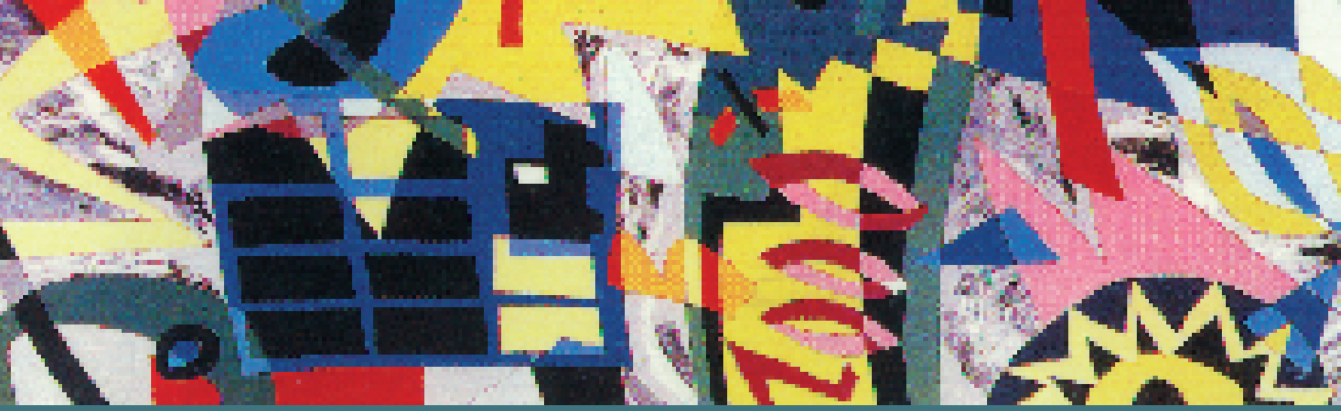


BUSINESS ADMINISTRATION AND ACCOUNTING STUDIES

SIMONA FIANDRINO

DISCLOSURE OF NON-FINANCIAL INFORMATION

Evolutionary Paths and Harmonisation to Mandatory Requirements

G. Giappichelli Editore

BUSINESS ADMINISTRATION AND ACCOUNTING STUDIES

4

Procedura per l'approvazione dei volumi in Collana e referaggio.

La pubblicazione di una monografia nella Collana è subordinata al verificarsi di due circostanze:

a) accettazione della proposta editoriale presentata dall'autore/i secondo il formato definitivo dalla collana;
b) ottenimento di un giudizio positivo sul volume da parte di due revisori anonimi.

La proposta editoriale segue questo iter:

– la proposta viene inviata all'Editor in Chief attraverso la casella di posta elettronica csr.ba.management@unito.it (con richiesta di ricevuta) nel format previsto per la collana dall'Editore;
– valutazione da parte dell'Editor della proposta/manoscritto il quale decide del rigetto o dell'invio al referaggio; nel processo di valutazione si può avvalere del supporto del Comitato Scientifico;
– le proposte che ottengono un giudizio positivo sono senz'altro accettate;
– le proposte che ottengono un giudizio non pienamente positivo sono rivalutate dall'Editor avvalendosi del Comitato Scientifico per formulare il giudizio definitivo.

All'accettazione della proposta editoriale segue il referaggio del volume.
Il referaggio è condotto da due revisori (referee). Questi possono essere scelti nell'ambito del Comitato Scientifico, ma anche al di fuori di esso, fra accademici che possiedano competenze adeguate sui temi trattati nella monografia inseriti nell'elenco dei referee.
I revisori sono scelti dall'Editor. I revisori non devono conoscere il nome dell'autore del volume oggetto di valutazione. L'Editor contatta i revisori individuati e invia loro, attraverso la casa editrice, il volume debitamente reso anonimo.
I revisori formulano il loro giudizio entro due mesi dal ricevimento del volume. Il giudizio è articolato secondo i punti contenuti in una scheda di referaggio appositamente redatta.
Il giudizio viene inviato all'Editor. Se, per entrambi i revisori, il giudizio è positivo e senza suggerimenti di revisione, il volume viene passato direttamente alla stampa. Se uno o entrambi i revisori propongono correzioni, l'Editor, inoltra i suggerimenti all'autore perché riveda il suo lavoro. Il lavoro corretto viene nuovamente inviato all'Editor che lo sottopone a una seconda revisione da svolgersi entro il termine massimo di un mese. In caso di giudizi contrastanti, l'Editor decide se acquisire un terzo parere, stampare comunque il volume o rifiutarlo.

