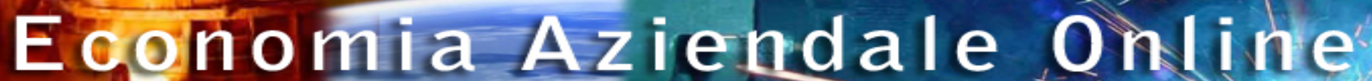

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Analyzing non-financial reporting through GRI-ESRS interoperability

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ABSTRACT

Governments, industries, and individuals have intensified efforts to raise awareness and adopt sustainable practices. Concurrently, numerous companies have embraced non-financial reporting, including sustainability reports, alongside their financial statements, signalling a commitment to environmental sustainability. Introducing the GRI-ESRS Interoperability Index marks a pivotal stride toward aligning corporate sustainability reporting standards. This index, a collaboration between the European Sustainability Reporting Standards (ESRS) and the Global Reporting Initiative (GRI), aims to ensure high interoperability, emphasizing environmental impacts reported by companies. ESRS mandates disclosure of a company's substantial impacts, risks, and opportunities regarding environmental, social, and governance sustainability issues, fostering stakeholder comprehension of impacts and effects on company development. The research adopts a qualitative approach based on a single-interventionist case study to analyze the Non-Financial Disclosure (DNF) of Gruppo Torinese Trasporti (GTT) European Intermodal Transport Company in the International Market. The chosen methodology promotes participatory processes and documentary analysis. The interventionist approach explores the evolution of GTT's DNF over time, influencing individuals' decision-making capacity to enhance communication between service users and the company through observation and participation. An author has actively participated as an expert in developing GTT's DNF through interviews, collaboration, and undergoing an audit by an auditing firm. At the same time, two other authors have carried out supporting activities. The objective is to evaluate the alignment of GTT's corporate sustainability representation with the GRI-ESRS Interoperability Index and identify gaps in non-financial information concerning the United Nations' Sustainable Development Goals.

I governi, le industrie e gli individui hanno intensificato gli sforzi per aumentare la consapevolezza e adottare pratiche sostenibili. Parallelamente, numerose aziende hanno affiancato ai bilanci la rendicontazione non finanziaria, compresi i bilanci, anche di rendicontazione non finanziaria, segnalando un impegno per la

sostenibilità ambientale. L'introduzione dell'indice di interoperabilità GRI-ESRS segna un passo fondamentale verso l'allineamento degli standard di rendicontazione di sostenibilità aziendale. Questo indice, frutto della collaborazione tra gli European Sustainability Reporting Standards (ESRS) e il Global Reporting Initiative (GRI), ha l'obiettivo di garantire un'elevata interoperabilità, enfatizzando gli impatti ambientali rendicontati dalle aziende. L'ESRS impone la divulgazione degli impatti, dei rischi e delle opportunità sostanziali di un'azienda in merito a questioni di sostenibilità ambientale, sociale e di governance, promuovendo la comprensione da parte degli stakeholder degli impatti e degli effetti sullo sviluppo dell'azienda. La ricerca adotta un approccio qualitativo basato su un caso di studio mono-interventista per analizzare la Dichiarazione Non Finanziaria (DNF) del Gruppo Torinese Trasporti (GTT) Società Europea di Trasporto Intermodale nel Mercato Internazionale. La metodologia scelta promuove processi partecipativi e di analisi documentale. L'approccio interventista esplora l'evoluzione del DNF di GTT nel tempo, influenzando la capacità decisionale degli individui per migliorare la comunicazione tra gli utenti del servizio e l'azienda attraverso l'osservazione e la partecipazione. Un autore ha partecipato attivamente come esperto allo sviluppo del DNF di GTT attraverso interviste, collaborazioni e sottoponendosi a un audit da parte di una società di revisione. Parallelamente, altri due autori hanno svolto attività di supporto. L'obiettivo è quello di valutare l'allineamento della rappresentazione di sostenibilità aziendale di GTT con l'indice di interoperabilità GRI-ESRS e identificare le lacune nelle informazioni non finanziarie relative agli Obiettivi di Sviluppo Sostenibile delle Nazioni Unite.

Keywords: Corporate social responsibility, Global Reporting Initiative (GRI), European Sustainability Reporting Standards (ESRS), Transparency, Accountability

1 – Introduction

Since the Earth's environment is in crisis, mitigating the impact of climate change stands as one of our era's most pressing challenges, demanding immediate action from global communities and businesses. Despite past efforts proving insufficient, numerous attempts have been made to counter the increasingly evident and devastating effects of extreme climate events (Husted, 2005; Milosevic *et al.*, 2023). Governments, industries, and individuals have engaged in initiatives to raise society's awareness about this issue and adopt more sustainable practices (Perez-Batres *et al.*, 2012).

These efforts have been witnessed through international meetings, targeted laws and regulations, research programs, and environmentally focused sanctions. Simultaneously, many companies have started compiling non-financial corporate reports, such as sustainability reports, alongside their traditional financial statements. These reports, shared by the companies, have played a fundamental role in illustrating their commitment to environmental sustainability (Zilja *et al.*, 2022).

