100 of the Treaty on the Functioning of the European Union (TFUE, Art. 100).

Main objective of the existence of a regulation in the European area is, as it is for all the other sectors of the economy, the creation of a single European Air Market, as foreseen in *Article 100(2)* of *TFEU*. In Europe and worldwide we have witnessed an important growth in the sector, rendered possible by the positive contribution brought by rules and regulations, and the respect of its by companies. Among these rules, we can find the so-called "packages" of regulations, most important of which is the third package, allowing companies in Europe to fix rates and prices and to move across countries of the Union without demanding extra permissions. This set of rules is what has contributed most to the possibility of creating a single European area for air transportation. The creation of such an entity is possible if and only if companies respect the following requisites prescribed by the just mentioned article: the financial situation of the company taken into consideration should be as good as being able to cover refunds in case of accidents and must have a good management ensuring the respect of the effective regulation in their daily activities. In addition, there is another point of Article 100 related to the capabilities of working people inside airline businesses: they must have professional and organisational capabilities to ensure activities are performed in accordance with the provisions of the Article. From the point of view of Corporate Social Responsibility, Article 100 of the TFUE cares also about the conditions of passengers, in particular about their protection. Corporate Social Responsibility policies regarding consumers are also directed to ensure them equal access to the services provided.

To guarantee all the aforementioned, instead of responding to national standards, companies now have to respond to Community regulations at European level, spread to all the enterprises based and operating in the European area. As the main aim of the TFEU concerning the airport industry is the creation of a single European air market, the rules in force at the moment are no more the rules imposed by the single Member States, but the European Directives on the matter.

This was a brief introduction regarding the economic regulation perspective. The focus of the paragraph is instead the need for regulation from a sustainability point of view. As already well-known, the need for regulation does not involve the airport industry stand-alone but the regulation, with the dedicated specificity for each sector, has to be applied to every economic sector. I will explain below the need for laws and principles to be respected.

The first reason can be found in the fact that expectations from users of the annual report of companies are becoming higher with respect to transparency of ESG reporting. Regulations, in my opinion, should be mandatory first to force the company reporting about this information, as the Proposal for the European Directive requires, and second to help companies in the production and formalisation of "green information". (Deloitte, 2021)

This need arises also from the fact that the voluntariness of companies in performing such activities is not enough. The mandatoriness of a law or a regulation ensures that these activities, that as I have reported are nowadays essential, will be performed by the entity.

As explained by Jones and Ratnatung in their book (2012), in some nations of the world already exists tools which progressively let the meet between companies and requirements become easier. For example, in some states of the world companies are requested to write off the *"Pollutant Release Transfer Register"*, a publicly available register in which the organisation must report all the possible pollutant material they use in their production process and that can be released into the environment.

Rights and assurances should not only be provided to airline users but should be guaranteed to the airlines itself. This can be considered as Corporate Social Responsibility activity of the European Union towards airlines. Including such concern in companies integrated reports promote the image of the company but also as the industry as a whole.

Surely the event of the Covid-19 pandemic contributed positively, resulting in a boost of the reporting activity by entities. In the last two years the general situation changed and as a consequence the requirements related to sustainability, public health and safety, since airlines are under increasing pressure with respect to social issues. Just think of how fast the virus can spread in an aircraft: it is important for an air company to disclose in their report, in the section dedicated to the community, that they are careful in relation to the contagions. If the company is perceived to be as safe in comparison with a company that is not perceived as to be safe, the first will be chosen. This will translate into an increase of the financial and economic performances of the business but also into a strengthening and development of its business image and reputation. To respond to the difficulties arising from the issues brought by the Covid-19 pandemic, two new regulations were introduced: regulation 2020/459/EU and regulation 2020/696/EU. These two regulations are specific for the sector to ensure that all airlines have the same rights to work and possibilities to ensure travel services to passengers. Moreover, in the European Union with the opportunity of having to give funds to companies to recover after the pandemic, they catch the ball to insert a part in these funds to make companies greener, given that. as anticipated, not all of them have the same willingness to invest the finances at their disposal for environmental purposes. The *Recovery and Resilience Facility* (European Commission, 2020), more than just giving opportunities to the business to recover from the damages of the pandemic, assists companies in their “green transition”.

Among the regulations and policies to be respected by airlines in the European Union by companies operating in the area, particular mention has to be made concerning the *European Green Deal*, being a pact formed by a series of policies aimed at approaching and reaching climate neutrality within 2050.

A remark about how this sector works has to be made: it is well known that the margins of the airport sector are not so high. This to say, companies are left with only few finances to invest in green activities. Another theme already known is that air companies prefer to invest their margins in the restructuring of the aircrafts or in the improvement of services offered to passengers rather than investing in activities aimed at improving business’ sustainability. In my opinion, going beyond the fact that the willingness to invest in green activities for these companies is very low, it is paramount that companies have limits imposed by governments to respect the environment, for example on emissions. The European Green Deal cares about all forms of pollution, from the emissions to the noise pollution and tries to create a better space around airports. The objectives of the plan are not only directed towards the environment but towards people too. (Finger et al., 2021).

The European Green Deal makes reference to other EU legislations regarding airports and their commitment to reach carbon neutrality within 2050. The first is the Airport Charges Directive[1], which in earlier times, namely in 2009, gave the first kick-start to the harmonisation of the legal framework, the first transition from national law to Community law. In addition, it sets the first fundamental requirements regarding transparency and consultation, in a way to put airports and other providers of transportation services all at the same level rather than making airports stand out for their infrastructures. Unfortunately, an evaluation about the directive made by experts in 2019 (European Commission, 2019) tells the contrary, since in a ten-year time the result is that some airports are still they are still leaders in the transport market and do not allow real conditions of competition by setting prices and conditions for the market area in which they operate. Older than the regulation I have already described is the Slot Regulation[2] (1993). Also this regulation was set with the objective of giving all airline companies the same possibilities to work in airports in terms of landing and take-off spaces and time slots to carry out their operations. More than environmentally directed, this legislation is towards equal opportunities: being guaranteed equal rights to all participants in a market falls under the sphere of corporate social responsibility. In this case it is the European Union which embraces CSR activities towards Member States.
These Directive have been reported since on the top of their objectives there is the one of rendering airports more “green”, hence more directed towards the activities encouraging sustainable development.

Last but not least, mention regarding the rights of people have to be made. With *people*, I mean both employees inside the organisation and passengers. The rights of passengers and workers in this field are more concerned with safety and security. The airport and aircraft crews have fundamental roles for the well-functioning of the structures.
First of all, concerning employees working in a place like an airport, it is important to report about the security working conditions in which they should operate in Regulation 300/2008 is the regulation in force with regard to the controls performed before approaching the plane. These controls guarantee the journey of the other passengers other than guaranteeing secure working conditions for the crew. In light of this, I can state

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32009L0012
[2] https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A31993R0095

that this regulation involves CSR activities since first it assures that the safety conditions are respected and second takes action against those people who are undisciplined and potentially dangerous. There is also a responsible body supervising the operation conducted, which in Italy is ENAC, *Italian Civil Aviation Authority.* Worldwide we can find another figure ensuring the security on board, the IFSO, *Inflight Security Officers* (ICAO). These people have to have good communicative and defence skills. At European level, the decision to employ this type of figure rests with the individual Member States (*Chicago Convention on International Civil Aviation).* In addition to this, it is fair to also report about the level of satisfaction of people working in an airport or aircraft. Today the employee turnover in airports is low, thanks to the fact that people working inside this structure are satisfied with their working conditions. This is rendered possible by the fact that employee engagement in airports is of high quality (Jaiswal et al., 2017). Moreover, it has to be reported that, as if in any other kind of business, having at disposal employees benefits and welfare plans renders other than more attractive to work for an airline also more satisfactory. Concerning this matter, the European businesses should follow the ASEAN area companies approach to welfare distributed to employees. (Malaysian Airport Annual Report, 2019).

Passengers' safety is guaranteed with the application of the above mentioned regulation. Moreover, based on surveys conducted in the last years in airports all over the world, it was demonstrated that the most technology is adopted by airports the safest will passengers feel. It is the duty of the airline companies to invest the fund at disposal to improve the quality of their ITC while at the same time not compromising the surrounding environment, trying to remain pursuant to the objective of the green transition.

## 4.3 Sustainability of Air Transportation: a priority

As already stated in the previous section of this paper, the notion of sustainability is pivotal in the modern company, being the concept of sustainability on of the major issues of the 21st century.

With regard to the airport industry the phenomenon is accentuated by the fact that, with its activity, it is one of the business activities having a major impact over the environment. As reported by the Air Transportation Action Group, in 2021 the airport sector contributed to greenhouse gas emissions for the 2% globally.

Since, being the world as it is and the economy as developed, we cannot renounce the services provided by airports: these are the two main reasons why worrying about the sustainability of air transportation is paramount.
Following these rationale, first to be done is the assessment of the impact of air transportation. Then, I will discuss which are the measures and remedies to be undertaken in order to ensure sustainability in the sector and for users.
It is well known that aeroplanes do not cause the pollution of air only, but their activity also water and soil, invalidating the entire biodiversity. Problems arise when pollution exceeds acceptable thresholds, the reason why, as explained above, we need for regulation. Regulations are so set as a preventive measure, to avoid companies exceeding the acceptable limit between sustainability and unsustainability. As explained in the second chapter of this thesis, it is paramount for business to have a strategy in place in order to meet all these needs.

To start with the above mentioned reasoning, I will try first to assess the impact of air transportation based on research and data. Contrary to what one might tiìhink, $C0_2$ emissions are not a relevant parameter in the industry, since aeroplanes contribute to these emissions only for the 7% (ENAC), while the remaining part is shared by the other means of transport, above all from road transport. No matter what, aeroplanes are still the most polluting means of transport globally. (Da Rold, 2019). The kind of deterioration they produce is not only related to gas emissions but is also an acoustic pollution. The general condition of the last two years, caused by the pandemic, made the data fluctuate, since in the second quarter of 2020 the most flights stopped since there was neither the necessity nor the possibility to move across countries.

The new rules the European Union is setting for the next decade are focused with the objective of ensuring sustainable urban mobility. The airport sector already has an advantage in complying with the new directives, since one of their objectives is the one of rendering as much collective as possible the means of transportation.

It is well known that companies will have to sustain new investments in order to cope with the new provisions.

The environmental problems generated by the development of airports and related infrastructure, in economics are referred to as negative externalities. A negative externality occurs when the production or consumption activity performed by an active subject in the market affects, in this case negatively, the well-being of another subject, without receiving any compensation for the suffered damage. (Investopedia). Negative externalities do not affect enterprises only but also the well-being of the community. In fact, rules and policies in force in the European Union are directed both toward the economic well-being and the transition of a green economy for enterprises but also to the preservation of the health of the entire community. The EU Parliament's Committee, in a report of 2021, notified that the pollution, more than just affecting business directly, affects them also in an indirect way: the productivity of workers suffering problems caused by the pollution decreases and the company will find itself in a situation of under productivity or forced to hire new employees, going to incur additional costs for personnel. This is why there is the need for the improvement of airport infrastructure, which can be done through the proper use of the finances of the business and the funds that are provided from the outside. The best outcome that can be achieved is advancement of the actual situation in terms of size and revenues for companies while at the same time reducing the environmental impact airports and aircrafts have in the surroundings.

To be considered as environmentally sustainable, airports must respect some sustainability parameters, which are related to the Sustainable Development Goals (Sreenath and Yusop, 2020), already outlined in the first chapters of this thesis. As for the other sectors of the economy, the Sustainable Development Goals can be applied to the airport industry in order to address, as the acronym suggests, the social, economic and environmental issues of the airport industry. As discussed in the last part of the previous paragraph, one of the parameters to be respected is employee development. This parameter is based on "quality education" (4) and "gender equality" (5), "decent work and economic growth" (8), "industry innovation and infrastructure" (9), and "reducing inequality" (10). The interested stakeholders involved in guaranteeing this parameter are airport staff and the government, or other regulatory bodies. Among the many parameters we find also investments in the community. Like the previous, it is based on SDG 4, 8 and 10. In addition, it is based on SGd number 1, "no poverty", and 17, "partnership for the goals". More than just involving the internal staff and the legislators, this criterion involves also the external community and the media. Going into depth with guidelines concerning the environment, the first one is related to noise management. In fact, among the kind of pollution the airline activity provokes, we find the noise pollution. It is based on SDG number 9 and two new goals: “good health and well-being” (3) and “sustainable cities and communities” (11). Other four parameters are dedicated to prevent the deterioration of the environment; these parameters see various subjects involved such as airport staffs, regulatory agencies, government, emissions management, airline company, passengers and visitors, investors, tenants, water and effluents, airport management, retailers and suppliers, local community, solid waste management and media. The goals to be reached for these parameters to be accomplished are the ones I have already outlined for the other guidelines. In addition to these one, “clear water and sanitation” (6) and “climate action” (13) are considered. Beyond the actors we have seen so far as active in the achievement of these goals, they must be added to the airline company itself, the passengers and the visitors. These parties are also involved in the parameter named “Economic contribution”, together with retailers and local suppliers, which is based on the Sustainable Development Goals we have seen so far. To be taken into consideration there are also the passengers: another guideline regards the “Passengers experience” that, as already reported, should be the best and the safest both in the airport and onboard. In order to guarantee the safety of passengers and cabin crew the related criterion was set, named “Airport safety and security”. The key actor involved in these two last examined parameters are the airport staff itself, the regulatory bodies, the passengers and the media. Different from the SDGs seen so far, here come into play others sustainability goals: “responsible consumption and production” (12) and “pace, justice and strong institution” (16). Airports as infrastructures are managed by competent people. These people working inside airports can actively contribute to the achievement of the Sustainable Development Goals. Concerning SDG number 1, “no poverty”, this issue can be addressed by drawing up dedicated plans and investing funds to avoid people involved in the activity of airports falling into a poverty situation (Paz and Goyannes, 2021). SDG 3, “Good health and well-being”, is an objective which is part of the ones of airports. To render this goal achievable, it is fundamental to improve workplace conditions for workers, for example adopting the above mentioned IT innovations. The improvement of working conditions goes together with the improvement of employees skills, which gives the possibility of fixing the issues related to SDG 4, “quality education”, and SGD 8, “decent work and economic growth”. Economic growth means not only GDP increase but also the creation of added value for the company and of job opportunities for people in the surroundings of the airports. Technological innovation can be exploited in this case to offer learning opportunities to workers, also to be in line with the provisions of the law in force with regards to sustainability in airports. IT novelties can be utilised to focus on the problems related to the infrastructures, falling under the scope of SDG 9: a proper management scheme should be adopted in a way to ensure the well-functioning and the sustainable development of the business. The modern company should also assure the equality between employees, namely women and men: this falls under the sphere of SDG number 5. In my opinion, also in the airport industry, as it is for the other sectors of the economy, management level jobs should be guaranteed for women. This also recalls SDG number 10, trying to resolve the inequalities among individuals.  The SDG related to clean water and sanitation relates to a goal airports have to reach: in fact, all structures all over the world should be guaranteed clean water both onboard and in the airport before landing. The most parameters to be respected by airline companies regards environmental and sustainability issues, core elements of SDG 11. In line with these principles there is also SDG’s number 12. Both of them, together with SGD 17, “Partnership for the goals”, cares about the environment, with objective of guaranteeing a safe airport community, with an environmental orientation, ensure sustainable disposal of waste and, most importantly, which is related to SDG 17, is the reporting of such information in the integrated report of the society, meaning it has to have in place a proper accounting (Vaio and Varrile, 2020). Not outlined by Sreenath in its parameters is SDG number 13, “Climate action”. To me the provisions of this Sustainable Development Goal are of relevant importance since it can resolve the problems related with the emissions of airport industry activity. It is fundamental for airports and the managing people inside the organisations, to put in place activities directed towards sustainability and environmental improvement.