Advisory Board

Presieduto dal Prof. Valter Cantino
Prof. Paolo Andrei (Università di Parma)
Prof. Nunzio Angiola (Università di Foggia)
Prof. Luigi Brusa (Università di Torino)
Prof. Lino Cinquini (Scuola Superiore Sant'Anna Pisa)
Prof. Luciano D'Amico (Università di Teramo)
Prof. Roberto Di Pietra (Università di Siena)
Prof. Francesco Giunta (Università di Firenze)
Prof. Giorgio Invernizzi (Università Bocconi)
Prof. Alessandro Lai (Università di Verona)
Prof. Luciano Marchi (Università di Pisa)
Prof. Libero Mario Mari (Università di Perugia)
Prof. Andrea Melis (Università di Cagliari)
Prof. Luigi Puddu (Università di Torino)
Prof. Alberto Quagli (Università di Genova)
Prof. Ugo Sostero (Università di Venezia Ca' Foscari)

SIMONA FIANDRINO

DISCLOSURE OF NON-FINANCIAL INFORMATION

Evolutionary Paths and Harmonisation to Mandatory Requirements

G. Giappichelli Editore

Copyright 2019 - G. GIAPPICHELLI EDITORE - TORINO
VIA PO, 21 - TEL. 011-81.53.111 - FAX: 011-81.25.100

http://www.giappichelli.it

ISBN/EAN 978-88-921-0526-3

Editor in Chief
Prof. Piero Pisoni

Comitato Scientifico
Prof. Marco Allegrini (Università di Pisa)
Prof. Paolo Pietro Biancone (Università di Torino)
Prof. Paolo Ricci (Università Sannio di Benevento)
Prof. Pier Luigi Marchini (Università di Parma)
Prof.ssa Katia Corsi (Università di Sassari)

Opera distribuita con Licenza Creative Commons
Attribuzione – non commerciale – Non opere derivate 4.0 Internazionale

Stampa: Stampatre s.r.l. - Torino

Le fotocopie per uso personale del lettore possono essere effettuate nei limiti del 15% di ciascun volume/fascicolo di periodico dietro pagamento alla SIAE del compenso previsto dall'art. 68, commi 4 e 5, della legge 22 aprile 1941, n. 633.

Le fotocopie effettuate per finalità di carattere professionale, economico o commerciale o comunque per uso diverso da quello personale possono essere effettuate a seguito di specifica autorizzazione rilasciata da CLEARedi, Centro Licenze e Autorizzazioni per le Riproduzioni Editoriali, Corso di Porta Romana 108, 20122 Milano, e-mail autorizzazioni@clearedi.org e sito web www.clearedi.org.

Index

pag.

List of figures and tables IX

Acknowledgments XI

Introduction

1. Overview of the book 1
2. Theoretical and practical contribution of the book 3
3. Structure of the book 4

1.

The realm of non-financial information disclosure: evolutions, characterisations, and theoretical grounds

1.1. Introduction 7
1.2. Historical evolutions of financial and non-financial disclosure 10
    1.2.1. *The longer-established development of financial reporting* 12
    1.2.2. *The rise of sustainability reporting* 15
1.3. Meanings of non-financial information disclosure 17
1.4. Voluntary and mandatory non-financial information disclosure 24
1.5. Qualitative and quantitative non-financial information disclosure 26
1.6. Collection methods of non-financial information disclosure 29
    1.6.1. *Content analysis* 29
    1.6.2. *Databases provided by consultancy agencies and governmental bodies* 33
1.7. Theoretical perspectives as grounds of non-financial information disclosure 34

pag.

1.7.1. *Agency theory* 35
1.7.2. *Institutional theory* 38
1.7.3. *Legitimacy theory* 39
1.7.4. *Stakeholder theory* 41
1.8. Conclusion 44

2.