The recent launch of the GRI-ESRS Interoperability Index has represented a significant step towards aligning standards for corporate sustainability reporting. This index was developed through collaboration between the European Sustainability Reporting Standards (ESRS) project and the Global Reporting Initiative (GRI).

The GRI-ESRS Interoperability Index aims to standardize and harmonize sustainability-related information between the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS). This index focuses on several key aspects to ensure

consistency and coherence between the two standards. Specifically, it seeks to establish common definitions and a glossary to avoid ambiguities and ensure a uniform understanding of sustainability concepts. It standardizes the metrics and indicators used to measure companies' environmental, social, and governance (ESG) performance, thereby ensuring the comparability and consistency of the reported information. It harmonizes the structure and formats of reporting to enable companies to present sustainability information in a consistent manner that complies with both standards. Additionally, it provides guidelines and best practices for communicating sustainability information, helping companies to clearly and transparently present their impacts, risks, and opportunities related to sustainability (Babiak & Trendafilova, 2011; Pizzi *et al*., 2024).

The Delegated Regulation (EU) 2023/2772 by the European Commission supplements Directive 2013/34/EU of the European Parliament and of the Council concerning sustainability reporting principles. This document sets out disclosure requirements for large European companies regarding sustainability issues, including relevant risks and opportunities, environmental and social impacts, greenhouse gas emissions, energy sources, value chains, stakeholders, metrics and targets, resilience, and transition towards a low-carbon economy. It also defines qualitative characteristics of information such as relevance, faithful representation, comparability, verifiability, and understandability. Additionally, it guides how companies can incorporate the information required by other regulations or generally accepted sustainability reporting provisions. The ESRS outlines the information a company must disclose regarding its substantial impacts, risks, and opportunities related to environmental, social, and governance sustainability issues. ESRS does not compel companies to disclose information on environmental, social, and governance aspects covered by ESRS if they have determined that these are irrelevant (refer to Appendix E 'Flowchart for Determining Disclosures to Include'). Information disclosed following ESRS allows stakeholders of the sustainability statement to understand the relevant impacts of the company on people and the environment, as well as the significant effects of sustainability issues on the company's development, outcomes, and situation. Although in the literature, the relationship between Corporate Social Responsibility (CSR) decisions at the centre of corporate strategies (Battisti *et al*., 2022; Blagoeva *et al*., 2020; Fortanier *et al*., 2011; Husted & Allen, 2009; Kim *et al*., 2018; Park & Ghauri, 2015; Pisani *et al*., 2017) and governance tools has been highlighted, few studies emphasize and analyze the effects and implications in public utility service companies.

The European Union (EU) supports the development of transport systems to promote the single market and improve connectivity among different European regions. At the same time, it sets the goal of decarbonizing the transport sector (UE, 2023). Additionally, Europe has initiated investments in energy transition, demonstrating a significant commitment to sustainable energy management (Brescia *et al*., 2023). These initiatives reflect the EU's willingness to address current challenges through innovative and sustainable approaches.

This study analyses the non-financial disclosure (DNF) document produced by Gruppo Torinese Trasporti - European Intermodal Transport Company in the International Market. The primary objective is to examine how the representation of corporate sustainability within GTT's DNF might vary by applying the GRI-ESRS Interoperability Index. The research question to be addressed is: "How does the adoption and implementation of sustainability reporting standards, such as the European Sustainability Reporting Standards (ESRS) and the Global

Reporting Initiative (GRI), influence governance and decision-making strategies in multinational enterprises operating in the transportation sector, with a specific focus on environmental impacts.

Specifically, the analysis aims to highlight whether the structuring of non-financial information in GTT's report aligns with the standards and requirements set by the Interoperability Index. This approach allows a better understanding of how service companies like GTT engage with new sustainable disclosure criteria, helping identify gaps and suggesting potential improvements to further align corporate disclosures with the United Nations' Sustainable Development Goals.

The GRI guidelines introduced a framework for sustainability and corporate social responsibility reporting, promoting the disclosure of non-financial information in a structured and transparent manner (Caputo (Husted, 2005; Milosevic *et al.*, 2021). This led companies to consider and communicate their sustainability performance and actions in more detail, going beyond mere regulatory compliance and highlighting a meaningful commitment to transparency, ethics and value creation in the business environment (Farneti & Rammal, 2013; Gould & Rammal, 2009; Kamla & G. Rammal, 2013).

Subsequently, introducing taxonomy criteria and the European Directive further redefined and expanded expectations and requirements for non-financial reporting. In particular, the European Taxonomy aims to define a common framework for identifying sustainable business activities, providing clear and standardised criteria for assessing business activities' environmental and social impact. Similarly, the European Directive has established stricter requirements for non-financial reporting, promoting greater consistency, comparability and reliability of company information on sustainability.

The transition from GRI to taxonomy criteria and the European Directive represents a significant advancement in the context of corporate reporting. It has introduced more binding and specific regulations. The study highlights that this change reflects a growing commitment to sustainability and the harmonization of corporate practices with European sustainability standards.