With reference to airport industry reporting, in the last decade there has been an increase in the reporting of ESG information by air companies, even if actually the practice is not common and widespread among all the industries pertaining to the sector (Skoul et al., 2019). Primarily reported information from organisations pertaining to the sector are related with the environment and the labour conditions of employees, reported following the standards set at international level by competent bodies. Studies from the last few years demonstrated that environmental disclosures are material issues set at a higher degree of importance with respect to laboral issues. Moreover, in the airport industry customer safety and satisfaction are set on the top of the material issues considered by companies (Karagiannis et al., 2019).

What has been discovered from research in the last years is that there is not a common line followed by companies in reporting ESG information, being this not a common practice among companies (Skouloudis, 2012). Most companies follow the model principles proposed by GRI's but that is not enough. Globally, and mostly at European level - since the proposal for the Directive outlined in the previous chapter is a European Directive - there is the need for a common and strict guideline to be followed by enterprises that within the following years must be compliant with the Directive.

Companies in the airport sector should recognize the benefits they can derive from the advancement in reporting sustainability disclosures.

# *Research Methodology*

This introductory section to chapter 5 was written with the aim of explaining the methodology of research of the core chapter of this thesis, and in particular:

1. The source of data used in the analysis;
2. The methodology used to conduct the analysis;
3. The objectives of the research;
4. The results obtained;

The core objective of this research was to appraise the reporting activity of three enterprises in Europe operating in the airport industry, namely Atlantia S.p.A., AENA S.A. and Fraport AG. The assessment is not of general kind, but focused mainly on determining if these companies are compliant with the actual provisions in place for integrated reporting, to establish whether they can be compliant also with the provisions of the *Proposal Directive of the European Union,* regarding information to be reported for listed and non-listed companies in the following years.

The research was conducted by reading the last five years annual integrated reports of Atlantia, AENA and Fraport, and adding to the information found in those reports data gathered in the company's websites and social media channels. The broader scope of the thesis was to give an appraisal regarding the evolution of the reporting activity in the last years in order to adapt to the provisions of a constantly evolving scenario. The narrow scope instead, was to establish whether these companies respond to the requisite of reporting both in environmental and social terms, that is to say if they are effectively operating with regards to Corporate Social Responsibility activities.

The procedure followed for the analysis of the three companies has been the same for the purpose of comparison. First, I have analysed each company in detail. Then, at the end of the paper, I have drawn the conclusions about the reporting by writing a paragraph of the analogies and differences between the three companies, assessing with a score going from 1 to 5 their compliance with the provisions of the actual and upcoming directive.

1. The first analysis was conducted over the general situation of the business, their financial performances and the last events that had an impact over the life of the company

- Data collection: the majority of these data were collected from the website of the company and the integrated annual reports. In addition, I have searched for this information from sources of financial and economic data like S&P 500 or marketscreener.com. Data needed for this analysis were the revenues of each company in the last five years, EBITDA and EBITDA trends, and of an index letting report reader know the leverage of the company, as a mean to establish if the company finds itself in a growing or recovery state, and to determine the leverage condition, being that all companies have undertake investment in the last years, due to the pandemic but also for internal innovation reasons.
- Development of the research: Producing the first assessment has been an easy task since data were ready to be collected from the introductory pages of the report. The use of charts and graphs helped in the explanation of the last years performances of the business being their fluctuation because of the pandemic, but following the same trend operating in the same sector. Companies' reports also satisfy the need for extra information like the events that impacted over the companies, in addition to the Covid-19 pandemic, for example the fall of the Morandi bridge in the case of Atlantia and the mergers with other companies for innovation and development purposes
- Results obtained: The output of this first investigation is a general picture of the company from both the financial and non financial point of view, their shareholders composition, the innovation process and the the objectives on both the short and the long run

2. For all the companies the second analysis was conducted over the business model. The objective here was to determine whether the company's objectives were in line with the social and environmental needs and objectives of the actual scenario. The investigation was conducted also over the six capital for added value creation.

- Data collection: A well outlined report should contain, beyond the description of the business model, also the description of the six capitals for value creation. Along the reports, I looked for information regarding the financial, human, social, environmental, manufactured and intellectual capitals. From the scrutiny of the various reports, it can be stated that is not so for all the companies. For Atlantia and AENA the outline of the capitals was made in an outstanding way, with improvements from year to year. Differently has been the case of Fraport, for which the capitals are not outlined in the report.

- Development of the research: The analysis was conducted with the aim of determining the singular contribution of each capital to the value created by the company with its business activity both for themselves and the stakeholders involved in the business process. Moreover, a general analysis on the value creation process was carried out.
- Results obtained: For the Italian and Spanish company the result was the one hoped for; on the contrary, it has been not for the German firm. For Atlantia and AENA it has been pretty easy to assess how each capital contributed and in which manner to the creation of value. Fraport does not disclose the six capital, nor in detail nor in a rough way, leaving to the personal judgement of each reader to determine if the capitals is present and the apported addition.

3. I decided to begin the appraisal of the compliance with the European provisions starting from the compliance with Environmental, Social and Governances goals.

- Data collection: ESG and their function were explained exhaustively in chapter 1 section 3. In the last chapter the focus was on their inclusion in the reporting activity and business strategy of the company. Understanding if ESG are present was pretty easy since, when present, they are graphically depicted. Also here, two out of three reports, namely Atlantia and AENA, dedicated a section to the inclusion of the ESG in the report. The section was, as it has to be, the one related to the business strategy and the environmental sustainability plans. Fraport another time is lacking with respect to data incorporation of ESG all along the report. For the Spanish and Italian company, data collection was pretty easy. Atlantia involves almost all the ESGs, AENA concentrates into five of them. For Fraport it is required to look for information also outside the integrated report, finding that the whole strategy of the company is directed towards the financial and economic development.

- Development of the research: The research was conducted by analysing the involvement of the singular goal in the business strategy, to determine the orientation of the company. For Atlantia no deep analysis was required since the company already made its own, satisfactory from the point of view of the report users which can understand at first read the orientation of the company. AENA responds to five out of seventeen ESGs, and only from these it was difficult to give a judgement about the compliance. More study of the whole report was needed for this activity.
- Results obtained: For Atlantia it can be stated that good work was done from the company with the involvement of the Board of Directors with respect to ESG. They decided in the last two years to also include these provisions, in addition to the reporting framework already used and approved a new code of ethics to respect these principles. AENA did not give the same results as the Italian company, since only one paragraph is dedicated to the ESG and it cannot be determined whether they are involved directly or indirectly in the business strategy. The reader should read carefully the paragraph referring to the ESG issues to discover that they are involved in the programs of the leading people in the company. From this section, it is understandable that the company has in place a sustainability strategy, but unfortunately it is not contained here in detail. A careful reading of the report is required to analyse the strategy. As advice, I would recommend the company to put these two sections of the report in one only to avoid data dispersion and confusion.

4. To provide the reader of this paper with a better understanding of the context in which the company operates, also the reporting framework used was inspected.

- Data collection: The information I was looking for was the presence of a section dedicated to the framework used for the outline of the report. Finding out this information has been the easiest task, since at the bottom of the report, usually in an appendix, each company included such information.
- Development of the research: The existing reporting frameworks were already reported meticulously in chapter 3 section 4 and an additional explanation of the provision of the report would be superfluous. So the analysis was carried out investigating which reporting framework each company makes reference to.

- Result obtained: AENA outlined that it follows the provisions of GRI and SABS to produce their integrated annual report; after the analysis of the last five years annual report this thesis can be confirmed almost totally. Likewise Fraport said to report following GRI and SABS, but I don't feel comfortable in supporting this thesis at all, even because the report used was gathered from an external source. As before said and as will be reported in the following chapter, I would give some advice to the report producer of these companies, above all after studying the report of Atlantia, in order for them to produce an exhaustive report under all the aspects of reporting. The reports of Atlantia, mainly the ones of 2021 and 2020, are reports that objectively should be considered as complete. This is also due to the fact that Atlantia, in addition, follows the provisions of IIRC.

5. One of the triggering topics of this work regards the seven reporting principles that a company has to respect in order to produce a report which can be defined as *integrated*, containing all the needed information both to be compliant with the provisions of law but also to satisfy the demands of information by stakeholders. After evaluating the conformity of the company with the regulations in force, the last point left is the assessment of the capability of the company to be compliant with the provisions of the Proposal Directive of the European Union and in particular with Article 19a of the proposal, the one dedicated to reporting activity. For both evaluations, the study was conducted in the same way.

- Data collection: First, information about what these principles are were studied and reported in the first chapter of the thesis. Data to be collected regards the connectivity of information, report completeness, conciseness, reliability and comparability with other reports. In addition, they should report the stakeholder engagement and the material matters affecting the company. For the collection of these data, which are not readily available, except for materiality, an accurate reading of many documents was needed. Without going through the whole report of each company, and without going through the report produced in different years, it would not be possible to establish if the company is at the moment compliant with the principles. Same was done to establish the capability of being compliant with Article 19a, but the search of information was different and facilitated by the fact that information regarding the business model, risk management and stakeholders engagement are isolated with respect to the other information and inserted in a dedicated section. In addition to the aforementioned, to be in line with the upcoming provisions, the company should disclose regulation and material matters, which were collected for the purpose of the analysis of the principles of reporting. An exception has to be made regarding materiality , which for each report is reported in a separate section since material matters are so important to deserve their one paragraph.

- Development of the research: As aforementioned, for the case of Article 19a an help came from the structure of the integrated annual reports, being that they contain information regarding the business model, risk management and stakeholders engagement isolated in a dedicated section, rendering the judgement targeted, avoiding waste of time and information dispersion. Also the assessment of materiality has been addressed to the study of the materiality matrix and materiality section, which is very rich in information in all the reports, especially the last two years among the five analysed. For the appraisal of the other six principles of reporting the task has been ambitious since more than one reading was needed and the most challenging activity was to connect in the right way the information at disposal.
- Result obtained: To better understand the level of compliance of the company with respect to the principles, I outlined the results giving a score from 1, meaning not compliant at all, to 5, when the company was fully compliant with the provision, to the company for each principle. The last assessment, after attributing these grades, was to state at a general level whether the companies are in line with the law.

Additional parenthesis for Atlantia was the investigation about its presence in the social media. The analysis was conducted with no easiness since the company is not present in the social media, just its subsidiaries are. Also, the results obtained were not satisfactory since the company does not put much effort to be present in the social media, letting me understand that it is not of interest to the activities developed over the networks. Companies of such dimensions operating in the airport sectors prefer in fact to imply their finances to invest in innovation activities to respond, above all, the environmental needs of the actual situation and to reach the long term objectives.

The difficulties encountered in the study were related first to the amount of information to be collected to obtain satisfactory results. The time period selected for the evaluation, meaning a 5 years time frame going from 2017 to 2021, was made with the purpose of limiting the dispersion of data and to get the most updated information produced from the company, in addition to the purpose of comparability. The choice of three airport sector companies was made following the same reasoning. Even if I have studied the *Integrated Report* for all three companie, I have to make a criticism with respect to Fraport report that, as it will be outlined in the following chapter, cannot be considered as integrated at all, for what the concept of integrated is nowadays with regards to the annual disclosures of the companies.

Following this preface, chapter 5 will report in detail the information and the results obtained from the above explained analysis.

# *Chapter 5: The cases: Atlantia S.p.A., Aena S.A., Fraport AG*

## *5.1 Atlantia S.p.A.: Company Overview*

Atlantia S.p.A. is an Italian joint stock company whose main activity is the management of both highways and airports. Atlantia is a holding company, mainly operating with permits. It has operated in the transport sector since 2018, after the acquisition of Abertis. The company offers its services not only in Italy but also in other ten countries in Europe, South America and Asia. The enterprise manages a long network of highways in Italy, estimated to be around ten thousand kilometers.; moreover, under the enterprises it guides there are two airports in Rome, namely Fiumicino and Ciampino, which guidance was acquired in 2013, and Group Airports of Cote d'Azur (Nizza, Cannes and Saint Tropez), acquired in 2016. Annually, through the five airports, over 60 Million of passengers transit.
The company is a listed one, valued both in FTSE MIB and in the Milan Stock Exchange. The shares of the company are held for the greatest part from Sintonia - subholding of Edizione S.p.A. (31 %). The remaining part is distributed among other shareholders, holding small percentages of the shareholder capital (Integrated Annual Report 2021, page 12).