The development of international standards frameworks on non-financial information disclosure

2.1. Introduction 47
2.2. The growing of international standards frameworks 48
2.2.1. *Principles of the UN Global Compact* 49
2.2.2. *Sustainable Development Goals (SDGs)* 51
2.2.3. *AA1000 Accountability's Series of Standards* 53
2.2.4. *Global Reporting Initiative (GRI) Standards* 55
2.2.5. *Integrated Reporting Framework* 61
2.2.6. *The Sustainability Accounting Standards Board (SASB) Standards* 64
2.2.7. *ISO 26000 on social responsibility* 66
2.2.8. *Eco-Management and Audit Scheme (EMAS)* 68
2.3. Discussion: sharp or mucky setup? 70
2.4. Conclusion 72

3.

Regulatory framework of non-financial information disclosure in Europe

3.1. Introduction 73
3.2. European Union (EU) steps to break through non-financial information disclosure 74
3.3. Pioneering evidence in developing non-financial information mandatory disclosure before Directive 95/2014/EU 79
3.4. Directive 95/2014/EU: Content requirements and non-binding guidelines 83
3.4.1. *Content requirements* 84

3.4.2. *Non-binding guidelines on the methodology for reporting non-financial information* 86
3.5. Member states' implementation of Directive 95/2014/EU 88
3.6. Discussion: Is the loop closed? 91
3.7. Conclusion 95

4.

Mandatory compliance with non-financial information disclosure: evidence from Italy

4.1. Introduction 97
4.2. Insights regarding the level of compliance with non-financial information mandatory disclosure 98
4.3. Research objectives and hypotheses development 101
4.4. Data sample of listed Italian companies 103
4.5. Data collection 106
4.5.1. *Configuration of the NFI disclosure score* 106
4.5.2. *Definition of independent variables and presentation of the statistical model* 110
4.6. Descriptive statistics 113
4.6.1. *The level of compliance with non-financial information disclosure* 114
4.6.2. *The level of compliance of non-financial information disclosure interlinked with GRI reporting options, reporting format, and reporting year* 121
4.7. Empirical findings: correlations and regression analyses 126
4.8. Conclusion 132
4.8.1. *Theoretical implications* 134
4.8.2. *Practical implications and limitations of the study* 135

Conclusions 137

Appendix 141

References 145

List of figures and tables

		pag.
Figure I.1	*Structure of the book*	6
Figure 1.1	*Disclosure taxonomy*	9
Figure 1.2	*Collection methods of non-financial information disclosure*	34
Figure 2.1	*The Ten Principles of the UN Global Compact*	51
Figure 2.2	*GRI Reporting Guidelines*	58
Figure 2.3	*The value chain process of the International <IR> Framework*	63
Figure 2.4	*The SASB Framework*	66
Figure 2.5	*The scheme of ISO 26000*	68
Figure 3.1	*Timeline of milestones enacted by the European Union*	94
Figure 4.1	*Checklist development in accordance with the mandatory requirements of the Italian Legislative Decree 254/2016*	109
Figure 4.2	*Distribution of the NFI disclosure score*	116
Figure 4.3	*Materiality of each content topic*	119
Figure C.1	*Conclusions of the book*	140

Table 1.1	*Comparison of financial reporting to sustainability reporting*	12
Table 1.2	*Definitions of non-financial information disclosure*	22
Table 3.1	*Member States implementation of Directive 95/2014/EU*	90
Table 4.1	*Sample selection procedure*	104
Table 4.2	*Sample description*	105
Table 4.3	*Description of variables*	112
Table 4.4	*The level of compliance of non-financial information with mandatory requirements*	115
Table 4.5	*NFI disclosure score, grouped by basket and sector*	118
Table 4.6	*Number of items of interrelated disclosures*	120
Table 4.7	*Frequencies of GRI options, reporting formats, and reporting years*	122
Table 4.8	*NFI disclosure score for GRI reporting options and reporting formats*	122
Table 4.9	*NFI disclosure score for reporting year*	124

Table 4.10 *Cross-tabulation of GRI options, reporting format, and reporting year – number of cases* 125
Table 4.11 *Cross-tabulation of GRI options, reporting format, and reporting year – mean of the NFI disclosure score* 125
Table 4.12 *ANOVA tests* 126
Table 4.13 *Descriptive statistics of the independent variables* 126
Table 4.14 *Correlation matrix* 130
Table 4.15 *OLS regression analyses* 131
Table 4.16 *Multivariate regression analysis* 132

Acknowledgments

This book is a significant personal achievement, developed over the course of my Ph.D. and early academic career as a post-doctoral researcher. It is the result of my studies at the Department of Management, University of Turin and at Darden School of Business, University of Virginia during my time as a doctoral student there. Each of these academic environments encouraged my research interests from multi-faceted perspectives and are of equal importance. Thus, I would like to thank those from both universities who have nurtured my 'why' questions, believed in me, and joined me on my journey.