2 – Literature Review

2.1 – *Corporate Social Responsibility*

In October 2014, the European Union (EU) legislature adopted Directive 2014/95/EU with the intended aim of fostering the transparency of corporate social responsibility (CSR) reporting by enhancing its consistency and comparability throughout the EU (Latapí Agudelo *et al.*, 2019).

In the context of research on corporate sustainability and shared value creation, analysing the crucial role of sustainability reporting emerges as a topic of increasing relevance. Ferioli, (2022) highlights how non-financial reporting practices are crucial for communicating sustainability and social responsibility efforts and achievements to stakeholders. This reporting provides transparency on the actions taken by companies and represents an effective means of demonstrating commitment to sustainable growth objectives and creating shared value. Gazzola's, (2019) research demonstrates that integrating social, environmental, and ethical considerations into corporate strategies is a social responsibility and a strategic move that can

enhance social welfare, bolster the company's long-term sustainability, and engender shared value for all stakeholders. Mella & Pellicelli, (2024) propose an approach emphasising the importance of a holistic and integrated view in corporate management. This approach enables companies to assess their decisions' social, environmental and economic impacts while fostering the cultural transformation required to promote a mindset geared towards sustainability and creating shared value.

The literature on Corporate Social Responsibility (CSR) and sustainability represents a significant and continuously evolving body of work, reflecting the growing interest in responsible and sustainable business practices (ElAlfy *et al.*, 2020). This realm of research and managerial practice focuses on companies' strategies, policies, and practices to integrate social, environmental, and ethical considerations into their daily operations. CSR often aims to improve social well-being and make business activities more sustainable, seeking to maximize the company's value from a financial perspective and by considering social and environmental impacts (Camilleri, 2017).

Analyzing the literature in this field, we have identified three main streams of research: the internationalisation of service firms, the role of CSR in emerging multinational enterprises (EMNEs), and non-market strategies and the legitimacy of multinational service firms (Park & Ghauri, 2015). These streams represent the primary areas of research and debate within the literature in this field, reflecting diverse perspectives and issues addressed by the authors.

2.1.1 – Internationalization of Service Firms

This current focuses on analysing the internationalisation of service firms, examining the factors influencing this process, specific challenges faced by service enterprises, and the strategies adopted to address them. Furthermore, it may examine the evolution of theories regarding the internationalisation of service firms over time.

Rammal *et al.*, (2022) propose several research themes and a perspective for future development at the intersection of economic nationalism, service internationalisation, and sustainability. Mainly, it analyses national policies influencing access to service markets, trade restrictions, and implications for multinational enterprises operating in high-intensity sectors. It also explores power dynamics and international relations influencing service market access and strategies adopted by firms to address challenges related to economic nationalism, including a sustainability perspective in the analysis of policies and corporate strategies regarding environmental and social sustainability.

Conversely, Ghauri *et al.*, (2014) highlight how service firms can leverage social entrepreneurship and CSR initiatives as strategic levers to access new international markets and build trusting relationships with stakeholders. CSR and sustainability practices can influence service firms' international reputation, trust, and legitimacy, providing them with a competitive advantage in global expansion (Pedersen, 2007). Central to this are collaborative networks and partnerships with local organisations and stakeholders that support the internationalisation of service firms, allowing them to understand local dynamics better, tailor their service offerings to specific foreign market needs, and address social and environmental responsibility challenges. Furthermore, well-planned CSR activities reduce costs and help avoid regulatory

sanctions. These factors can provide a company with a competitive advantage and increase profitability (Pedersen, 2007).

2.1.2 – Corporate Social Responsibility (CSR) in Emerging Market Multinational Enterprises (EMNEs)

This current focuses on analysing the role of CSR in emerging multinational enterprises, exploring how CSR can influence the image and attractiveness of these firms in developed host countries and its impact on EMNEs' internationalization (Dang *et al*., 2020; Ferreira *et al*., 2022).

Shirodkar & Shete, (2021) highlight how CSR and sustainability practices adopted by emerging multinational enterprises can influence their ability to expand internationally. Notably, they demonstrate the interaction between CSR, sustainability, and EMNEs' internationalisation in India, offering valuable insights into how emerging multinational enterprises can successfully integrate these dimensions into their global expansion strategy. Pisani *et al*., (2017) analyse the diffusion and impact of CSR in international contexts, focusing on sustainability and CSR in developing countries, emphasising the importance of considering specific challenges firms face in developing countries and integrating such considerations into CSR research.

Standardisation in CSR reporting and how it can promote global sustainability and CSR is the central theme of the study by Fortanier *et al*., (2011); they describe how multinational enterprises (MNEs) can use global CSR standards to harmonise their reporting, enhance transparency and accountability towards stakeholders, making their CSR practices more effective and demonstrating a more substantial commitment to sustainability. Li *et al*., (2010) examine the importance of governance environment for CSR in emerging markets, mainly focusing on environmental sustainability of business practices.

Le & Morschett, (2023) examine the role of CSR in the employer attractiveness of emerging multinational enterprises (EMNEs) to overcome country-of-origin image constraints in developed host countries, mainly focusing on the sustainability of business practices.