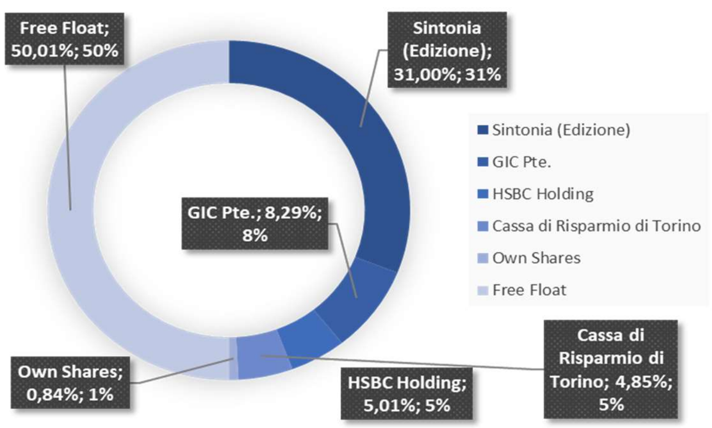



Table 1 - Source: Atlantia 2021 Annual Report, own elaboration

From 2020 Annual Reports it can also be read that the shareholders compositions have changed, with the entrance of Partners Group for the portion of shares of Telepass S.p.A. : this rendered possible a boost in the development of the company. In June 2021, after Atlantia has communicated to the external financial community its results and its strategic objectives, another operation has been concluded. In this case the operation regards the shares ownership: *Cassa Depositi e Prestiti*, *Blackstone* and *Macquarie* acquired the shares of Atlantia in ASPI.

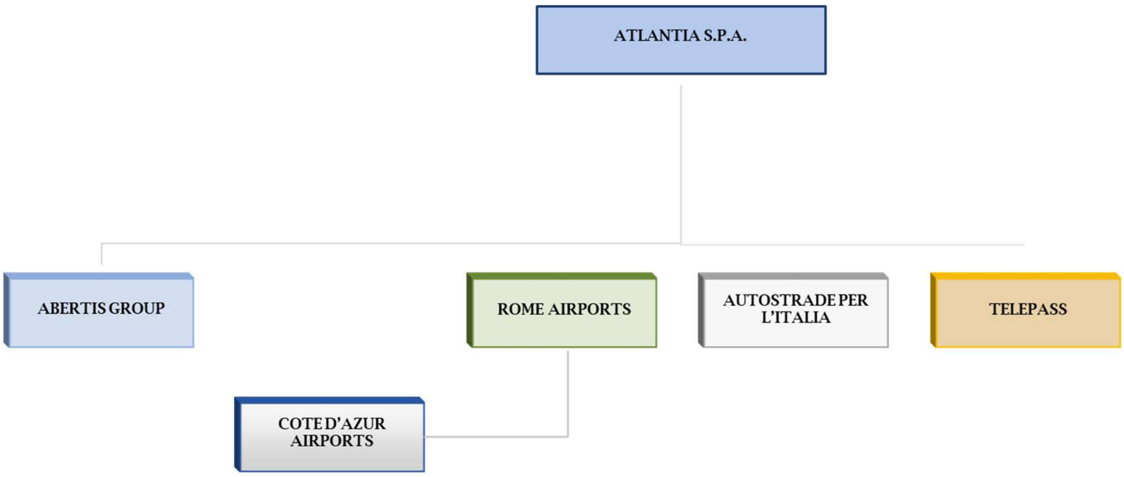



Table 2 - Source: Atlania Annual Report 2021, own elaboration

In the years 2020 and 2021 the company, approximately as the other companies all over the world, registered a slowdown of the performances because of the Covid-19 pandemic. In months in which the restrictions related to the pandemic were loosened, the enterprise registered a small increase in performance. In general, the performances of the business in the last few years have decreased. Last profitable year was 2019, before the effect of the pandemic reflected over the company, a year in which the business reached a high amount in terms of revenues above all. Interesting to investigate is the Return on Investment: the company presents a ROI which is decreasing year by year. This means, the firm is not generating the proper return expected form the investment they are undertaking in order to be an innovative company. In the table below I summarised the last five years annual performances of the business in terms of economic and financial indicators (data are expressed in million euros):

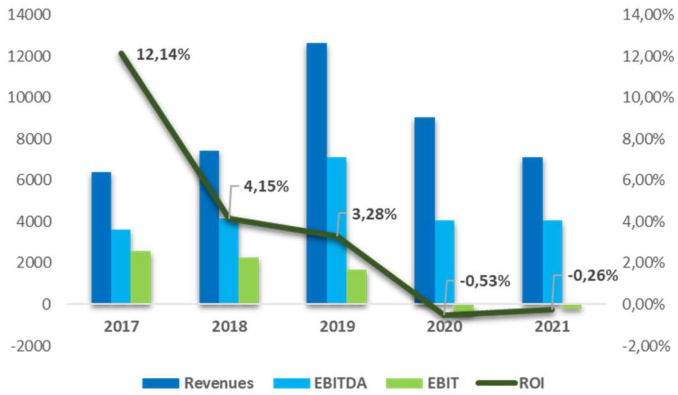



Table 3 - Source: Atlantia Annual Reports 2017 - 2021; own elaboration

For Atlantia it is proper to make a differentiation between the car traffic from the air traffic when evaluating business trends. The first registered a lowering of only 4% during pandemic time, whereas the latter recorded a reduction of 68% (Atlantia Annual Report 2021), due to the fact that restrictions imposed over air traffic were greater in number and more stringent with respect to the constraints imposed over the car traffic.

The Integrated Annual Report of 2021 reports also improved data with respect to the previous year related to the economic and financial outcomes. The firm registered an increase equal to 1,1 billion dollars with respect to the previous year, for a total of 6,4 billion dollars.

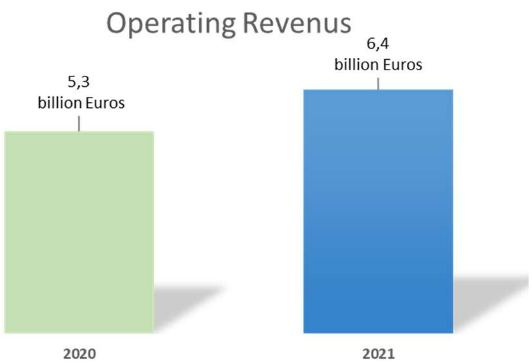



Table 4 - Source: Atlantia Annual Report 2021 and 2020, own elaboration

The increase is attributable for the 22% to the highway traffic and for the 28% to the airport traffic, increased registered with respect to 2020, a year in which the decrease of the car traffic was lower than the decrease of traffic in airports. As it was for all airports all over the world, 2019 was the year of the record, registering the highest number of passengers in the years from 2017 to 2021. Ciampino Airport registered an increase of the 34% in number of passengers with respect to 2020, but a decrease of the 28% with respect to 2019; at the same time, Fiumicino airport registered an increase of only 10% in 2021 with respect to the previous year and an important decrease of the 63% with respect to 2019. If we take into consideration Fiumicino Airport, which is the biggest airport in Italy in terms of passengers, it sees the passage of 43 million passengers in 2019; in 2020 the important drop is generated by the fact that the number of people that have passed through the airports were no more than 9 million. A small recovery took place in 2021 with the transit of 11 million passengers. (Assaeroporti, Annual Data 2021, 2020 and 2019). Unfortunately, given the difficulties brought by the sanitary conditions, the company in 2020 and 2021 had to curb investments in order to direct the available finances and funds for activities that took precedence at that time. Although the company had to stop investing in 2021, it can be perceived the willingness of the company to spend finances to reach the environmental and social objectives in the upcoming periods. About the social objectives, the company has underlined its enthusiasm regarding the contributions to give to the human capital. For 2022 and 2023 it is expected to use the funds available to complete its ESG objectives (Atlantia Half Year Review 2022) related to social and human capital, such as "inequalities reduction" (10), "gender equality" (5), "health and well-being" (3) and "partnership for the goals" (17), as already seen in Chapter 4. Concerning the "G" of ESG, the governance side, thanks to the integration of the goals achievement with all the societies controlled by Atlantia and the stakeholders owning shares of the Group, it can be said that the governance plan has improved compared to what it was at the beginning of the life of the company. The actual plan, more than regarding just the engagement with the various stakeholders, cares also about the engagement with the controlled entities. About the "E" of ESG, Atlantia is addressing the topic of sustainability with a strong commitment. The company is investing for the promotion of innovative and alternative ways of moving in order to reduce their environmental impact.

### *5.1.1 Atlantia Business Model*

To be as compliant as demanded by the actual situation, Atlantia has formulated its business model according to the previously mentioned attention to stakeholders and oriented toward sustainable development. The pivotal points of Atlantia’s Business Model are the following, as outlined in the Atlantia Annual Report 2019. The first point regards the services provided by the company, aiming at providing more and more high level services; this is rendered possible as already reported by maintaining high quality infrastructures for the part regarding airports and good road signs regarding highways. Another point of Atlantia's business model which I have already mentioned is capital expenditure: the company invests the finances at its disposal for the improvement of the offered services, trying to enhance as just said the available infrastructures. The last point regards the technology used by the company in its daily activity. The company in the last years, as can be seen from the analysis of the last five years annual reports, has invested a lot, which is also part of capital expenditures, in informational technology. The company, as far as it is its capabilities, is implementing automatic processes in a way to improve infrastructures efficiency and control of the viability, also with the aim of reducing the environmental impact the business has in the area in which it operates. From them, it can be seen what is paramount to the company: customers, their safety and security, environmental sustainability and the external community in the surroundings of airports and highways which is affected by the activities of the company.

From the scrutiny of the report I have examined for the purpose of this thesis, it is understandable also the long-term objective of the company, better say objectives. The objectives set in the long-run were decided following the approach to the business model. In the long term managing people inside the company expects to comply with the focal point of the business model, by exploiting infrastructures in which they have invested their finances, move to a greener mobility which is safer for passengers and drivers, reducing at the same time the impact airports and highways have in the surrounding area in which the company finds its operational structures.

### *5.1.2 Atlantia S.p.A.: last year evolution*

Since the activity of reporting is becoming more and more complex, the company is increasing its commitment towards activities related with reporting and directed towards sustainability. The result is a report which is not an end in itself and allows for comparison with other similar companies.

In the last years the company has revised its strategy and strategic objectives in order to achieve better results, both financial and non financial. The company has set up a new scheme for the allocation of capitals, in order to invest funds in a way to achieve the predetermined goals and assure the overall improvement of the company, above all under the non-financial aspects, namely social and environmental features. The just mentioned capitals are invested by the company to adapt to the actual context of sustainable development: in the short term the company plans to invest in new modern infrastructures. Among these infrastructures, both to be considered there are airports and aircrafts. As long term objectives, in order to achieve the goals of carbon neutrality within 2050, as the European directives foreseen, the company has already in place strong projects. The first sees the coalition of Atlantia with *Volocopter*, dated March 2021, a German company producing fully electric zero emissions vehicles. In addition, it is promoting the creation of *Urban Blue*, a newco of zero emissions airports. The transition to a "greener" economy for airports regards not only fuels use and emissions of aircrafts, but also the management of the structures which have to be in line with vehicles management. The airport itself must adapt to the need of the actual situation, meaning the adoption of digitalized processes, improve the logistics and managing and use resources in an intelligent way, in order to avoid incur unnecessary costs and render displacements more efficient. For the achievement of these eco-objectives, Atlantia has acquired Yunex Traffic, global leader in the *ITS,* the *Intelligent Transport System*. The actions the company has undertaken have not ended with the ones outlined until now. For the company, Environmental, Social and Corporate Governance goals are paramount. In light of this, in each controlled entity, a committee for the care of ESG related interests had been set up; this passage has been fundamental in the life of the company since controlled entities guarantee the company the most of the revenues, being around 85%. The controlling company has in place a multi-year plan with the committee of the subsidiaries with the aim of incentivizing the accomplishment of the ESG. The *Sustainable Committee* was instituted with the main objective of complying with the "G" goals. This committee is part of the corporate governance of the Group, in the sense that under its responsibilities there are also the reporting procedures and the disclosures of the controlled entities. This is an indirect way of assuring and protecting the revenues of the company. Also thanks to this committee the company is able to reach the goals it has itself set.

Regarding the environmental footprint, the 2021 Annual Report of Atlantia outlines that in 2021, with respect to the previous year, 2020, the firm was able to reduce CO2 emissions by 14%, passing from 216 thousand tonnes of CO2 emitted in 2020 to 186 thousand in 2021. In the last year the company has reached another good result which is the availment of 32% of energy coming from renewable resources among the wholeness of the energy consumed. This is a good point from the point of view of the enterprise, since more than being a good result in yearly terms, it is also a good achievement in the long term: the reduction of the CO2 emissions is also in line with what is expected from the plan of becoming carbon neutral within 2050. Analysing 2019 disclosure (Atlantia Annual Report 2019), it can be seen that the company is at the moment able to keep emissions and polluting events at levels that are either under the ones of the pre-pandemic scenario, even if the volume of passengers for the airport sector is almost the same as it was in the previous years and the highway traffic is increasing. I have to also add that the reduction in the emission in the car traffic is attributable to the fact that nowadays, thanks to the improvements of technologies, cars are less polluting than in previous years and there are much more electric or hybrid vehicles in circulation. If Atlantia is able to follow this trend in the upcoming period, it will be able to meet also the mid-term goal, which is the one of halving emissions within 2030.
Seeing the progress made by the company in the second half of 2020 (Atlantia Integrated Annual Report 2020) and in the first months of 2021, the rating of the company has been enhanced as well. The fact that the rating of the company has increased (S&P 500) lets investors value the idea of investing their funds in the company.