To begin, I owe Professors Valter Cantino and Alain Devalle my deepest debt of gratitude for their invaluable support during my Ph.D. and to these days. As my supervisors, they were a formative influence from the beginning of the project with their practical advice, extensive experience, and unwavering dedication. Equally, Professors Donatella Busso and Fabio Rizzato deserve my sincere thanks for their helpful and constructive comments during the ongoing refinements of my research. This book is born from my Ph.D. path and from the academic publications developed in collaboration with this research team.

I would like to thank other colleagues in the department, namely Dr Chiara Civera and Dr Damiano Cortese, with whom I explored and enjoyed writing and from whom I learned to stand up for what I believe in. We visited Darden School of Business together, an experience which I found particularly useful as a dynamic and insightful environment in which to learn from one another.

I am also grateful to Professor Edward Freeman at Darden for the inspiring conversations we had about managing the human aspects of business and considering multiple interests to achieve balance rather than trade-offs – like combining notes on a piano to play a harmony. In addition, I would like to thank Professors Simone de Colle and Bobby Parmar who encouraged my research interests in business ethics and stakeholder theory. Similarly, Tom Marini, director of the Camp Library at Darden deserves sincere thanks for his encouragement while I was visiting student there and his continuous overseas support by emails.

I would particularly like to thank my friend and colleague, Dr Alessio Bongiovanni, who supported me in my writing bubble of this book and saved me from some errors in the empirical basis of this research, although I should stress that any mistakes that remain are mine alone.

Finally, I am thankful to my family from whom I learnt to keep going and never give up. You have been there with me always, and so I dedicate this book to you from the bottom of my heart.

Introduction

1. Overview of the book

This book provides an overview of non-financial information disclosure in the accounting literature stream. It aims to frame the evolutionary path of non-financial information disclosure and investigate the current scenario regarding mandatory compliance with non-financial information in the Italian context.

The development of non-financial information disclosure has been a great stride beside sustainability accounting and reporting in consequence of the understanding of business's crucial role in tackling urgent challenges and pressures in our current, complex, and ever-changing environment. We encounter environmental disasters, climate change and the loss of biodiversity, societal demands, sweatshop child labour, social inequality, and declining life-support systems. Furthermore, managerial fraud and corporate scandals along with the stock market collapse of the global financial crisis have increased asymmetry information and jeopardised trust among parties, which in consequence have led to a re-examination of responsibilities and governance mechanisms. A notable shift has transformed a rational and technical consideration of shareholder value maximisation and capital market-driven information into urgent calls for sustainability imperatives and multi-faceted responsibilities juxtaposed with a harmonisation of different stakeholders' interests. Therefore, sustainability and accountability have become overriding factors as acknowledgements of businesses' roles in society as responsible citizens. In this vein, management studies have started to conceptualise business responsibility into decision-making processes, thus shaping the strand of sustainability accounting and reporting.

Inspired by the above considerations, this book tracks the evolutionary background, traits, and characterisations of non-financial information disclosure as well as its theoretical perspectives from which we may learn to apply it in practice. The book builds on the accounting literature stream to draw non-financial information disclosure's evolution and characterisations, whilst it

anchors to the theoretical conceptualisations of agency theory, institutional theory, legitimacy theory, and stakeholder theory to feature the underlying reasonings of such disclosure. The essence of each theories can explain the intertwined rationales behind the pursuit of such disclosure practices regarding non-financial information.