2.1.3 – Non-market Strategies and Legitimization of Multinational Service Firms

This current focuses on the role of non-market strategies in legitimising multinational service firms, examining how such strategies can contribute to establishing the legitimacy of multinational service firms in emerging economies and global contexts.

Rodgers *et al*., (2019) explore the role of non-market strategies in establishing legitimacy, focusing on multinational service firms in emerging economies and analysing CSR and sustainability practices. Bai *et al*., (2019), instead focus on how international joint ventures effectively establish legitimacy in emerging economies, considering CSR, political ties, or both, with a specific focus on sustainability.

Battisti *et al*., (2022) explore the link between corporate venture capital (CVC) and corporate social responsibility (CSR) performance through an extended perspective of the resource-based view (RBV), using a longitudinal analysis based on the Generalized Least Square (GLS) model on 100 American and European firms listed in the Fortune Global 500 ranking from 2015 to 2019. The paper highlights that CVC programs positively impact firms' environmental and social

performances. Additionally, it expands the boundaries of RBV theory analysis and contributes to the literature on CSR and corporate venture capital.

Zeng *et al.*, (2013) examine how international firms conduct societal marketing in emerging markets, with an empirical test in China, focusing on CSR and sustainability initiatives.

2.2 – *The Nature of Non-Financial Disclosure (DNF)*

Non-Financial Disclosure (DNF) represents a cornerstone in current business practices, encompassing the integration of sustainability criteria, Sustainable Development Goals (SDGs), and guidelines established by the Global Reporting Initiative (GRI) (Pizzi *et al.*, 2021). This amalgamation of non-financial data offers a comprehensive and in-depth view of businesses' activities and impacts, extending beyond financial dimensions to social and environmental aspects (Veltri *et al.*, 2023). By incorporating these three fundamental elements, DNF is an indispensable tool for evaluating organisations' influence on global sustainability (Muserra *et al., 2020)*.

P. N. Ghauri, (2022) explores the role of multinational enterprises (MNEs) in achieving the United Nations' Sustainable Development Goals (SDGs) through their business activities, CSR practices, and impact on local communities. It emphasises that MNEs can contribute significantly to these goals, focusing on inclusion and reducing inequalities.

Fortanier *et al.*, (2011) further explore harmonisation in CSR reporting, focusing on this aspect and highlighting sustainability practices.

Harmonisation in CSR reporting is highly relevant for multinational enterprises and the academic community (Christensen *et al.*, 2021; Strand *et al.*, 2015). In a global context, multinational enterprises operate in diverse jurisdictions with varied regulations and expectations regarding Corporate Social Responsibility (CSR) and sustainability (Fontaine, 2013). Consequently, harmonisation in CSR reporting has become a critical theme to ensure transparency, comparability, and reliability of information disclosed by businesses (Moon, 2007). Harmonisation in CSR reporting aims to establish common standards and guidelines for disclosing companies' social, environmental, and economic performance. This process aims to facilitate performance comparison among companies and provide stakeholders with precise and reliable information regarding CSR and sustainability practices of multinational enterprises (Christensen *et al.*, 2019).

Harmonisation in CSR reporting can involve various aspects, including standardising report formats, adopting common key performance indicators (KPIs), defining guidelines for disclosing non-financial information and complying with recognised international standards. Furthermore, harmonisation in CSR reporting can improve transparency and accountability of businesses towards stakeholders, including investors, consumers, local communities, and non-governmental organisations (Adams & Frost, 2008; Medne & Lapina, 2019).

In academic and managerial literature, harmonisation in CSR reporting has been the subject of numerous studies and debates, with particular attention to the challenges, opportunities, and implications of this process for multinational enterprises (Widiarto Sutantoputra, 2009). Furthermore, harmonisation in CSR reporting is closely linked to the evolution of non-financial reporting principles, the spread of voluntary reporting initiatives, and the promotion of

international standards such as the Global Reporting Initiative (GRI) and the Integrated Reporting Framework (Noronha *et al.*, 2013).

Based on the analysis of the presented texts, the need for non-financial disclosure focused on the Global Reporting Initiative (GRI) emerges as a fundamental tool to address current challenges in harmonising CSR reporting (Gietl *et al.*, 2012). The significance of such disclosure arises in the global context where multinational enterprises operate, facing diverse regulations and expectations concerning Corporate Social Responsibility (CSR) and sustainability (Khan & Rammal, 2022; Tschopp & Huefner, 2015).

The primary goal of a GRI-focused approach is to establish common standards and consistent guidelines for disclosing companies' performance in social, environmental, and economic aspects. This process aims to ensure transparency and comparability of company information and provide stakeholders with precise and reliable information about CSR and sustainability practices of multinational enterprises (Garcia-Torea *et al.*, 2020; Uyar *et al.*, 2023).

Implementing non-financial disclosure based on the GRI can significantly improve the transparency and accountability of businesses towards stakeholders. This approach facilitates performance comparison among companies and promotes disseminating best practices in CSR and sustainability (Michalczuk & Konarzewska, 2020).

