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QUANTIFICATION OF SOCIAL PERFORMANCE INDICATORS IN A COMPANY MONITORING ENERGY FROM RENEWABLE SOURCES *

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Abstract

In the context of an economy increasingly based on the ecological transition of individual companies, fundamental importance is given to sustainable management tools in a circular economy perspective. Sustainability, in its most modern sense, also implies a quantification of social, as well as environmental and economic benefits for the company that decides to innovate its technological paradigm.

This paper aims to quantify environmental and social indicators to a young company, BaxEnergy, located in the province of Catania. The company has ten years of experience in monitoring the electricity generation from renewable energy sources. In particular, as an experimental case, social performance indicators relating to the company's market presence and GRI indicators were quantified, which can be used to draw up the company's sustainability report. For BaxEnergy, the implementation of the social report would represent a further step towards transparency and the sharing of the company's values, even to stakeholders, who have always, historically, have treated and have been treated partners in a cold and purely economic way.

Keywords: corporate social responsibility, global reporting initiative, renewable energy sources, social accountability, social performance indicators

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1. Introduction

The behaviour adopted by companies, from large multinationals to SMEs, has always exerted a strong influence on the configuration and balance of the current economic, political and social context. They shape everyday life, market equilibrium, working conditions and the value system that guides our society (Molteni, 2007).

Businesses, therefore, in an environmental context that is increasingly dense with social and political conjunctures, are no longer seen solely as profit-oriented and wealth-creating entities, but must play the role of actors, responsible engines of development capable of producing environmental and social value. It is precisely in the wake of this capacity to interact with the environmental context and with a view to continuous improvement that the glue between the two worlds comes into being: Corporate Social Responsibility (CSR) management. According to this vision, companies cannot disregard their social responsibility, which is considered a strategic tool that can bring major benefits to society and at the same time strengthen the company's competitive advantage.

Clearly defining Corporate Social Responsibility is certainly not one of the easiest issues to solve. This is because the concept of CSR has in recent years taken on increasingly complex ramifications within its narrower meaning, linked to recent evolutions in the economic and social landscape of the contexts in which it is increasingly taking hold. If we want to further analyse the definition of Corporate Social Responsibility, we can consider the aspect of 'voluntariness'; as CSR, it goes beyond the simple mandatory parameters imposed by law and thus succeeds in defining a strategy in response to the sign of the times, to the social pressures that are increasingly permeating the European and global economic fabric (Garriga and Melé, 2004).

After having given various nuances and points of view regarding the definition of Corporate Social Responsibility, we finally study the official one, contained in the Green Paper published by the European Commission in 2011, where CSR is defined as: "A concept through which companies decide on a voluntary basis to contribute to the improvement of society and to a cleaner environment" and "an integration of social and ecological concerns, through a voluntary process of self-regulation, in the business operations of companies and in their relations with their stakeholders".

In the wake of what the European Commission has set out, it also dwells on how Corporate Social Responsibility should not be a substitute for compulsory regulations, but rather a road to be travelled together with them, with the common goal of achieving mass accountability on the issue that is becoming increasingly important in recent years. In countries where such regulations do not exist, efforts should focus on creating an appropriate regulatory or legislative framework in order to establish a fair basis from which socially responsible practices could be developed.

The objective of this paper is precisely to analyse the role of CSR in a constantly evolving context that brings to the attention of the company the legitimate social and environmental, as well as economic, expectations of the various stakeholders, through the performance of its business activities; in particular, we wish to hypothesise the application of the social report within an innovative business reality in Sicily. BaxEnergy, boasts an innovative corporate structure and thanks to this technological innovation, it has succeeded in gaining important customers in various geographical contexts. The company's main business is therefore the control of a large number of renewable energy plants by means of software, which allows this control to be carried out remotely, even thousands of kilometers away.

2. Research methodology

Having introduced the path in which the social balance sheet intersects, we now analyse its definition and all its parts in corporate reality.

The three main functions performed by the social balance sheet, the main document summarising the social reporting process, are:

- Intensification of the relationship with the various stakeholders, active (financiers, suppliers) and passive (local communities);
- A tool that allows the union of relations between the external environment and the company;
- It is the main tool enabling the application of stakeholder engagement.

For the company, the social balance sheet, therefore, represents the main method to collect the 'sentiment' of the target of customers to which it refers, thanks to which it will be able to continue to maintain that consensus and reputation that are fundamental for the long-term view; while, from the stakeholders' point of view, the accounting document represents the easiest way to make them participate in company life (Di Giandomenico, 2008).