*5.1.3 Compliance of Atlantia with Environmental, Social and Governance (ESG) Framework*

In the same period as of the coalition with the Volocopter, March 2021, the Board of Directors has displaced the ESG objectives in the short term, in the three year period from the actual financial year to 2023. These objectives are considered as pillars for sustainable development, digitalisation and innovation. The goals the company posed itself are the following: ethical and transparent management, putting people first and consider them as paramount for the organisation, maintaining good relationships with all the stakeholders, climate change and circular economy, with the promise of consuming and generating

energy from alternative resources. About ESG number 5, Gender Equality, the company has already worked hard-worked: in fact, as of today, about 30% of the management is composed of women, a great result with respect to 2020 data. Concerning employees ESG number 3, Wealth and well-being, has to be examined: in this case the social orientation of the company regards the reduction of possible working accidents suffered by workers, in this case above all people working along highways (Atlantia Annual Report 2021). This is rendered possible, as mentioned before, also thanks to the investments in training courses provided to employees and in the improvement of control measures.
Till year 2019, Atlantia has reported its final year disclosures following the international guidelines outlined by the IIRC, SABS and the GRI. In the last two years, 2020 and 2021, Atlantia started to introduce in their reported information also disclosures related to the ESG, due to the need to include information concerning above all the environment, given the current scenario. The inclusion of the ESG in the reporting activity is a novelty: the Board of Directors approved in November the new Code of Ethics in order to allow their insertion. The introduction of the ESG has been important for the definition of the sustainability objectives for the upcoming period.

### *5.1.4 Reporting Framework used in the activity of Integrated Reporting*

Before the update of the last year, another relevant change has happened in 2018: the company already disclosed its performances in compliance with the IIRC Framework and SASB, starting from 2018, it also adopted GRI Standards in order to produce a more exhaustive document. In fact, for the Annual Integrated report of 2020 and 2021 the company followed the GRI Standards, above all for the depiction of the materiality matrix.

### *5.1.5 Value creation process of the Business*

Following the provisions of the IIRC, Atlantia discloses the value created by the company by means of the six capitals of value creation for sustainability. The mentioned capital are manufactured, natural, financial, human, social and intellectual capital. The reporting of the six capitals has changed across time: till 2019 the depiction of the capitals was backward looking, while from 2020 they report the six capitals with a forward looking orientation, including the long-term plans of the company. The outlines of capitals were not included in the last year annual report but included in the previous year one, namely the 2020 Integrated Annual Report. As written in the first paragraph of chapter 1, the IIRC framework expects that a company is formed by means of six capitals. In the specific case of Atlantia the most important capitals composing almost the whole entity are the human capital, the social capital and the environmental capital. About the human capital, the commitment of Atlantia towards employees is clear: the company is investing lots of finances in the formation of employees, in a way to offer a high quality service to the final consumer. Moreover, regarding people inside and outside the organisation, as already mentioned, the company is committing on a daily basis to improve the infrastructures to upgrade as a direct consequence the security and safety conditions. The section dedicated to human capital reports the change in the number of employees year by year and the cause related to this variation, for example layoffs or other kinds of contracts conclusion, the age of employees, their role inside the company and lastly, but not for importance, the percentage of women and men working inside and for the group. On the human capital Atlantia has demonstrated the willingness to ameliorate it via investment in workers safety and refreshers courses. More than caring just for the employees themselves, the company cares about their families with welfare programs. The social capital is connected with the external stakeholders involved in the life of the company. The activities the firm performs to exploit the human capital are connected with the communication of information from inside the company to the outside and its ability to contribute to the external welfare. Here comes into play the reputation the business has constructed of itself. When the company has a good reputation the external entities are more inclined to transpose the company's disclosures. The reputation of Atlantia can be considered as strong thanks to the norms and internal principles and guidelines set up by the board and respected by the whole people inside the firm. About the natural capital, during years Atlantia has invested time and knowledge in reporting the environmental strategy, which has been strengthened over time to meet the needs related to sustainability. In the last years the company has been reporting specifically about water and energy consumption, noise pollution, waste disposal, and carbon footprint (Atlantia Annual Report 2020, page 170). In the Integrated Annual Report, the company, in my opinion, should connect the natural capital with the ESG objectives, being that water and energy consumption, noise pollution, waste disposal, and carbon footprint are related with ESG number 6, 9, 11, 12 and 13.

In my opinion is it dutiful to mention also the manufactured capital of the company, being that the company operates mainly by means of infrastructures like airport and airport terminals, highways network, toll booths, etcetera. In the case of Atlantia it is better to refer to it as *"Infrastructural Capital"*. The description of this capital should report also on the investment made by the company with regards to the motorways and airports, for example the huge investment cost the company about 190 million Euros, undertaken in 2018 to enlarge the boarding area of Fiumicino Airport (Atlantia Annual Report 2018).
For a better understanding of the capital of which the enterprise is composed, following I report a table indicating how well the capital is presented: as the colour of the star gets darker, it means that the capital was well displayed; when the colour gets brighter it means that the information was not properly presented.

| CAPITAL | Atlantia S.p.A. |
|---|---|
| Financial Capital | ✦ |
| Manufactured Capital | ✦ |
| Intellectual Capital | ✦ |
| Human Capital | ✦ |
| Social and Relationship Capital | ✦ |
| Environmental Capital | ✦ |

Table 5 - Source: own elaboration

From the report it can be also seen how Atlantia cares of its stakeholders: in the *"Letter to stakeholders"* of the reports the firm reports in brief all the needed information for primary readers. From the first reading they are able to get an idea of the annual performance of the Group and are able to assess whether it is profitable to invest in the company, from the point of view of investors, or if the company is compliant with the provisions of law and environmental requirements, from the point of view of the community, clients, suppliers and the other stakeholders.
The great attention towards stakeholders of the company can be seen above all in the letter to stakeholders of 2018, when a catastrophic event has changed the company from inside. When Morandi Bridge in Genoa collapsed, Atlantia had the foresight to report about the fault of the fact and outlined the numerous aid that would have been given to

the families affected by the event (Atlantia Annual Report 2018). After this episode, in the following integrated reports of the society it can be seen how the company changed the approach to safety and security. As written at the beginning of the paragraph, the company is investing every year to ameliorate their infrastructures, in order to improve the overall security of the company.

The commitment of Atlantia towards safety caused adverse events like accidents in the workplace to decrease by about 60% in 2021 compared to the previous years (Atlantia Annual Report 2021).

| Group Entity | Contribution to investments in 2021 in infrastructures |
|---|---|
| Abertis Group | 652 |
| Foreing highways | 74 |
| Rome Airport Group | 175 |
| Aéroport de la Côte d'Azur Group | 44 |
| Telepass Group | 981 |
| Atlantia - other activities | 40 |
| Discontinued operation Autostrade per l'Italia | 1026 |
| **Total Group** | **2092** |

Table 6 - Source: Atlantia 2021 Annual Report; own elaboration

*5.1.6 Guiding Principles of Reporting Analysis*

As written in Chapter 2 of this paper, it is necessary to follow the guiding principles of reporting in order to produce a document that is compliant with the provisions of the law. These principles provide companies with support in the implementation of the framework they have chosen for reporting.

From the analysis of the last five year annual report it can be stated that the reporting activity of the company is better now than it was at the beginning, in the sense that the company has refined the way in which it reported the complexity of information. Moreover, it has also improved the quality of non-financial data included in the report. Atlantia is one of the companies with the longest reporting history, dating back to 1997 when *Autostrade per l'Italia* published the first report containing Corporate Social Responsibility disclosures (*Facts Book - Autostrade per l'Italia S.p.A.)*. In that year the company produced two different reports, one for financial and one for non-financial results. It is in year 2000 when we see a change, year in which the company produced for the first time an Integrated Report. The progress in sustainability reporting is due also to the complexity of the external world and what external parties are demanding. In fact, the last years integrated reports, dated 2017, 2018 and 2019, can be considered as more complex seeing the quantity and quality of disclosures inserted in the annual releases of the company.

To understand whether the report is complete and easily understandable, it must be assessed if it respects the guiding principles of reporting. According to IIRC Framework, the Integrated Annual report must be drawn up by respecting these seven principles, already outlined in chapter *2.3*.

- *Strategic Focus and Business Orientation*: If in the reports of years up 2019 Atlantia seems to be lacking in respecting this principles, in the last two years report the enterprise has filled this gap by including in the report all the objective the company has in the long-term above all regarding the environmental milestones to be reached within 2030 and 2050. The description of the business model and of the strategy have been expanded and deepened by Atlantia in the last two years as a means of communicating their intentions to the stakeholders. Having at disposal all this information, it can be stated that the company is fulfilling this principle.
- *Reliability and Completeness* of the report is another principle to be examined. It states whether the company addressed the relevant matters with an ethical attitude. The companies under consideration appoint their auditors as responsible for the compliance with these principles, since an external certification is considered free from bias and more reliable than an internal produced opinion. Atlantia's auditor until fiscal year 2020 was Deloitte & Touche S.p.A., assuring the reliability of information reported. From fiscal year 2021 they nominated KPMG S.p.A. with the shareholders' meeting of 29 May 2020. Since that part of the work is delegated to an external auditor, it is difficult to assess whether the company itself could be capable of satisfying this requirement.
- What can be stated reading the last five years' annual reports is that Atlantia communicates its result in a coherent manner, depicting properly how the business model is applied in the different business areas and the contribution that each of them have on the final results. Being that the whole report can be easily

interpreted from readers who have basic economic and financial knowledge, it can be considered compliant concerning *Conciseness.*

- Atlantia organised its report by making use of the six capitals for value creation, one of which is the social capital. It is related with *Stakeholders Relationships*, requiring to describe first the stakeholders of the entity but also how to interact with them in order to satisfy their needs and expectations. The interaction between the entity and its stakeholders is well displayed in the last year annual report, with an improvement with respect to the preceding years. The only negative drawback is that it has to be discovered among the various sections of the document since no dedicated section, besides the section dedicated to the letter to stakeholders, is present in the report.

Two principles are left to be investigated: *Connectivity of Information* and *Consistency and Comparability*.

- *Connectivity of Information* is well satisfied by Atlantia since report users can easily go through the disclosures of the business without losing itself, given the structured and logical construction of the document.
- *Consistency and Comparability* is satisfied with the fact that many graphs and tables are present throughout the whole paper. It is straightforward for an external reader to compare data and disclosures which are depicted in tables and charts with respect to data that are contained in a text and have to be found out. This task is rendered even easier if the kind of prospectus utilised by the two companies is the same. For this purpose, it would be recommendable, at general level, to provide the same type of summaries for example for all the listed companies worldwide.

The following table was depicted with the aim of helping readers in the assessment of the compliance level of Atlantia with respect to the guiding principles of reporting, assigning for each principle a number from 1 to 5. When the company is not compliant I will assign 1 as score; as the score increases in value, so as the compliance of the company increases.

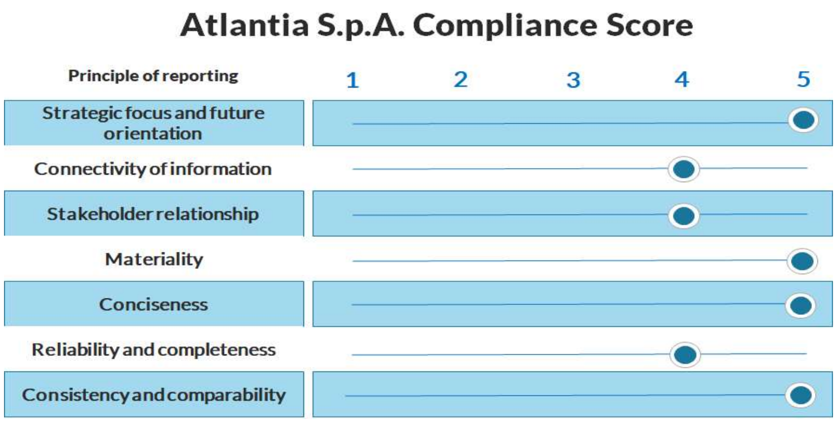


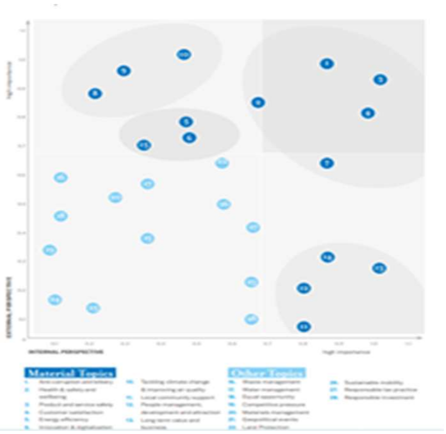

Table 7: Atlantia S.p.A. Principles of Reporting Compliance Score, own elaboration

Among the seven guiding principles of reporting, *Materiality* is the most important. Given its relevance, it will be examined in isolation with respect to the other principles. The principle that can be examined in conjunction with *Materiality* is *Completeness*: since the company is compliant with respect to materiality, it can be considered also as respecting the completeness of the report. I have verified this hypothesis going through the last five years annual reports, corroborating that no relevant matters were left aside: all information and data that can be considered as fundamental for a decision making process are outlined by Atlantia.

*5.1.7 Materiality*

Another advancement made by the company regards the *Materiality* of the reported information: in fact, during last years, the company updated the materiality analysis, in order to report all the needed information from stakeholders. The analysis made by Atlantia is a double-side analysis since it is performed both from the point of view of internal stakeholders and external ones. The materiality matrix depicted in the last year's annual report is in fact the outcome of an introspective investigation rendered possible by means of meeting with the several responsible of the business to discuss the relevant issues of their competence. In the last year annual report Atlantia assigned a complete section to the materials issues, reporting also the depiction of the materiality matrix. From it, it can be deducted the paramount aspects for the organisation, which are the matters stressed so far: inclusiveness and improvement of the formation of employees through the dispensing of course, the transition to a more digitised processes in the daily working life of the company in a way to avoid incur unnecessary costs and the inclusion of the whole community. It has to be stated that also the presentation of the matrix has changed in the last two years: in 2021 it is more understandable than in 2020, allowing stakeholders to understand with ease the material facts for Atlantia. In the previous years the company did not report material information in a dedicated section, but performed different kinds of analysis in order to establish the relevant information for itself and for stakeholders. In light of this, the company has also been able to raise its reputation towards external parties. After the scandals of the last years, I am referring to the event of the Morandi Bridge, Altantia considered that it was appropriate to dedicate much attention to significant matters as accidents can be, which is one of the reason behind the search for an improvement of materiality.