Under these conceptual underpinnings, the book draws historical and progressive changes of non-financial information disclosure to the newly mandatory environment from a voluntary-based approach. In further detail, the development of non-financial information disclosure was initiated within the last 40 years under a voluntary and unregulated nature of reporting. Globally, international organisations and stock exchanges have implemented a myriad of nearly 255 worldwide standards, codes of conduct, and audit protocols to address sustainability-related information, thus leading to certain levels of unambiguity for illustrating and understanding non-financial information content. The proliferation of international standards frameworks includes AccountAbility 1000 (AA1000 for social and ethical accounting, auditing, and reporting), the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board Framework, the Eco-Management and Audit Scheme (EMAS), the Guiding Principles Reporting Framework on Business and Human Rights, ISO 26000 of the International Organization for Standardization (ISO), and the recent Integrated Reporting Framework, among others.

More recently, non-financial information disclosure has turned into an imperative call to guarantee data's comparability and enact a common playing field of sustainability reporting across Europe. In the following paragraphs, the kind of breakthrough towards mandatory requirements of non-financial information is discussed with the shifting of Directive 95/2014/EU into the subsequent state member transpositions of national laws. Italy transposed Directive 95/2014/EU into Legislative Decree 254/2016. This decree has forced public interest entities to prepare non-financial statements in their management reports starting from the 2017 financial year. Large publicly traded companies must disclose their business models, policies, outcomes, and related Key Performance Indicators (KPIs) along with their risks and opportunities related to, at minimum, environmental, social, and employee matters that concern human rights, anti-corruption, and bribery issues. Directive 2014/95/EU and Legislative Decree 254/2016 left a broad margin of discretion in such implementation, as stated by the Non-Financial Reporting Guidelines issued in 2017: 'the Directive has been designed in a non-prescriptive manner and leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful' (European Commission, 2017). For instance, the regulator neither specifies the type of reporting document for

non-financial information disclosure nor provides a unanimous international standards framework on which to rely for the according disclosure of KPIs.

In light of the aforementioned considerations, the book addresses an empirical investigation on non-financial information mandatory disclosure's level of compliance to illustrate exploratory insights for the first year of such a regulatory implementation. Furthermore, in light of the path development of voluntary disclosure and the disclosure discretion left to the preparers, a relation may exist between management discretion and mandatory compliance. The management discretion is addressed by considering the number of prior years of voluntary disclosure and the related discretionary disclosure corresponding to the type of documents and international standards frameworks upon which to rely. Hence, the intent is to understand whether or not management discretion might be related to mandatory compliance. To this end, the following research questions have been posited:

RQ1: *Which is the level of mandatory compliance with non-financial information disclosure?*

RQ2: *To what extent does management discretion affect the level of compliance with non-financial information disclosure?*

In pursuing these objectives, the empirical research implements and adopts two methods for the investigation of the 150 listed Italian companies that are obliged to prepare their non-financial information disclosure in accordance with Italian Legislative Decree 254/2016. First, the research develops a non-financial disclosure score based on a dichotomous approach following a quantitative content analysis of the 2017 non-financial statements to assess their level of compliance. Then, it employs a multivariate regression analysis to test whether or not the type of reporting document and the number of prior years of sustainability reporting affect their compliance.

The novelty of this empirical investigation lies in the institutional, contextual setting of this mandatory environment; in addition, linked to this investigation is the theoretical issue that the research raises as the attitude adopted when reacting in response to such implementation. Such an empirical design offers theoretical and practical contributions, both of which are addressed in the next section.

2. Theoretical and practical contribution of the book

This book contributes to the stream of sustainability accounting literature both theoretically and practically.

Under a theoretical standpoint, the book examines the role of the international standard setters and regulators in shaping non-financial information disclosure and its development paths in favour of the harmonisation towards mandatory requirements. It draws the academic contributions reflected in the well-developed setting of international standards frameworks to portray disclosure, monitoring mechanisms, and governance structure on sustainability issues. It provides thoughtful discussions on constructive criticisms concerning sustainability reporting. Furthermore, the book describes different perspectives of the theoretical arguments that are made to focus on non-financial information that is useful for stakeholders, while it finally sheds lights on companies' reactive attitudes in adherence to regulative logics as responses to institutional legitimacy.