3 – Research context and methods

Gruppo Torinese Trasporti (GTT) "European Intermodal Transport Company in the International Market" a publicly listed company headquartered in the City of Turin and overseen by FCT Holding, operates as the provider of local public transport services in the municipal and Turin metropolitan areas and stands as one of the major mobility companies in Italy, serving approximately 200 million passengers annually. GTT is distinctive for its strong intermodal features, providing a diversified range of public transportation services.

Established on January 1, 2003, through the merger of two pre-existing Turin-based companies, ATM and SATTI, GTT plays an important role in the mobility sector in Turin and other areas. It manages an extensive bus network within the municipal area, the modern Turin metro, and the entire tram network. Additionally, it offers tourist and special services and provides effective and sustainable mobility solutions for the local community. GTT is committed to managing urban, suburban, and extra-urban public transportation services as a leading Italian company in the mobility sector. Additionally, it manages park-and-ride facilities and paid parking services.

Our research team primarily formulated the Non-Financial Statement (NFS) using an interventionist approach (Grossi *et al.*, 2021). It is important to note that one of the group members coordinated the attestation of the Non-Financial Declaration (DNF) and the analysis of its elements, driving towards a continuous improvement process of the report with implications for the organization. The relevant years considered are 2020 (NFS without taxonomy), 2021 (introduction of taxonomy in NFS using GRI 2016), and 2022 (NFS adopting the new GRI 2021 approach, mandatory from 2023, focusing on Do No Significant Harm to the environment (DNSH), foundational to both the Taxonomy and GRI 3 (2021), making this case study particularly significant.

In 2021, introducing DNSH elements, notably DNSH 5, underscored sustainable transportation based on European classifications. In the 2022 reports, compared to the previous year, there was a significant shift towards new policies that emphasised the materiality of DNSH elements and OECD Guidelines.

The methodology employed for this research was the single-interventionist qualitative case study, chosen for its ability to activate in-depth participatory processes and conduct detailed observations (Yin, 2014). Single case studies can be instrumental as they enhance the understanding of how people frame and solve problems in real-world contexts and can serve as design examples for extrapolation-oriented research (Barzelay, 1993).

An interventionist approach allows for exploring how the contents included in the NFD have changed over time. As defined by Baard & Dumay, (2020), the adopted interventionist approach does not act on the behavior of GTT's managers and administrators; instead, it influences the decision-making capacity of the subjects to bridge gaps between GTT's service users and the company.

It also provides a deeper understanding of the report's role in information exchange between accounting actors and GTT's service users. In the current study, three authors participated as experts and active contributors to developing GTT's Non-Financial Disclosure (NFD), conducting interviews, collaborating on the NFD, and undergoing an audit by an auditing firm.

4 – Results and Discussion - Comparison between European Sustainability Reporting Standards (ESRS) and Global Reporting Initiative (GRI)

In 2021, a significant evolution of the DNSH 5 elements (Do Not Significant Harm) was introduced, specifically referring to the sustainable transport sector according to the European classification. This innovation was implemented through the "Taxonomy for Sustainable Finance" (EU Regulation 2020/852), which aimed to encourage private investments in sustainable projects and influence the criteria for allocating European resources.

The Taxonomy aims to define objective criteria for identifying sustainable investment decisions to prevent greenwashing and the deceptive use of sustainability-related themes in advertising. This approach implies that not everything can be indiscriminately labelled as "green" or sustainable; it must adhere to the technical dictates of the Taxonomy.

To qualify as sustainable, an activity must meet three key conditions:

1. Contribute to at least one of the defined six environmental objectives.

2. Avoid causing significant harm to other environmental objectives (DNSH - Do Not Significant Harm principle).

3. Adhere to minimum social guarantees, following international conventions.

With the introduction of the taxonomy, there is a crucial need for a reclassification of the balance sheet and a differentiated view of corporate activities. Companies must provide clear and transparent information, highlighting how their operations contribute to environmental objectives and adhere to the principles of DNSH (Do Not Significant Harm). In the 2022 report, a significant evolution of corporate policies is evident, emphasising the materiality of Do Not Significant Harm (DNSH) elements and adherence to the Guidelines of the OECD (Organization

for Economic Cooperation and Development). The availability of funds from the National Recovery and Resilience Plan (PNRR) and national programs for fleet renewal further underscores the orientation towards sustainable investments in the transportation sector, promoting the transition to cleaner and environmentally friendly mobility modes.

The transition from the Global Reporting Initiative (GRI) to taxonomy criteria and the European Directive represents a significant phase in the evolution of corporate reporting, especially concerning the disclosure of non-financial information and sustainability. This change indicates a more precise and binding direction in defining the rules and requirements companies must adhere to when communicating their environmental, social, and governance impacts.

Introducing the Global Reporting Initiative (GRI) guidelines significantly impacts corporate governance and organization, influencing various aspects. This implies that companies must integrate sustainability issues into decision-making processes and leadership practices, promoting greater attention and responsibility for these issues at the managerial level. Governance structures are called upon to disclose how they address sustainability issues, requiring a deeper integration of these themes into decision-making processes and leadership dynamics. Additionally, the GRI guidelines emphasize responsibility for sustainability within the organization, implying the need to assign specific responsibilities for managing sustainability issues and incorporate them widely into the organizational structure. This approach aims to actively involve all levels of the company. Adopting GRI guidelines influences corporate decision-making processes, promoting a systematic evaluation of the impact of activities on the environment, society, and the economy. GRI guidelines also encourage transparency and sustainability reporting, leading to a shift in how companies communicate their performance and actions in sustainability.