Following, the comparison between the materiality matrix of the last two years proposed by Atlantia:



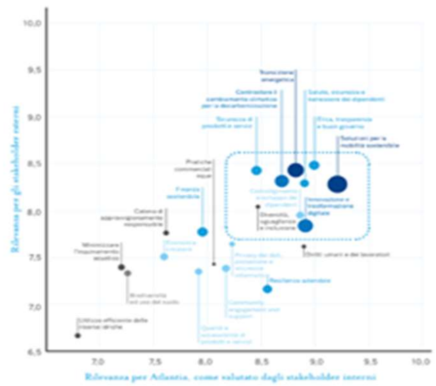


Table 8 - Source: Atlantia 2021 Annual Report; Materiality Matrix    Table 9 - Source: Atlantia 2020 Annual Report, Materiality Matrix

### *5.1.8 Article 19a. of the Proposal Directive of the European Union*

For the purpose of the Directive examined in chapter 3, namely the *"Proposal Directive of the European Union"*, I can state that with the action undertaken by Atlantia in the last years in order to disclose and report better information for primary report readers, I can state that Atlantia can be considered as already compliant. The criteria to be respected in order to be considered as compliant find their origin in the principles of reporting. In order to better understand to which extent the company is compliant with the provisions of the Proposal Directive, I have depicted a table assigning a score level to each of the requisites going from 1 to 5: 1 means the company is not compliant at all, instead 5 means that the company is fulfilling the requirement.

| Article 19a criteria | Regulation | Materiality | ESG | Business Model | Risk Management | Stakeholder Engagement |
|---|---|---|---|---|---|---|
| Action undertaken | Atlantia follows specific rules and regulations as provided by the novelty of the proposal. | It reports all relevant disclosures without hiding negative drawbacks; this is helpful for the decision-making process | Atlantia is already compliant with ESG objectives; moreover in the report a dedicated section to them is already included | The Business Model of the company is well described and, as required, it has a sustainability orientation | The Board of Directors is in charge of risk management policies; evaluated the risk in which the company may incur, they outlined action to be undertaken in order to solve possible arising problems | Dedicated section to both Social Capital and Stakeholders, which are clearly defined; in addition, the interaction group-stakeholders is properly described |
| Compliance score | 4 | 5 | 4 | 5 | 4 | 5 |

Table 10 - Source: own elaboration

Atlantia follows a specific regulation and a specific framework for its reporting activity. It is compliant also in reporting materiality, outlining the scope of its activities and reporting all the information that are relevant for its daily life but also for the decision making process of stakeholders. Atlantia is one of the companies which includes paragraphs related to the compliance with rules and regulations, to ESG, with policies and ethics provisions. Specifically, following the provisions of the Directive, I have already seen that the Business Model of the company is in line with the points of the directive. Article 19, described in chapter 3, foresees that the enterprise describes both the business model and the business strategy. The business model of Atlantia was planned to be compliant with the environmental requests since, as the content of the proposal expects, the targets of the company should be related to sustainability. One element not yet discussed but included in the proposal directive is the risk management of the firm, to assess whether the type and level of risk agrees with both the short-term and long-term goals of the firm. Thanks to the high rating attributed by S&P 500 to Atlantia, due to the action undertaken by the organisation to be compliant with the environmental and social objectives, the company is now considered a low risk company. The risk management procedure, although, does not start from the outside but from the inside. It is in fact the responsibility of the board of directors to list the specific risks in which the company may incur and the action to be taken to prevent this risk, or resolve the problem they may create. Apart from the risk the firm may face under the economic and financial sphere, a company like Atlantia which is deeply involved in environmental and social matters, can incur several typologies of risks. The first is surely the environmental risk for which, as already seen, the company has taken the necessary measures in order to avoid unpleasant events (Atlantia Annual Report 2019). The other risks are related to people inside and outside

the organisation, so human rights of these people, who are working for the firm but also suffer the damages that can be provoked from the activity of the business in the area in which they live. Same injuries can be pained by consumers. Fact that was stressed all along this chapter is connected with safety and security of both workers and infrastructure's users. As already seen, this is the most concrete risk for this kind of enterprise. The board of directors of Atlantia has arranged a set of guidelines and procedures to avoid incur in the just described risks and to avoid their occurrence (Atlantia Annual Report 2021, page 78).
Important topic to be included in the annual report of a company, as seen in chapter 2, is the engagement with the stakeholders, *"... necessary to recognize stakeholders' expectations"*. For this company I have identified the two main stakeholders: the first is the environment, intended as the ensemble of suppliers, clients and partners, and the second is the ministry of infrastructures and transportation (Atlantia Annual Report 2021, page 34).

*5.1.9 Presence in the social media*

A suggestion which can be given to Atlantia but also to companies worldwide is the fact of advertising their commitment towards sustainability and social matters also in channels different from the annual report. I am talking about social media: they are the easiest way to communicate to people the commitment to reach their objectives, how they intend to perform this and the result achieved thanks to the action undertaken. For the singular case of Atlantia, the promoting activity has to be extended to the whole subsidiaries of the Group and the controlled entities, since even them contribute to the image of the company and its reputation. Atlantia at the moment is not present in the social media standing alone. The various components of the group are present in Instagram, Facebook or Twitter. For example, the airports under the subsidiaries of Atlantia . This topic is one for which the company needs improvement. One of the entities controlled by Atlantia is Telepass: the followers on Instagram of the subsidiary are very few compared to other companies present in the social networks, being only 21 thousands. Another drawback of this page is that it's promoting activities is centred on journeys and not on their sustainability contribution. The situation on Twitter is not definitely not the best with respect to Instagram for the company: the followers, 847, are less than those of any user's account. Even if the company posts with a good frequency, meaning every 3-5 days, it is difficult to catch the whole community being that the number of followers is restricted. Rome Airports, as part of the Group, counts a little number of followers in both the social networks. Differently from Telepass, they post with higher frequency regarding sustainability themes and sustainability promotion. Atlantia can take as example Google or Starbucks, enterprises that already today make use of the social networks as a means of communicating their social and environmental milestones.

### *5.1.10 Evolution of reporting in terms of Corporate Social Responsibility*

Corporate Social Responsibility has been a very debated topic worldwide, already from the first notion of CSR. In the last years, report users and regulators came to the conclusion of the voluntariness of the company to contribute with its activities to these kinds of activities. The evolution of the CSR requirements followed the progression of the general business situation. As the economy is growing faster and faster, so as to be the commitment of the firm towards Corporate Social Responsibility and its disclosure. Altantia, as far as this is concerned, can be recognized as having the ability to follow the progress and report year by year with greater specificity social and environmental matters affecting the company itself and the external stakeholders, going to solve in a short time the common problems in companies relating to corporate reporting, namely the poor quality of information and the need to have common standards to follow. Over the years, Atlantia has used innovative technological tools to achieve this. The importance of non-financial information has meant that the main document for companies and stakeholders is no longer the financial report, but the Integrated Annual Report. More than following the provisions of the International Standards for Reporting, over the years Atlantia implemented ESG in its reports, since they are relevant for investors having for sure the aim of investing, putting their funds in the so-called *"Socially Responsible Investments"* - this type of investments are diffusing in line with the change in the economic situation worldwide. The examined company has also been capable over the years to give the proper way to all information to be contained in the report, without giving too much attention to the sustainability ones and produce a sustainability report only, or focusing on the economic and financial aspects lacking on social and

environmental data: the Annual Report of Atlantia can really be considered an Integrated Annual Report.
The evolution in the reporting activity of Atlantia towards Corporate Social Responsibility lies in the fact that the company not only searched for improvement to get a better reputational image of the company but also for ethical reasons, which is the one of providing stakeholders with greater and higher quality information for their decision making activity. After the scrutiny of the last five years annual reports (2017 - 2021), it can be stated that Atlantia operates with a different perspective, being no more the traditional one in which they reported facts about their financial performances and based the performances on the economic results achieved, but emphasise the sustainability and social responsibility outcomes also in the long term. From this analysis it can be concluded that this reporting document, the Integrated Annual Report, as well as being more complete it also detects all the factors affecting social and environmental matters influencing the management of the company. The reporting papers produced by Atlantia as we see them today are the result of the adaptation to the actual need emerging from the current market situation. This to say, the evolution has not been stopped, but it will continue in the future to shape for the forthcoming circumstances being that the relationship between the company and the external parties is constantly changing, adapting to the needs for information of stakeholders.

## *5.2 A Spanish Group operating in the same industry: AENA S.A.*

### *5.2.1 Company overview and structure of the Non-Financial Disclosure Report*

AENA S.A. is a Spanish Group operating in the airport sector, owner of 46 airports in Spain. Throughout the airports owned by the Group passes more than 120 million passengers every year, a lower number compared to the passengers passing through the airports owned by the Atlantia Group, being that on average in each Spanish airport passes 2,5 million people versus the airports of the Italian entity, having on average 12 million travellers passing through. Both the number of passengers and the economic and financial outcomes of the group are mainly the result of displacements linked to tourism.

Interesting result reported by AENA is the composition of total revenues in the financial disclosure of the business: the company outlined from which sub-sector of the airport activity comes the revenues from, for example from the duty free or the cash spent on board, estimating that in average each passenger spend on extra services 6.81 Euros (AENA 2021 Full Year Results). The table below represents the trend of revenues, EBITDA and Debt to equity ratio of the Group.

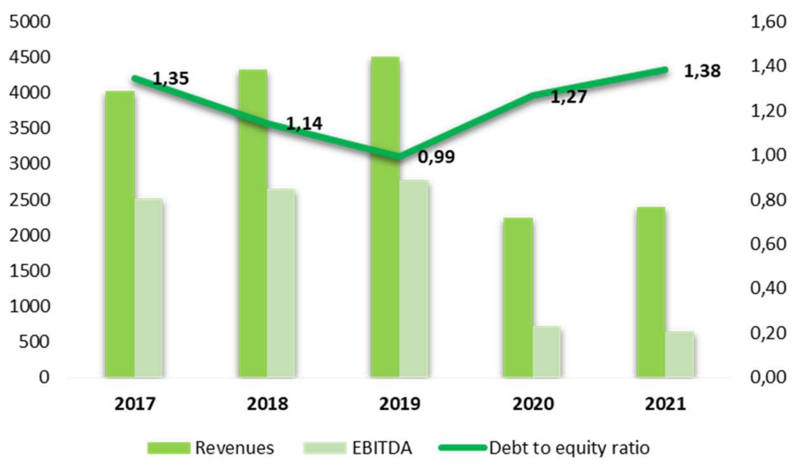



Table 11 - Source: AENA Full Year Results 2017 - 2022; own elaboration

As it can be seen from the graph depicted above, the company follows the trend of more or less all companies around the world in the last five years, with a pick in revenues in 2019, a huge fall in 2020 and a small recovery in 2021. For this company the impact of the pandemic was greater than it was for other airline companies, being that their revenues come for almost the totality from leisure trips, which suffered the most restrictions during pandemic, while their competitors have suffered less since their aircrafts flew also to transport goods.

Half of the shares of the company are owned by the Government of Spain while the other 50% is owned by other funds, among which we can find The Vanguard Group (1,23 % - 1.843 thousand shares) and BlackRock Fund Advisor (1.62% - 2.424 thousand shares) (marketscreener.com).

For the disclosure of their financial and non-financial information the company make use of two different documents: the yearly *Full Year Results* for the financial outcomes and the *Consolidated Management Report* for the non-financial performances. The AENA S.A. report is structured in blocks, block A and block B. In block A, the company includes all

the relevant financial information, whereas in block B the company reports in detail all the non-financial information. As it is for the Atlantia report, also AENA discloses properly the sustainability and social information, with a dedicated section for the commitment towards environment, people and society, to the business model and the governance model. A peculiarity of the document produced by AENA is that it has a dedicated section for safety and security, related to the airport activity and to people working in those infrastructures and, as recommendable in order to be in line with the Non-Financial Reporting Directive, a stand-alone section to report on *Materiality.*
As mentioned above, the firm makes use of GRI as a guiding framework for reporting, in conjunction with SASB.

### *5.2.2 Business Model and Value Creation*

The Business Model of the company is well explained along the Consolidated Management Report. To draw up the Model, AENA followed the provisions of GRI 102-2, Background, and GRI 102-45, Subject included in the Consolidated Financial Statement. It was also updated in the last two years after the Covid-19 pandemic, as its name suggests, with the main purpose of *recovering* the situation of the enterprise after the crisis period. From the study of the Business Model it can be disclosed in advance the compliance with one of the provisions of Article 19a of the *Proposal Directive of the European Union*, seen its centrality towards sustainability. In fact, the main point of the strategy of the business is the responsible use of resources, trying to render as much as possible the aviation sector sustainable. In line with this, their value creation process is directed towards sustainability, in order to deliver sustainable added value to their stakeholders. Point in favour of this company is the inclusion of the social commitment in their business model: operating in various areas of the world having different needs and finding themselves in disparate conditions, they have to pose peculiar attention to the different cases. The Business Model is supported by the approval of the new *Sustainability Policy* (Consolidated Management Report 2021), based on the core principles of the company: ethical conduct and transparency in reporting.
This company, as mentioned in the previous paragraph, does not follow the provisions of IIRC, but of SABS and GRI instead, the reason why the description of the six capital for value creation is not disclosed in detail. In light of the fact that the company reports the

six capitals with a low degree of specificity, it is difficult to assess the singular contribution each capital has on the value created. In order to determine the specific contribution, a deeper analysis of each paragraph of the report has to be conducted. In the case of AENA the report is structured as containing the description of the capitals in the Block B of the report, even if in sections entitled in different ways. For example, the natural capital is incorporated in the *"Commitment to environment"* section; the human, social, relationship and intellectual capitals are inserted in the *"Commitment to society and human rights"* paragraph; for this company the financial capital is well described, containing the financial capital in the third section of the report. Even if the firm does not follow the IIRC Framework, it is compliant with its provisions with reference to the fact that it observes the requirements of describing the value creation process. In the structure of the annual report,for the purpose of the IIRC Framework, it is fundamental to include the description of the six capitals. The IIRC Frameworks gives the company guidelines to pursue in order to report information needed by reports users but the form of the report is not in the mandatory elements provided by the scheme. As it is for capitals, AENA includes its plan for value creation all along the report. The added value for this company is attributable, as it is for many companies, to the commitment it has towards the community and towards the environment, and the action it is undertaking to improve their social and sustainability situation. AENA is in fact directly involved in the surrounding areas in which it has its operative structures.