Under a practical standpoint, the book provides first insights of mandatory disclosure practices, which can be useful for users as a groundwork for further improving the disclosure. Companies are guided towards applying such disclosure according to their industry sector, because they can learn from one another by addressing material topics core to their businesses. Regulators and standard setters may consider that potential practices and policies enhance a coherent manner of non-financial information disclosure. They can shape guidance to improve the non-financial information disclosure and eventually alleviate the possible misalignments that arise between mandatory requirements and management discretion that, in turn, edge comprehensive disclosure and the understandability of sustainability practices.

I hope that at least a few insights will spark further conversations and enlarge perspectives of non-financial information disclosure in the accounting literature stream.

3. Structure of the book

On the basis of the above considerations, the book is structured as follows (see Figure I.1).

Chapter 1 reviews the academic literature on non-financial information disclosure following the disclosure taxonomy into the three levels of analysis proposed by Devalle and Rizzato (2013). Beginning with the analysis of the information type – namely, *financial information* versus *non-financial information* – the chapter addresses the established financial information within financial reporting and then deeply discusses the development of non-financial information. This analysis flows by considering the obligation to specifically disclose *non-financial voluntary information* versus *non-financial mandatory*

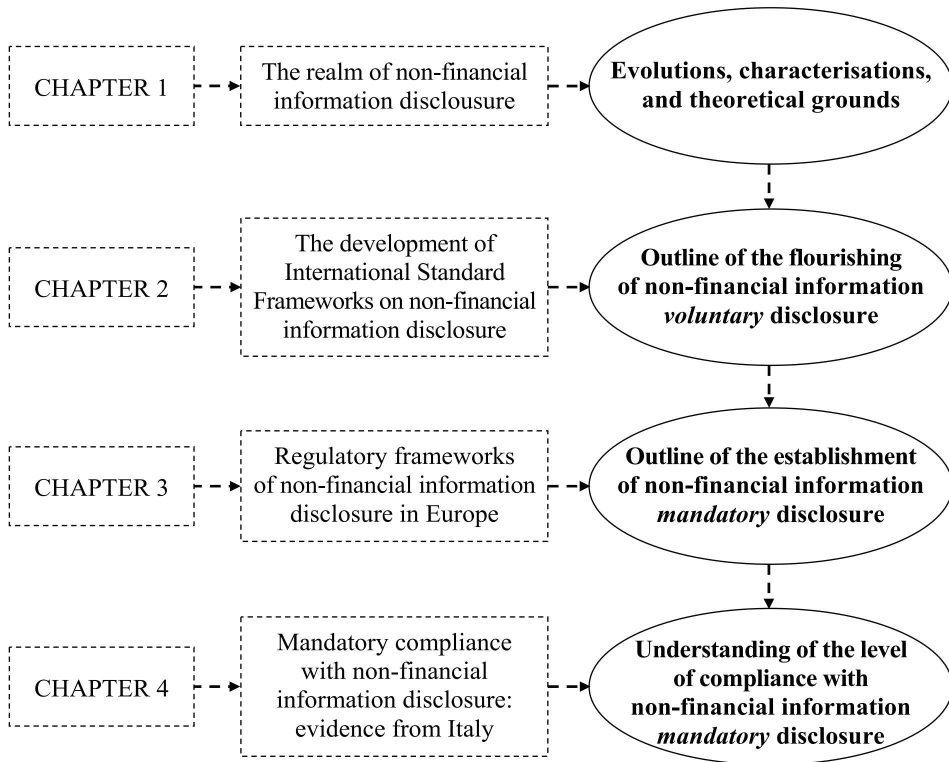
information alongside the way information (*qualitative* and *quantitative information*) is disclosed; hence, the chapter designs the collection methods for assessing non-financial information disclosure. Finally, the analysis anchors to the theoretical grounds to explain the motifs that drive – or the underling reasonings that forge – the development of non-financial information disclosure. This chapter aims to track the evolutionary paths in the realm of non-financial information disclosure.

Chapter 2 explores the colourful and vivid environment of the international standards frameworks that shapes non-financial information disclosure under a voluntary-based approach. By addressing the main international standards frameworks, the chapter describes their nature, objectives, and configurations as well as the surrounding debate on their strengths and drawbacks. This chapter aims to frame the flourishing of the international standards frameworks over non-financial information voluntary disclosure as well as describe the features of the most globally recognised international standards frameworks.