A considerable degree of overlap was identified in the comparative evaluation of the principles between the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS), indicating a significant alignment between the two sets. However, the key distinction lies in the specific points present in the GRI but absent in the ESRS, as documented in Table 1 - GRI Elements Not Present in the European Sustainability Reporting Standards (ESRS). This table highlights the disparities between the two standards and identifies vital information that may need to be added to ESRS-compliant sustainability reports compared to GRI. The second column, 'GRI DISCLOSURES AND REQUIREMENTS', details specific GRI requirements and disclosures not present in ESRS. This provides insight into why the European standards may not adequately cover aspects of sustainability reporting. The third column, 'Impact on GTT's NFD', focuses on the effects of the absence of such information on the Non-Financial Disclosure (NFD) of Gruppo Torinese Trasporti (GTT). Using keywords, an attempt is made to clearly and concisely define how the lack of specific information could affect GTT's transparency, risk management, and ethical practices.

These points, not covered in the ESRS guidelines, could represent critical and relevant elements for the overall assessment of Non-Financial Disclosure (DNF).

Therefore, in the following section, we aim to delve into the specifics of the points excluded in the ESRS but present in the GRI and assess whether they could prove crucial in providing a comprehensive evaluation of GTT's DNF. Integrating these aspects could represent a significant breakthrough in enriching the representation of the DNF, allowing for a deeper and more

comprehensive understanding of GTT's activities, performance, and corporate practices, particularly concerning sustainability and social responsibility.

It emerges from numerous studies in the literature (Fortanier *et al*., 2011; Li *et al*., 2010; Pisani *et al*., 2017; Shirodkar & Shete, 2021) that the Global Reporting Initiative (GRI) promotes transparency and accountability by accurately and comprehensively disclosing companies' non-financial performance. This Initiative provides a well-defined framework for sustainability reporting and is characterised by its consistency, comparability, and reliability.

However, there is a lack of studies in the literature on the European Sustainability Reporting Standards (ESRS), and a comparison with GRI highlights (Table 1) a lack of transparency and accountability in ESRS, especially concerning the elements present in the sections "GRI 2: General Disclosures 2021" and "GRI 201: Economic Performance 2016" and missing in ESRS.

Table 1 - GRI elements not present in the European Sustainability Reporting Standards (ESRS) (Source: Author's elaboration)

GRI	GRI Disclosures and Requirements	Impact on GTT's NFD
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body	Transparency elevates management - (Buell & Norton, 2011)
	2-11 Chair of the highest governance body	
	2-15 Conflicts of interest	
	2-18 Evaluation of the performance of the highest governance body	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Aid Transparency - (Wang *et al*., 2023)
	201-3 Defined benefit plan obligations and other retirement plans	
	201-4 Financial assistance received from government	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti- competitive behavior, anti-trust, and monopoly practices	The analysis of "Anti-competitive Behavior" is notably absent in GTT's current Non-Financial Disclosure (NFD).
GRI 207: Tax 2019	207-1 Approach to tax	The analysis of "Tax" is notably absent in GTT's current Non-Financial Disclosure (NFD).
	207-2 Tax governance, control, and risk management	
	207-3 Stakeholder engagement and management of concerns related to tax	
	207-4 Country-by-country reporting	

4.1 – *GRI 2: General Disclosures 2021*

GTT's Non-Financial Disclosure (DNF) is a strategic tool beyond mere regulatory requirements. Specifically, the DNF incorporates industry-specific details from the transportation sector, demonstrating a tangible commitment to transparency, ethics, and value creation throught responsible and sustainable business practices (ElAlfy *et al.*, 2020). The emphasis on transparency, highlighted through the detailed disclosure of the nomination and selection of the highest governance body, reflects GTT's awareness of the importance of clear and accessible decision-making structures. This is crucial for public enterprises and underscores the company's commitment to promoting open governance, even for private enterprises.

GTT's non-financial report represents an advanced model beyond standard practices, highlighting a deep commitment to transparency and corporate social responsibility. The detailed documentation of the nomination and selection of the highest governance body exceeds expectations, demonstrating tangible commitment to key decisions.

The explicit recognition of the role of the president in governance, along with a thorough analysis of conflicts of interest, demonstrates a specific awareness of leadership and corporate ethics. Evaluating the performance of the highest governance body goes beyond mere reporting, emphasizing the importance of leadership effectiveness. The consideration of social and environmental impacts, along with a detailed analysis of pension plans, reflects an advanced perspective in non-financial reporting.

Transparency in financial relations with the public sector, highlighted in the section on government financial assistance, shows adherence to government policies and contribution to societal well-being. In summary, GTT's Non-Financial Disclosure stands out for its attention to detail, integration of key aspects, and deep commitment to transparency and corporate social responsibility, representing an example of excellence in corporate reporting.