### *5.2.3 Evolution of last five year reporting of the Spanish Group*

The Spanish airport group is not evolving just regarding their annual performances and contribution to the environment but also in the way they report their annual disclosures. For the purpose of this analysis, I have taken into consideration, as for Atlantia, the last five years *Full Years Result* and *Consolidated Management Report.* The structure of the report has changed over the years. Until 2019, the report was structured in paragraphs, each one dedicated to a specific matter. In 2020, the company decided to report first introducing the relevant matters and events that happened in the year, and then dividing the disclosures, reported with more specificity in two blocks structured in subsections. For the purpose of specificity the company produces the two above mentioned documents, but for the external readers this can lead to confusion sometimes. The company should give direction about which report it is better to focus on if the report users are looking for one kind of information rather than another one. For the purpose of this thesis the document in which I will focus is the *Consolidated Management Report*, being the one including all the disclosures that are not connected with financial matters but with *Corporate Social Responsibility.*

As I will describe in the following paragraphs, the company makes almost everything necessary to report these matters in a proper manner, writing almost because as we will see there are some aspects in which it is still lacking and for which an improvement is needed.

Similarly, it is necessary to give credit to the company where credit is due: it is implying a high degree of commitment to improve year by year the way in which the disclosures are reported for different reasons: the easiness in understanding from the point of view of the readers, the completeness of the report to be compliant with the provisions of the European laws, the easiness of information getting from the point of view of stakeholders and the improvement of their image and reputation from the point of view of the business itself. Moreover, the improvement is dictated by the need for comparability of the Spanish produced report with similar and competitors published reports. It is rare but happens that some passengers make use of these reports to get information before flying through one of the airports of the group. Going through the last five years reports it can be seen that the degree of specificity with which the company writes about their financial and non-financial disclosures is improved, determined by the fact that now the report is linked from top to bottom, they added more table and charts for easy understanding of the data, they included every years more social and environmental related information and they produce a reported that is more structured than at the beginning. For a more specific analysis, in the following paragraph I explain the matters in more detail.

### *5.2.4 ESG goals: is the company really in line with the goals?*

The section the company dedicated to the ESG is included in the *Consolidated Management Report* (Consolidated Management Report 2021, page 33), in which the company specified not to have a governance model only, but a sustainable governance structure. The company states that the governance model was outlined following the ESG goals. The *Sustainable Governance Model* is focused on these ESGs: "Decent work and economic growth" (8), "Industry innovation and structure" (9), "Reduction of inequalities" (10), "Sustainable cities and communities" (11) and "Peace, justice and solid institutions" (16). Among the 17 ESG presented till now, there are others that are more involved in sustainability than these are. It is difficult to state whether this model of governance is a sustainable one if we investigate its pivotal points: sustainable finance, data protection and unique legal nature. Only one brief section is dedicated to the issues linked to ESG, the one in which the company reports that during last financial year has approved plans regarding sustainability policies and climate actions but, being located in a kind-hidden section of the report, it is difficult to perceive their commitment without going deep in every corner of the report. The involvement of the company with respect to sustainability at general level can be considered as good, but from this perspective only it seems that the company is lacking in the way it reports with regards to ESGs. In my opinion, structuring the report concentrating the commitment towards sustainability together with the plans would help the reader in the comprehension of the sustainability issues affecting the company and the actions it is undertaking in order to resolve them.

### *5.2.5 Compliance with the reporting requirements*

Recovering what I have already reported in paragraph 5.1.6, I will now concentrate on the comparison of the compliance with guiding principles for AENA S.A.

- The first guiding principle to be respected is the *Connectivity of Information.* The connection between information can be considered as being well-organised, since the reader should not imply too much effort to put information together since the documents follow a precise logical thread.
- The logic of the published information brings to the conformity with another of the seven principles: *Conciseness.* In the case of AENA I have just mentioned that the report is well structured but from its reading the contribution to the value added of every business area is a difficult task. If I have to assign a score from 1 to 5, to follow the same rating used for Atlantia for the purpose of comparison, I will place AENA in the middle, assigning a 3.
- *Stakeholder Relationship* or *Engagement* was not mentioned so far for this company. AENA can be considered as fully compliant with this assumption. It

reports the stakeholders engagement in line with the provision of GRI 102-43 in the dedicated section *“Relationship and dialogue with stakeholders'*.

- From the last year's *Full Year Results* it can be stated that also the verification made by KPMG SpA can be considered as compliant with the provisions of the principles of *Reliability and completeness*. AENA has the same auditors as Atlantia has, so additional comments can be considered superfluous being the verification over the performance of the business conducted in the same manner.
- *Completeness* can be considered as satisfied by the way they report material issues.
- Only one principle is left to study: *Comparability*. Although this report differs in the style, being organised in blocks, it is relatively easy to compare the information they contain. One drawback is that if you want to compare financial and non financial you have to search for disclosures in two different documents when Atlantia contains all information in one paper. If the principles of *Comparability* would not be satisfied by one of the three companies it would not be conceivable, nor meaningful to conduct such an analysis.

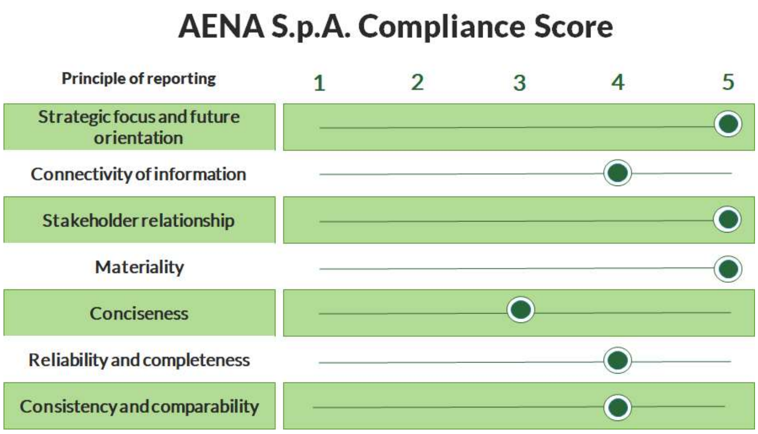



Table 12: AENA S.A. Principles of Reporting Compliance Score, own elaboration

### *5.2.6 Material disclosures*

Most important among the principles to be respected there is the *Materiality* principle, which establishes whether the absence or the failure in reporting information will distort the decision-making process of report users based on the information present on the document. AENA reports materiality close to the manner Atlantia does, revising and improving its materiality analysis in the last five year, and the outcome we can find in the last year annual report can be considered as complete, so as compliant with the provisions of the principles. Also for this company they dedicate an entire area of the report for the material disclosures and, in addition, they also disclose the process for the identification of the material issues. A peculiarity of this report is that they produced a table identifying each material issue, why it is material, if it impacts just the company or also its external environments, and the specific subsection of the report in which its detection and action undertaken to resolve it are implemented. Operating in the same field the materials issues for AENA are similar to the one of Atlantia: they focus on sustainability, having a broad orientation towards the impact of the company over the society and the environment.

*5.2.7 Assessing compliance with the Proposed Directive*

Determining if the companies are compliant with the actual provisions is not enough for the purpose of this thesis, being that it is focused also on the capability of the business to be compliant with the provisions of the Proposal Directive by the European Union. In this regard, I will analyse if AENA is compliant with *Article 19a* of the proposal directive.

- For the part regarding the description of the *Business Model and Strategy* it can be stated that AENA can be considered as compliant with the provisions of the proposal, disclosing properly the application of the strategy with respect to sustainability. Important comparison to evaluate is the approach of administrative and management people towards sustainability. Being the Board of Director, the body in charge to establish which the strategic direction of the company is and having in the strategy as pillars the sustainability and innovation, it can be deduced that the commitment of leading people is at high levels.
- Being the sector in which the company operates a highly regulated sector, it can be considered as compliant with the criteria of *Regulation*. Dealing with people and their safety, the company must be compliant to a high extent with regulations, otherwise the health and safety of individuals, considered as passengers, airport staff and cabin crew, both in airport and on board can be jeopardised.
- *Materiality*: this point has been already discussed in section 5.2.6. To assess whether the company will be compliant with the proposal, first it has to be assessed whether the company is compliant at this moment with the actual provisions. Seeing the processes for the determination of the material matters and the way it is reported, with clear and easy to understand graph, AENA can be

considered both as compliant now and in the future, even because the disclosure for materiality is an ever-evolving process, to a high extent.

- *ESG*: After reading carefully the report I have developed my own opinion of the vision of the business of this specific topic: comparing it with Atlantia, the vision of this company for me is much more restricted since it focuses just on five ESG, the ones reported in section 5.2.3, when they are in total 17. Personally, I feel I have to criticise the fact that they have a *Sustainable* Model of Governance, when it is more developed on ensuring good working conditions for employees and on economic development also to guarantee the company the possibility to innovate their infrastructures. As far as I am concerned, I would say that AENA is not compliant to a high extent with this provision and I would place it in a *"need improvement"* state. It is understandable from the disclosures of the reports that it is constantly evolving but the commitment the company has to place over this activity has to be deep and constant.
- *Risk Management*: AENA developed its risk management policies in line with the strategic plan, in order to guarantee the achievement of short and long-term objectives without incurring in hazardous situations. They have a proper plan in place, structured in phases, first of which is the identification of the risks. After the risk is identified, it is evaluated and, depending on the impact it may have over the business and its stakeholders, and the necessary measures are taken. This is not the end of the process, since it also a following up part: the situation is constantly monitored by the people in charge for this, also to review if the risk policies need and update since the company can face that the risk itself may evolve and be more difficult to face from the point of view of the business. To be sure that this process goes successfully, there is more than a body in charge, each one having its specific task. The Board of Directors takes the last decision, but first both at operational level, with the responsible of each unit, and at audit level, for which they have the internal audit in charge, people in charge have to identify and evaluate the risk of their competence. This system is well-organised and structured so that it is hard for anything to go wrong. In light of this, the company can be considered having a high degree of compliance with this provision.
- *Stakeholders Engagement* is satisfied by the delivery of information, above all sustainability information; the fact that information is reported in a transparent

manner locates the compliance of the company with this provision to a score of 5, to utilise the same rating used for the other analysis.

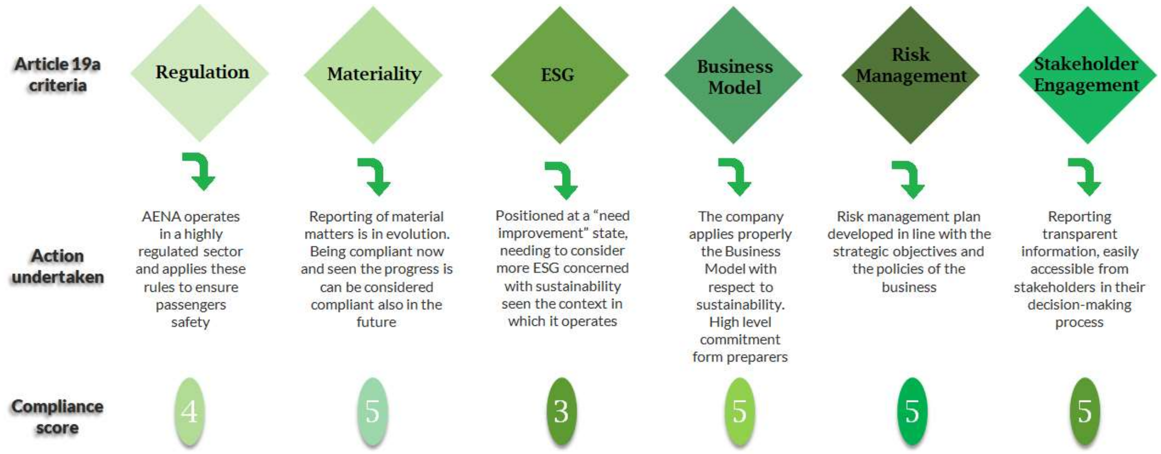



Table 13: AENA S.A. Compliance Score with Article 19 of the Proposal Directive Criteria

## *5.3 The German competitor: Fraport A.G.*

### *5.3.1 Overview and last relevant events*

Fraport A.G. is a German transportation company managing Frankfurt Airport, holding equity investments in many other airports all over the world. The acronym AG means *Aktiengesellschaft*, that is to say a joint stock company. Its shares are listed in the Frankfurt stock exchange. It is considered one of the top airports in Europe and worldwide: in fact, through Fraports passes every year more than 60 Million passengers. From this data it is easy to understand the dimensions of such a company with respect to the organisations examined so far. Fraport derives the majority of its revenues from flight tickets, but also from the related services like ground assistance and parking fees; regarding revenues from flights, they are generated both from people travelling for journey purposes and laboural purposes. Not to forget that Frankfurt Airport is one of the major stopovers more than being one of the busiest airports in the world. In 2021 the company benefited from the increment of demand for flights directed to touristic destinations, above all Greece, with a recovery of the demand of almost 75% (Fraport Annual Report 2021). Also the German airport offers cargo services, and last year, to increment the revenues but also to increase its dimensions and geographical presence, the company opened a new cargo centre in Brazil. Another operation carried out in the last financial year has been the opening of the new terminal in Ljubljana Airport. These two major investments cost the company more than 30 million Euros and, to amortise the cost sustained, the company in 2023 is aiming at incrementing revenues through the increase of the services offered. In next year, the company will also implement a new scheme for airport security, as a means of improving the quality of the services offered to clients and improving their safety on board and before the flight. Here below I have reported the trend of economic indicators of the company in the last five years:


Table 14 - Source: Fraport Annual Report 2017-2021, own elaboration

As it can be seen from the graph, the company showed a negative EBITDA in 2020, which has two possible causes: a bad management structure or operational adversities faced by the company. It is easy to explain that the second reason is the one to which the negative EBITDA is attributable to since, as well-known, 2020 was the year in which all companies around the world suffered the restriction imposed because of the Covid 19 pandemic.