One can now analyse the main task that the board of directors and top management are called upon to perform, namely that of drawing up a document that succeeds in satisfying the different needs of the various stakeholders. It is therefore a complex challenge for the company to meet, on the one hand to satisfy the demands of the various stakeholders, which may differ markedly from each other, and on the other hand that there is no getting away from the fact that satisfactory behaviour on the part of a company, if not communicated, may be seen as a lack of attention and application on the subject (Friedman M., 1970).

In today's annual reports or financial statements, one finds information of various kinds that can roughly be grouped into the following six areas:

- the corporate governance system;
- the operating strategy;
- the company's results;
- the dynamics of the reference context;
- the strategic direction pursued by top management;
- stock market performance (Sartor et al., 2016).

In order to achieve a real concretisation of a corporate policy inspired by the principles of inclusion, social responsibility and transparency, it is therefore essential to start from the consideration of the social report tool not as an end in itself, but rather as a process that is able to involve all corporate levels, no one excluded. After having analysed process standards in the first chapter (AA1000, SA8000, ISO 26000) we now want to focus on content standards, including: the GBS model and the GRI. The social report, according to GBS, has several objectives (Göbbels and Jonker, 2003):

- Giving all stakeholders an overall picture of the company's performance, opening up a dynamic communication process;
- Finding and disseminating useful information on the quality of the company's activities in order to extend and improve stakeholders' knowledge and possibilities of evaluation and choice (Castka and Balzarova, 2008).

"The Commission of the European Community on 30 May 2001 issued Recommendation No. 453 "on the recognition, measurement and disclosure of environmental information in the annual accounts and annual reports of companies".

The reasons for the intervention of the "Commission" can be summarised as follows: the assessment of environmental expenditures and risks in annual accounts contributes to increasing companies' awareness of the environment, in line with the 5th Environmental Action Programme "for sustainable development" and the implementation of the principle of integrating environmental protection requirements into other Community policies is

considered a fundamental choice for the promotion of sustainable development (Moon et al., 2011).

This recommendation clarifies the role of companies with regard to environmental issues, which can be applied by all corporate entities, such as banks, and various financial institutions, to which the rules on Annual and Consolidated Accounts provided for in Directives IV and VII on company law can be adopted, not forgetting that the financial implications do not change as production varies (Becket and Jonker, 2002). In Fig. 1, we propose an example of what the new civil law balance sheet and income statement might look like after the implementation of the recommendation.

The accepted view is that the statutory classification should be retained in the original classes, splitting the content into a) non-environmental and b) environmental, when necessary (American Accounting Association, 2006).

Fig. 1. a) New Balance Sheet; b) New Profit and Loss Account

3. Case study

After having presented the various Corporate Social Responsibility tools in the previous chapters and having illustrated the social balance sheet, with its indicators, we now wish to examine the hypothetical application of the social balance sheet in one of the most innovative realities in Sicily and the entire peninsula, BaxEnergy, which is part of the innovative business hub Free Mind Foundry. This is a young company with ambitious goals, such as playing a leading role in the near future in terms of digitisation, sustainability and technology. The Free Mind Foundry hub hosts many companies, including the other companies of the Massaro group: BaxEnergy, Intellisync, Wisnam and the new entry, Digital Atom.

Let us look in detail at the most decisive company of the entire group. BaxEnergy's main business is therefore the control of a large number of renewable energy plants by means of software, which allows this control to be carried out remotely, even thousands of kilometres away. Energy Studio Pro: a system for all conventional and renewable technologies; it allows

an infinite amount of data to be analysed and stored in real time throughout the life cycle of the plant in question. The main advantages of using this technology are:

- Eliminating human intervention by 90%;
- Reducing intervention time to a few seconds;
- Automating control, thousands of kilometres away;
- Minimise economic and energy losses;
- Maximise ROI.

BaxEnergy can boast the application of two voluntary certifications that are essential for greater sensitivity and respect on these issues, bringing increasing credibility to the entire company ecosystem and to its stakeholders.

The two certifications in question are:

- ISO 9001;
- ISO 27001.

A survey on ISO 9001 certification at the end of 2020 shows that, despite the negative implications brought about primarily by the Covid-19 pandemic, the number of companies that have implemented the voluntary standard is growing.

This system allows for the final collection of policies, processes, documented procedures and records; this set of documents defines the internal rules that define how the company creates, delivers the product or service to its customers. Certification must also be tailored to the needs of the individual company and the product or service it offers, but the standard provides a set of guidelines to ensure that no important element fundamental to the success of a Quality Management System is overlooked.