4.1.1 – Nomination and selection of the highest governance body

Incorporating details surrounding the 'Nomination and selection of the highest governance body' within GTT's Non-Financial Disclosure (DNF) is critical, particularly due to its status as a publicly owned company. Transparency, a core tenet of this inclusion, assumes a pivotal role in bolstering accountability and enhancing the quality of management (Buell & Norton, 2011). While notably significant for public enterprises, this facet transcends its relevance, imparting equal importance to private enterprises (Benito *et al.*, 2021). Transparency within governance structures invariably amplifies the efficacy of decision-making, fosters stakeholder trust and elevates the overall standards of managerial practices (Parris *et al.*, 2016). Incorporating such details becomes pivotal for GTT due to its public stakeholder involvement, ensuring transparency and bolstering governance. For private entities, it fosters accountability and operational credibility. These elements fortify the framework for better decision-making, aligning actions with stakeholder expectations and industry best practices.

4.1.2 – Chair of the highest governance body

Including the "Chair of the highest governance body" in the DNF holds significance as it provides transparency regarding the pivotal leadership role within the organization's governance framework (Ferraro & Cristiano, 2022). This disclosure offers stakeholders a clear

view of the hierarchy and decision-making structure, ensuring accountability and promoting efficient governance (Cooper & Owen, 2007). It also showcases commitment to best practices, enhancing stakeholder confidence and aligning with regulatory expectations, especially in public-participation entities like GTT.

4.1.3 – Conflicts of interest

The inclusion of 'Conflicts of Interest' analysis in the DNF is paramount for several reasons. First, recognising and managing these conflicts promotes a transparent and ethical decision-making environment. Identifying and disclosing such situations provides a reliable picture of internal dynamics, enabling stakeholders to critically evaluate business decisions and governance (Duran & Rodrigo, 2018).

Furthermore, effectively managing conflicts of interest demonstrates a commitment to corporate responsibility and professional ethics. This disclosure strengthens the company's credibility and trustworthiness in the eyes of investors, employees and the communities in which it operates, helping to build a solid reputation over the long term (Ingley & Van Der Walt, 2004).

Including this information in the DNF promotes legal and regulatory compliance, reducing the risk of litigation or loss of stakeholder confidence. Being transparent about addressing conflicts of interest demonstrates a commitment to responsible governance and ethical management practices, which are fundamental to sustainability and business success in today's environment.

4.1.4 – Evaluation of the performance of the highest governance body

Including the 'Evaluation of the performance of the highest governance body' analysis in the Non-Financial Disclosure (DNF) is crucial as it provides a critical insight into corporate leadership. This element provides an opportunity to assess top management's effectiveness, transparency and accountability in guiding the company towards achieving strategic goals.

This assessment not only provides a check on the competence and performance of leaders but is also an indicator of corporate governance. Clarity in the performance analysis of the highest decision-making body underlines the company's focus on accountability and efficiency, providing a basis for future improvements and for building sound corporate governance. A transparent evaluation helps to build trust and credibility among stakeholders, strengthening the company's position in the market.

4.2 – *GRI 201: Economic Performance 2016*

GRI 201: Economic Performance is one of the modules of the GRI reporting framework, which focuses on disclosing information about the economic performance of companies (Herbert *et al*., 2020). Specifically, GRI Form 201 requires companies to disclose financial performance, value creation and risk management information (Bananuka *et al*., 2022).

4.2.1 – Direct economic value generated and distributed

Including the chapter 'Direct economic value generated and distributed' in GTT's Non-Financial Disclosure (DNF) represents a significant challenge. This is handled through reclassification in

the annual financial statements, but its real challenge is to represent all the dimensions that have no place in the accounting framework.

In the context of utility companies such as GTT, factors such as the social impact on the accessibility of services, the impact of tariffs on the local community, or the environmental sustainability of operations are crucial but often escape traditional financial representation. These parameters may include the social benefit obtained by providing services to poorer segments of the population, investments in environmental initiatives to reduce the impact of transport on the territory, or community involvement in business decisions. Integrating such data into the DNF could provide a more complete and transparent view of the activities carried out and the value generated by GTT beyond mere financial figures.

4.2.2 – Defined benefit plan obligations and other retirement plans

Including defined benefit plan obligations and other retirement plans in the Non-Financial Disclosure (DNF) is essential for a complete and transparent view of the company's financial and social health. This data goes beyond mere accounting, providing a clear perspective of the company's long-term financial impact and commitments to employees.

Their presence within the DNF plays several key roles. First, they provide a comprehensive overview of pension commitments, which is essential for assessing the financial risk and sustainability of the company over the long term. This transparency is crucial for stakeholders in analysing risks and making informed investment decisions.

Secondly, such inclusion demonstrates a concrete commitment to employees' financial security, embodying corporate social responsibility. Ensuring financial security for employees creates trust and promotes a stable and attractive working environment for talent.

Moreover, this detailed information influences strategic decisions and corporate investments. An in-depth analysis of pension plans impacts corporate decisions and plays a crucial role in attracting and retaining talent and promoting a corporate culture that values employee well-being.