Fraport is for almost its entirety owned by German companies, excepting for the free floating shares. The chart below shows the composition of the shares capital of the company.

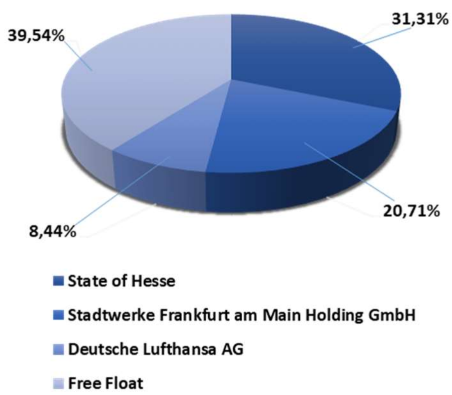



Table 15 - Source: www.fraport.com , Investors, own elaboration

The shares owned by Lufthansa acquired an intrinsic value which is higher than the value of the other shares in my opinion, being Fraport its first hub. Lufthansa acquired the first 4.5% of shares in 2006 (Lufthansa Group Investors Relation), with the objective of enlarging year by year their participation in the company.

### *5.3.2 Fraport AG Business Model and Value Creation Process*

The Value Creation process of this company, being that it does not follow the provisions of IIRC, is not supported by the description of the composition of the six capitals for value creation. It is not possible to understand which is the particular contribution of each of the capitals to the added value of the business, except for the financial capital which is the only one reported in a proper way from the airline company and for which no additional commitment from the reader is necessary to determine the contribution given to the final result. In particular, Fraport AG reports its indirect value creation process in the section dedicated to *Non-Financial Performance Indicators*. The company directs its attention towards five business areas: aviation, retail and estate, ground handling and international activities (Fraport AG Annual Report 2021). The aviation segment is the most important and the one from which the most added value is derived.

After its examination, it emerged that the social and environmental orientation is reported to a limited extent. Fraport AG has a more economic and financial direction, in fact report writers cite that the company in the value creation process includes all the other companies offering services inside the airport, which for sure brings to the whole structure an economic value added. From this reasoning, a first evaluation regarding the completeness of the report can be done and state that the Fraport report does not satisfy at all the requisite of completeness.

### *5.3.3 Evolution of reporting in the last five years and reporting framework utilised*

Likewise AENA and Atlantia, for reporting their annual disclosures, Fraport follows the provisions of SASB and GRI context as reporting frameworks. The report produced by the Fraport AG is very different in form with respect to the one examined until this moment, being that it focuses much more on the financial aspects and economic results of the company rather than on the social and environmental performance. For this firm it would be advisable to implement more social disclosures in the upcoming period since it is one of the companies that within the following year has to be compliant with the requirements of the European Directive, being a listed company. The firm, in my opinion, should consider the idea of implementing IIRC, which can give a strong support to the company in producing a complete report. Fraport, in reporting its annual disclosure, makes reference in addition to the *deutsche Handelsgesetzbuch*, the German Commercial Code, giving support to the company in the observation of the European regulations.

### *5.3.4 ESG*

The analysis of ESG for the German company needs the support of an additional document, the ESG Fact Book. The sustainability goals of the business are not included in the Integrated Annual Report, which lead to two immediate criticisms: information dispersion and time waste. In fact, after reading one long document, people who want to gather information regarding the sustainable commitment of the company have to go along with another extended document. This has been hard working but has to be done for the purpose of the thesis. The presentation of the goals is not the usual one. The company preferred instead to report its own environmental goals. They are the goals that every airline company has in recent years, like CO2 emission reduction and air quality improvement, which lead to the general goal of protection of the environment. The company in this document also included the measures undertaken in a way to achieve the desired outcome: the common idea is the one of substituting the old infrastructure with new plants that, for almost the totality, make use of alternative sources of energy or that can produce their own daily energy required.

### *5.3.5 Conformity with reporting principles*

To follow the same path as for the analysis of Fraport competitors, I will now concentrate on the guiding principles of reporting.

- Regarding *Connectivity of Information*, the reports' connection between information is placed at a good level of compliance, since following the structure of the report it is easy for report users to combine information together. If we look at all the documents the company produces to report its annual activity and results, the principle fails to be respected. In fact, stakeholders should review at least three documents to collect all the necessary information to appraise the company and evaluate its reporting activity. The company in a scale from one to five deserves a 3 for the conformity with this provision, dictated by the fact that there is too much information diffusion.

- Another of the seven principles is *Conciseness.* Even if centred in economic matters at the expense of the social and environmental disclosures, it cannot be stated that the report is not concise. The only critique that is fair to be done regards the reporting of the value creation process which is, as already written, not clear. This evidence lets me deduce that the company is compliant with conciseness to a limited extent.
- The disclosure of stakeholder engagement is part of the so-called *"Stakeholder Dialog"*, found in the responsibilities of the group. Beyond the company which is a stakeholder per se, the others identified in the engagement process are the employees, the environment and the community intended not only as passengers but also as investors and business partners. The company has a challenge, to find the right balance of information provided between stakeholders, since part of them are focused on economic and financial ones while others care about the issues affecting the society under environmental aspects. Examining the annual report only, it is to be stated that it satisfies just the need for stakeholders having economic and financial interests. Putting together all the reports produced, it also content the needs of shareholders interested in social and environmental aspects. Also for this provision I will place the company in a "need improvement" phase, assigning a 4 as rating since the only action to be undertaken is to assemble the reports in a unique document
- Fraport AG is audited by PricewaterhouseCoopers', guaranteeing with their practice the conformity with the provisions for *Reliability and completeness*. More than justifying the economic and financial position, they stated that, with the production of the annual report, Fraport was able to outline the general status of the company in all the relevant aspects. For the purpose of this work, I have to challenge the PWC position, since sustainability and environmental goals and strategy which are material matters to be inserted in the integrated report are not excluded at all but are contained in another document, so not readily available for

collection from stakeholders. The grade I attribute to the company for the respect of this provision is 4.

- *Comparability* is the last principle to be investigated. Fraport AG report is comparable only to a limited extent with the other reports examined so far because of the reduced amount of information included in the report that should be the report containing all of it. 3 is the grade associated with comparability, determined by the fact that it is time consuming, even if meaningful, to compare one report produced by any other company with three reports produced by the German airport sector company.
- Concerning the *Strategic Focus and Future Orientation*, it has to be stated that the future orientation of the company is financially directed to a high level and directed towards sustainability to a limited extent. The willingness of the company to change towards a more sustainable behaviour in the upcoming future is perceivable reading the reports, but from my point of view, to be compliant with the provisions of the actual and future directives the company should focus more itself on environmental and sustainability concerns, dedicating time, efforts and above all finances to the realisation of related projects.

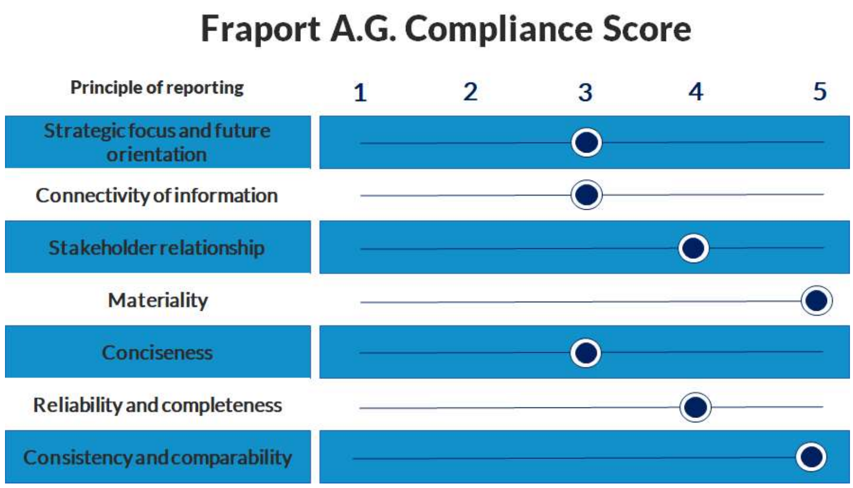



Table 16: Fraport AG Prinicples of Reporting Compliance Score

### *5.3.6 Material disclosures*

Fraport makes use of GRI to disclose material issues; from the materiality matrix it can be understood which are the issues that have the major impact on the company: airport safety and security, customer satisfaction and product quality, corporate governance and compliance. To establish which are the material matters affecting the enterprise, it does not make reference to European dispositions but another time to the German Commercial Code. Through the years, there has been an improvement in the matters that are considered material by the company, in the sense that, above all in the last years, this is to say 2020 and 2021, issues like climate and environment protection started to catch on and move towards the issues cited at the beginning of the paragraph, placing together with the other matters having high relevance and high impact over the company. Material concerns, like for the other airport industry companies, are also the protection and safety of passengers.

### *5.3.7 Article 19a of the Proposal Directive of the European Union: will Fraport be compliant?*

Also for this company, assessing the compliance with the actual provisions for the reporting activity is a limitation, being one of the businesses that in the upcoming period will face the need to be compliant with the provisions of the Proposal Directive by the European Union. In this regard, I pose the same question as for the other two enterprises asking if Fraport is compliant with the actual directive and which improvements it has to implement in order to be compliant with *Article 19* of the proposal. The first comment to be made is a negative one over Fraport: the firm does not put the required effort in producing social and environmental disclosures. A rapid change is needed in this case for the editing of the next year annual report, considering the business dimensions.

- The first point is the description of the *Business Model and Strategy*: Fraport is lacking with this requisite since it does not properly disclose the application of the strategy with respect to sustainability, even if the business model is described with more dedication. The balance between one good disclosure and a lacking one let me place in an average rating of the 3 the business with regards to this provision.
- In addition to following, as above written, the provisions of GRI And SASB to report the relevant information of the year, the company also makes reference to the German Commercial Code. Being a set of laws that is constantly evolving to face the needs of the changing scenarios as the European Laws are, I feel comfortable to say that for this provision the company has a double-compliance.
- Materiality, even if explained in the previous section, is an important topic that can be repeated. Being already compliant and seeing the evolution throughout the

years, it can be stated that we can be sure that the company, under this aspect, will be compliant also with the forthcoming provisions.

- ESG: Fraport is really focused on the profit and in the activities to maximise it. Being profit maximising one of the central objectives of the company, the Board of Directors is committed to take decisions in order to achieve this result, and administrative in the application of these decisions in their daily activities. This happens at the expenses of the social and environmental orientation of the company, and the related goals. Sliding through the report, it is noticeable that no reference is done to ESG, which let me state that the company is noncompliant with this principle. This consideration was done before consulting the ESG Book Fact, in which the social and environmental objectives are outlined. Having the information contained in two different documents is a drawback of this company. Great work from this company has to be done, also in a short period of time, to respect the provisions imposed by the proposal directive.
- The Finance and Audit committee is in charge of the Risk Management of the company, and the general control of the activities carried out. There is a specific hierarchical structure behind risk management of this firm, of which every composing body has its own responsibility. More than responding to the arrangements of Europe, risk management is outlined following the provisions of the German law, a fact for which a double-compliance can be seen. In the case of Fraport we can see also the concrete output of the application of such a provision, which is the *"Risk and Opportunities Report"*, in which the process, from risks identification to their management and reporting, is described.
- Stakeholders engagement: please see what has already been commented in section 5.3.5.

| Article 19a criteria | Regulation | Materiality | ESG | Business Model | Risk Management | Stakeholder Engagement |
|---|---|---|---|---|---|---|
| Action undertaken | Fraport report its relevant information in line with the prevision of the European law and the German Commercial Code; double-compliance | Already compliant with materiality, it is trying to improve the disclosure. It can be considered compliant also in the future | Being profit maximization oriented, social and environmental goals are surpassed by the economic and financial ones | Disclosure not properly reported, lacking from the point of view of commitment towards sustainability | Responds to European requisites and German Commercial Code Provisions, Audit and Financial Committee in charge for its drawing | Satisfies more the need and expectations of stakeholders looking for economic and financial information |
| Compliance score | 5 | 5 | 3 | 2 | 5 | 4 |

Table 17: Fraport A.G. Compliance Score with Proposal Directive Criteria

## *5.4 Analogies and Contrasts between the three realities: Atlantia, Aena S.A. and Fraport AG*

The last section of the thesis is dedicated to the comparison of the analysis conducted for each company to give a final assessment of the possibility and capability of the company to satisfy the provisions of law that will enter into force in the upcoming period. For a better understanding of the analysis, I will report short tables including the relevant features considered for all the companies in the previous paragraphs.

Comparison to be made regards the core elements of the reports. First, it has to be evaluated how the company represents the overview of the business organisation. It is from this part of the report that stakeholders can properly understand the business of the firm and its general trend. Regarding the economic and financial trends, the analysis of revenues and leverage was made with the purpose of determining the actual status of the company.