The second equally important certification that BaxEnergy has decided to implement is ISO 27001, an international standard that describes and integrates an Information Security Management System within the company. Obtaining this certification demonstrates that the company is following the guidelines for proper information security management and provides an independent and professional check on whether security is being managed in line with the international standard's indications and geared towards the company's objectives.

The main benefits of the correct implementation of this standard are:

- Gain a competitive advantage by satisfying customer and supplier requirements;
- Identifying, assessing and managing the organisation's risks by formalising information security processes and procedures;
- Ensure the constant monitoring of the company's performance and activate the necessary improvement actions.

4. Results and discussions

For a proper implementation of the sustainability report in BaxEnergy, a four-point approach can be taken according to the GRI parameters:

- The BaxEnergy case: Mission and corporate values guide;
- Environmental sustainability: "renewables" vs. traditional energy consumption;
- Social sustainability: recruitment and terminations, employee training and development, and occupational health and safety;
- Economic sustainability: customers, quality and customer satisfaction and suppliers: selection and evaluation.

The GRI (GRI, 2016), being a useful tool for Social Report reporting, for companies active in totally different sectors, needs performance indicators that can be used for all of them, in order to achieve greater comparability of actions and results. With reference to the standard

information that characterises the Social Report of all companies that draw it up according to the guidelines of the Global Reporting Initiative, below is a summary divided into two parts:

- **Strategy and Profile;** in this part, the company makes explicit, through the declaration of the highest authority in the decision-making process, the strategic description of the various company choices and how they affect the sustainability of the entire company system, with particular attention given to the impacts of actions already meditated upon, to the description of future risks and opportunities always from the point of view of sustainability. It is also important to introduce basic information that determines the profile of the company, such as: brand, name, operational structure, location of the registered office, number of countries in which it operates, legal structure, mission, vision, size of the organisation, awards received and more.

- **Performance indicators;** they are identified by an acronym consisting of two letters and a sequential number, they are divided into Core (mandatory and universally applicable) and Additional (optional, not universally relevant) and report information on the organisation's economic (acronym: EC), environmental (EN), social (LA), human rights (HR), social (SO) and product responsibility (PR) performance.

As far as economic and environmental sustainability is concerned, it is intuitable how much the focus is on the company's core business: the control and management of exclusively renewable energy plants, and thus a clear contrast to traditional energy sources. It is now necessary to give an overview of the third aspect of sustainability, the one that many scholars believe is most incisive in day-to-day business: social sustainability. With regard to this issue, the main reference indicators that can be used are the economic performance (EC) and social performance (LA) indicators, which are analysed in Fig. 2.

Fig. 2. GRI indicators used in the drafting of the sustainability report

In applying a social sustainability policy, BaxEnergy focuses on the following aspects:

- **Staff training and education:** employees, of all importance, are fundamental and indispensable in order to achieve the company's objectives, and it is precisely for this reason that BaxEnergy invests a great deal of resources in the continuous training of its staff, starting with courses on Safety and Health in the Workplace, passing through seminars on, for example, "Time Emotional Management" and "Communication and Body Language".
- **Staff recruitment and selection:** with a view to continuous investment in young talent in the area, the innovative company has developed a detailed staff selection plan that guarantees fair treatment among potential hires. So-called 'Recruitment Days' are planned and organised punctually, allowing candidates for a specific job position to meet, introduce themselves to the company, proceed to a group interview and then move on to the individual interview and communication of the results.

5. Conclusions

The implementation of the social balance sheet would represent a further step forward for BaxEnergy towards transparency and the sharing of corporate values, even to stakeholders who have always, historically, been treated and have treated partners in a cold and purely economic manner.

The social balance sheet brings with it an objective of fundamental importance that must be achieved by all corporate realities and not in the shortest possible time: shifting the focus from "Profit at any cost" to "Profit, but at what cost?"; thus accompanying the traditional statutory balance sheet, the sustainability balance sheet must no longer represent an optional action applied by a few realities, but a fundamental, compulsory document that thus benefits the entire global economic ecosystem. The advantages that the social balance sheet brings are varied, but the most important one, and the one on which more attention has been paid, is respect for the individual human resource; in the long term, the company that will assert itself in the market and gain an ever greater share of the market will be the one that has definitively understood the importance of human resources as a fundamental key to its business success.

The social balance sheet makes it possible to bring investors and all stakeholders in general closer to the company's reality, touching on and embracing the theme of sustainability from many points of view, from the environmental, social and economic ones. In our case study, we have focused above all on social sustainability, analysing some categories of possible economic and social performance indicators, with a view to the increasing implementation of such tools in the vast majority of companies.

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