This inclusion meets regulatory obligations, ensuring compliance and transparency in stakeholder relations, but also provides a comparable benchmark for investors and analysts, improving transparency and facilitating understanding of the company's financial and social health. The current Non-Financial Disclosure (NFD) of GTT lacks this analysis.

4.2.3 – Financial assistance received from government

Incorporating the section "Financial assistance received from government" within a Non-Financial Disclosure (NFD) holds paramount importance for several reasons. Firstly, it offers transparency, disclosing the extent and nature of financial aid obtained from governmental entities. This transparency ensures stakeholders are informed about the company's financial dependencies and collaborations with the public sector, fostering trust and accountability.

Moreover, this section is a critical indicator of the organization's relationship with the government, illustrating its reliance on public resources. The disclosure of such financial support outlines the company's socio-economic impact, emphasizing its role in public initiatives or projects and its contribution to societal welfare.

Furthermore, it demonstrates the company's alignment with governmental policies or programs, showcasing its commitment to shared objectives, such as economic development, innovation, or societal advancement. This disclosure becomes particularly pertinent for companies in sectors closely tied to government policies or those operating within regulated industries, portraying their compliance and contribution to national or regional agendas.

Including this section in the NFD enhances the comprehensive nature of the report. It provides a holistic view of the company's financial landscape, complementing the financial data provided in traditional financial reports by presenting a more comprehensive picture of the organization's fiscal interactions with the public sector.

5 – Conclusion

In conclusion, this article underscores the pivotal role of non-financial reporting in addressing and mitigating the impacts of climate change. Adopting non-financial disclosure, particularly based on the GRI, is a significant stride toward enhancing business transparency and accountability, fostering better stakeholder relations.

This approach enables performance benchmarking across companies and serves as a conduit for disseminating exemplary practices in corporate social responsibility (CSR) and sustainability initiatives.

Moreover, exploring Gruppo Torinese Trasporti (GTT) as a case study demonstrates the efficacy of integrating Do No Significant Harm (DNSH) elements and OECD guidelines into non-financial reporting practices. This study expands the realms of Resource-Based View (RBV) theory analysis and enriches the literature on CSR and corporate venture capital.

Crucially, the ESRS present an unprecedented opportunity in the literature by establishing standardized principles. Elements such as 'Nomination and selection of the highest governance body,' 'Chair of the highest governance body,' 'Conflicts of interest,' and 'Evaluation of the performance of the highest governance body' have emerged as pivotal and non-negligible aspects. These elements are critical because they are instrumental in ensuring transparent and accountable governance structures within organizations.

Numerous contributions in the literature have emphasised the link between Corporate Social Responsibility (CSR) decisions embedded in corporate strategies and the importance of governance tools (Albareda *et al*., 2008; Battisti *et al*., 2023; Jamali *et al*., 2008; Nirino *et al*., 2019, 2022; Samy *et al*., 2010). In our study, this connection emerges clearly, highlighting the direct implication of GRI reporting in promoting and implementing strategic CSR decisions. This study provides an empirical assessment of GTT reporting practices and offers a theoretical analysis of the implications of such practices on corporate governance and decision-making processes. In the analysis of the alignment of GRI reporting with the GRI-ESRS interoperability index, the identification of gaps in non-financial disclosures emerges, highlighting the disparity in the promotion of transparency and accountability, particularly in critical areas absent in ESRS, such as the elements indentified in Table 1 in the sections 'GRI 2: General Disclosures 2021' and 'GRI 201: Economic Performance 2016'.

Nomination and selection processes and evaluating governance body performance are fundamental in establishing robust leadership structures, fostering stakeholder trust, and ensuring effective decision-making. Addressing conflicts of interest directly contributes to

ethical conduct, thereby safeguarding the integrity of organizational practices. Consequently, integrating these aspects into non-financial reporting standards is crucial for enhancing organizational accountability, trustworthiness, and ethical practices, significantly impacting businesses' sustainability and long-term viability. This analysis goes beyond what is currently present in the existing literature, offering a more detailed perspective on how these elements influence governance and decision-making processes within organizations. This enriches the existing theoretical understanding, helping to fill any gaps and providing a more robust foundation for future studies in non-financial reporting.

This study not only underscores the importance of businesses prioritizing sustainability and CSR practices but also emphasizes the roles of governments and industries in championing sustainable initiatives and ameliorating the adverse effects of climate change. Moreover, this research provides tools to effectively integrate these aspects into non-financial reporting processes, assisting professionals in enhancing the transparency, reliability, and ethicality of their business practices. Future research should explore the efficacy of non-financial reporting and its profound influence on sustainability practices across diverse industry sectors.

In the future, it would be interesting to delve into the effectiveness of non-financial reporting and its profound impact on sustainability practices across diverse industry sectors. Specifically, one could explore how non-financial reporting can be used to assess the effectiveness of public policies in the transportation sector and how companies can collaborate with governmental bodies to promote sustainability. Exploring these dynamics would provide a better understanding of the crucial role of non-financial reporting in fostering sustainable behaviours and guiding collaborative efforts between the private and public sectors toward common sustainability goals.

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