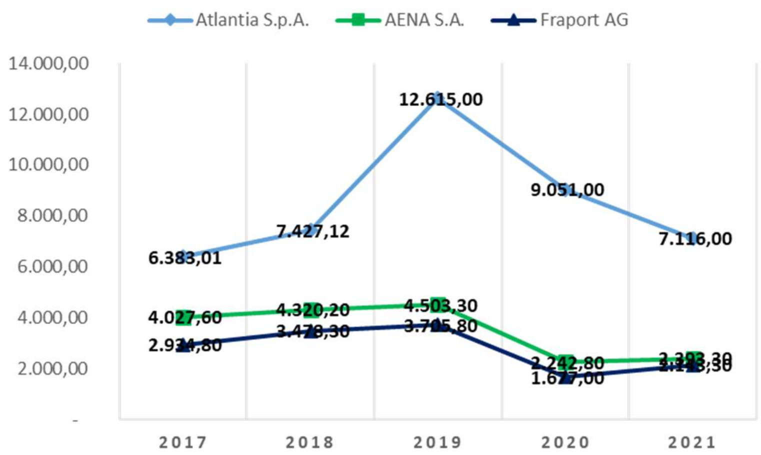



Table 18 - Source: own elaboration

All entities are in a recovery situation after facing the time crisis related to the pandemic. The revenues in the last years followed the same trend, as can be seen from the graphs above.

Another general assessment can be done about the number of reports produced by the company and which reporting framework they use as a supporting tool for the report outline.


Table 19 - Source: own elaboration

As it can be seen from the table above, Atlantia follows three frameworks for the drawning of the Integrated Report. Together with AENA, they make reference to European dispositions contained in the frameworks, whereas Fraport makes reference to the internal commercial code also.

Going deeper into the report the assessment of the Business Model of each enterprise was made, and the first contrast came from. The table below displayed helps in the understanding of the business model of each company and in the assessment of the compliance with the requirements of law. The Italian and Spanish companies satisfy at all the requirements of the law in force and the upcoming directive, being their models centred towards sustainability. More than being just compliant with the actual scenario in their commitment it can be seen the willingness of the company to adapt their business model to the evolving scenario in terms of sustainability, since they have as main point the development of infrastructure above all for to reduce their impact over their surroundings and to deliver everyday a better value added to their shareholders.

## Company Business Model

| Atlantia S.p.A. | AENA S.A. | Fraport A.G. |
|---|---|---|
| Sustainable Development Orientation | Centred towards sustainability | Economic and financially oriented |
| Provide high level service | Responsible use of resources | Ensuring safety onboard |
| Maintain high level infrastructures | Render aviation sector sustainable | Marketing |
| Invest to improve services | Deliver sustainable added value | Ensuring safety before landing |
| Invest to enhance infrastructures | Ethical conduct | Development and maintainance of infrastructures |
| Invest to implement automatized processes | Transparency in reporting | |
| **REQUIREMENT SATISFIED** | **REQUIREMENT SATISFIED** | **REQUIREMENT NOT SATISFIED** |

Table 20 - Source: own elaboration

The German company instead is focused on its economic and financial development. More commitment and dedication is required in order to be in line with the provisions of the directive to which the company will have to respond next year.

Concerning the value created cited above, every company has its own value creation process. This is supported by the outline of the six capitals for value creation, explained in detail in the previous section. This is a remark just to appraise which company makes the best use of this ground supplied by the IIRC.

| CAPITAL | Atlantia S.p.A. | AENA S.A. | Fraport AG |
|---|---|---|---|
| Financial capital | ✦ | ✦ | ✦ |
| Manufactured capital | ✦ | ✦ | ✦ |
| Intellectual capital | ✦ | ✦ | ✦ |
| Human capital | ✦ | ✦ | ✦ |
| Social and Relationship capital | ✦ | ✦ | ✦ |
| Environmental capital | ✦ | ✦ | ✦ |

Table 21 - Source: own elaboration

As it can be seen from the table above, two out of three companies report the description of the capitals for value creation, one in an outstanding way while the other in a less better manner. The colour of the stars suggests if the company outlines the capital in the proper way. As the colour gets darker, this means that the company is reporting the capital in a useful way from the point of view of report users. For Atlantia, which reports the description of capitals in detail, almost for each capital, it is pretty easy to assess also which is the contribution of the singular capital to the value added delivered to shareholders. This is not possible for the other two companies: in the case of Fraport because the capitals are not described, being that they do not follow the provisions of the IIRC; in the case of the Spanish company it is a demanding task but not impossible. With little commitment it is possible to state that all the capitals contribute in an approximately equal way to the final results, receiving a great aid from the financial capital. On the contrary, the value produced by Atlantia for shareholders comes mainly from human, social and environmental capital. More than the internal contribution, the capitals contribute also to the overall value the company can give to the external environment, considered as the environment itself and the community.

The documents studied for the purpose of this work would have not been such if principles of reporting did not exist. A respectable report must respond to all these principles in a satisfactory manner. In the table below I have reported the compliance of each report, taking as reference the last year report, attributing a score from one to five to assess to which extent the company is obedient to the principle. In the table below the scores assigned go from one, meaning not compliant at all, to five, when the company is totally compliant with the principles.

Strategic focus and business orientation deserves further comment. The long-term objectives of the business are another core element to be analysed. The company should clearly report which is their commitment in the future and which objectives they have the intention to reach. For Atlantia, as already mentioned, the most objectives are of sustainability nature, with the main aim of achieving carbon neutrality within 2050. The long-term goals of Fraport are contained in the governance section. Having a different vision also the goals are different: in the long-run Fraport seeks the economic enhancement and the strengthening of its reputation with the external stakeholders. Also from the integrated report of AENA it can be seen its commitment towards long-term sustainability objectives. From this analysis, I can state that all companies are compliant with the law in force and the proposed directive from the point of view of the kind of information reported but the German company is not compliant under the environmental point of view since the future commitment is too weak. From the objectives the enterprise establishes derives also the allocation of resources. A company that accomplishes these requirements should properly describe the plan for the distribution of the available resources to each business unit or area, if any. Atlantia has in place three different plans, the *Sustainability Plan, Climate Change and Strategic Plan*, for which the company has organised dedicated sessions to inform the personnel in charge for the fulfilment of the plans. Each of the three plans have been allocated the necessary resources, having to be used in an efficient and effective manner. Concerning AENA, the last section is the one in which the long-term planning can be found, where the innovation plans in the long run are described; the efficient use of resources is described both in this section and in a previous one, for the outline of the sustainable use of resources. AENA can be considered as properly disclosing this information, as well as Atlantia. Also Fraport describes the plans for the future without putting so much attention to the management of resources; the description is pretty limited to the outline of what planned and not what to implement.

Companies also have short term objectives which are to be reached within the year under examination. The company in this case reports the performances of the year and how they have managed the resources at disposal to reach these objectives. Atlantia carries out in an appropriate manner this duty, outlining both the past and current achievement and performances of the firm. From the very beginning of the report the highlights regarding the performances of the business can be read, both in financial, environmental and social terms. Atlantia too makes a comparison of the past and current accomplishments, depticing tables along the report allowing the report users to assess the variation in a way to establish if the company has improved its situation or not. The performances of Atlantia are reported also in the section dedicated to the capitals composing the business, above all in the section dedicated to social capital, containing also external data like surveys made on customers to know their satisfaction levels. From the comparison reported for the years taken into consideration it is possible to understand that the customer satisfaction level has increased, so as the performances of the business. Differently from the other two reports, AENA dedicated a section to the stock market performances: this is very interesting from the point of view of investors, who can be targeted to the information of their interest without wasting time on the search of such material. As already well understood, Fraport has more of an economic and financial orientation at the expense of the social and environmental matters, therefore the company tends to report economic and financial results with a greater degree of specificity and to focus less on the non-financial performances.

Two of the seven principles to be respected have assigned the same grades: reliability and completeness and materiality. The first principles score comes from the fact that, seeing the kind of company and their audit obligation, companies reports are assured by an independent auditor. This protects the completeness of the report. 4 was assigned asking if the company, left alone without the support of an audit team, would be able to produce the same report as well.

| Principle of reporting | Atlantia S.p.A. | AENA S.A. | Fraport A.G. |
|---|---|---|---|
| Strategic focus and future orientation | 5 | 5 | 3 |
| Connectivity of information | 4 | 4 | 3 |
| Stakeholder relationship | 4 | 5 | 4 |
| Materiality | 5 | 5 | 5 |
| Conciseness | 5 | 3 | 3 |
| Reliability and completeness | 4 | 4 | 4 |
| Consistency and comparability | 5 | 4 | 3 |

Table 22 - Source:own elaboration

The other principle for which the companies have a point in common is materiality: for all the three enterprises, the reporting of material information is done in accordance with the provisions of law. Moreover, the way of reporting and disclosing this information is evolving to adapt to the need of the actual and future provisions. For Atlantia and AENA, also the singular material matters are changing and the environmental and sustainability ones are replacing matters that are deemed of secondary importance. Environmental and social matters are now located in the part of the matrix containing the high relevance and high impact concerns for the company.
The previous specific analysis, also ESG disclosures were commented. The "E" and the "G" of the acronym are contained in the concepts compared so far. Making part of the Corporate Social Responsibility disclosures, the company should assess its Model of Governance, which is the "G" of the world. Atlantia allotted a specific section for the description of its governance, including the control activity inside the airport, the policies related to corruption, the rights of employees and clients and, even more importantly, the sustainability sphere of governance. AENA, which is involved in sustainability matters with the same devotion as Atlantia does, dedicated an entire section to sustainability governance, indicating that it is one of the pillars of the management plan. The only

criticism to be done with respect to this company is that it involves in the model of governance just five ESG that are barely connected with environment Description of the Model of Corporate Governance in Fraport report is briefer and more than following the European regulation, the company follows the *Handelsgesetzbuch*, the German Commercial Code. As already seen, being the orientation towards environment and sustainability restricted, the governance of the company is directed at the monitoring activity and management of the business.

Given the historical moment we are going through it is right to make a comparison with respect to how the company has managed the effects of the pandemic, since these impact on the overall performances of the company. In this regard, all the three enterprises dedicated enough space to analyse the situation in the pre-pandemic scenario, the repercussions during crisis time and how they recover from this situation. In light of these challenges posed in recent times for companies, it is reasonable for enterprises to report also on their outlook, not only for facts related to the pandemic but also to tests and threats firms can face in their daily life.

The principles of reporting lead to the last features analysed for the airport sector enterprises: the compliance with Article 19a of the Proposal Directive of the European Union. This last table helps in assessing the capability of the company to be compliant in the short time since, seeing the dimension of the company and their structure, their revenues, number of employees and the other features foreseen, they would respond to these requirements from next year on for the production of the integrated report. Also this table should be read following the scheme of rating from one to five.

| Article 19a criteria | Atlantia S.p.A. | AENA S.A. | Fraport A.G. |
|---|---|---|---|
| Regulation applied | 4 | 4 | 5 |
| Materiality | 5 | 5 | 5 |
| ESG – Governance Model | 4 | 3 | 3 |
| Business Model | 5 | 5 | 2 |
| Risk Management | 4 | 5 | 5 |
| Stakeholder engagement | 5 | 5 | 4 |

Table 23 - Source: own elaboration

Atlantia is already qualified to apply the Proposal Directive of the European Union Concerning Non-Financial Disclosure. The Spanish company should imply its efforts, in my opinion, to improve their model of governance, including all the ESGs that are connected with their activity, specifically the ones connected with the environment and its sustainable maintenance. This is the only critique to obtain full compliance. Fraport should revise its report, considering the idea of including all the information needed from stakeholders for their decision making activity in one document only, which will be a proper Integrated Report.

# *Conclusions*

The aim of this thesis was to assess the compliance of the Integrated Annual Report of three industries operating in the same sector, the airport sector, operating in the international context. The assessment was made considering the principal information and guidelines to be followed for reporting activities. In fact, it assessed the conformity in terms of principles of reporting, in the regulation followed in reporting, the compliance with the actual rules and with the Proposal Directive of the European Union on reporting for the upcoming financial years. The choice of three companies operating in the same sector but in different countries was made on purpose, also to compare the regulations and framework they followed for the preparation of the documents. Analysing the activity of companies in an international context with respect to reporting activity gives a better idea of how the general behaviour and response to requirement flows, since globally there are more entities making use of the standards. Nevertheless, I have to recognize that the sample considered for the purpose of the study is limited, and can be considered as representative of the actual situation only to a limited extent. An examination performed over a larger sample of companies, maybe in the international context rather than in the European background, would be more illustrative of the actual scenario. About limitations, the business in which the companies operate is the same for the purpose of comparability of reports and contained information. To enhance the analysis it would be recommendable to compare the airport sector companies with other entities operating in different businesses. As seen, two of them make use of the GRI standards and the SASB Framework for reporting, namely AENA and Fraport AG, while the third company, Atlantia, prepares a more exhaustive report being that it follows also the provisions of IIRC Framework to report on business activities. From the analysis conducted, it can be confirmed that an Integrated Report, with respect to the classical Financial Report, better satisfies the need of stakeholders in knowing business activities and results, which influences their decision making process. Data collected from an Integrated Report are more substantial and complete compared to information derived from a traditional report. About the Frameworks to be followed, for all the three companies the requisites are respected. However, the position of Fraport can be commented on, since not being as compliant as it should be with the provision of Article 19 of the Proposal Directive of the

European Union. For this company, changes are needed in reporting activity since what the Articled demandes is a greater specificity with respect to the description of the sustainability objectives and the achievement for the period and for the forthcoming years. Despite that, the three reports are comparable in their form even if they are structured differently. Also in the case of Atlantia it must be paid attention given the scandals in which it has been involved in the last years, despite the fact that it's at least a decade that Atlantia is considered as reporting with a high degree of compliance with the international reporting standards. This high level of agreement lets the company be considered as unquestionably capable of combining financial and non-financial information, letting itself realise how social and environmental information are nowadays as well as important as economic and financial disclosures. Since also the reporting frameworks are in evolution there is the risk that organisations will not be able to respond to such changes, being in the future not able to report anymore following the provisions of the standards, reason why some among accounting firms and auditing firms argue about the drawbacks of international frameworks, saying that a good application of the national rules, regarding both financial and non-financial data to be reported is in most of the case enough for producing a complete report. Putting together, in my opinion, the ideas of national regulatory bodies, international standard setters and international regulatory bodies is both an occasion for comparison but also an opportunity of constructing frameworks better responding to the requisite of completeness.

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