Chapter 3 illustrates the development paths towards a mandatory regime of disclosure across Europe. Thus, it reviews the national laws corresponding to non-financial information disclosure and then moves onto the breaking stride of Directive 95/2014/EU and the related national law transpositions of such compulsory requirements, which shapes a common-ground field of non-financial information disclosure.

Chapter 4 provides initial insights into the application of non-financial information disclosure's mandatory adequacy across Italy. The chapter focuses its empirical analysis on all 150 listed Italian companies that are obliged to prepare their 2017 non-financial statements for the first year of mandatory compliance according to Italian Legislative Decree 254/2016. The chapter's aim is twofold; it firstly aims to define their level of compliance in the first year of this regulatory adequacy, while it secondly aims to verify the relationship between their level of compliance and management discretion – namely, to understand whether or not management discretion affects compliance level.

Figure I.1 – *Structure of the book*



Source: Author's elaboration.

1. The realm of non-financial information disclosure: evolutions, characterisations, and theoretical grounds

1.1. Introduction

Non-financial information disclosure has escalated its way up the accounting ladder over the last 40 years. By juxtaposing sustainability reporting and social accounting, such disclosure has become the vehicle for communicating information about how a company runs its business because this disclosure draws a portrayal of the company's objectives, strategies, activities, and performances. It includes the company's basic features (e.g., industry, nature of the business, size) and comprehends the disclosure of the corporate governance structure and the reporting process. Furthermore, it tracks targets, processes, and results in order to describe how sustainability issues (e.g., economic, social, and environmental practices, human rights, and product responsibility) are entangled with corporate strategies.

Along this line, corporate reporting has gathered a wide connotation, as it has become 'an essential means by which companies communicate with stakeholders as part of their accountability and stewardship obligations' (Federation of European Accountants, 2015, p. 7). Such reporting is the communication process between managers and stakeholders (Allegrini, 2003; Greco, 2010) that explains business decisions, financial and non-financial targets, processes, and results that hold the attention of a variety of constituents; for instance, investors and analysts may use disclosure to rank investment opportunities, suppliers and customers might aim to monitor a company's actions and practices, while public governments may require information in order to delineate policies and public goals. Along this line, the contemporary definition of corporate reporting provided by the Federation of European Accountants (2015) is adopted as an anchored starting point because it embraces the disclosure of both fi-

nancial and non-financial information for multi-faceted stakeholders' interests.

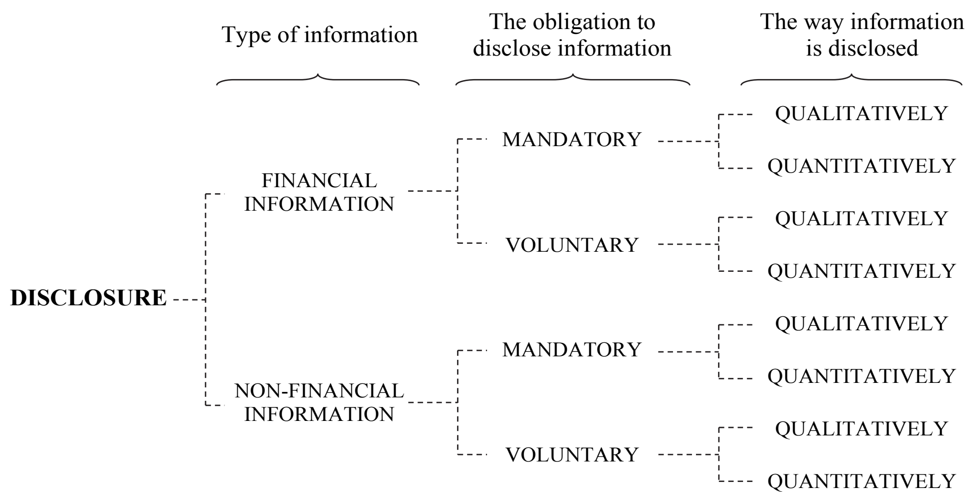
The mainstream accounting literature classifies disclosure according to the type of information disclosed, the obligation to disclose information, and the way such information is reported (Devalle and Rizzato, 2013, p. 91). Considering the type of information disclosed, we have non-financial information disclosure, which has gained prominence beside financial information disclosure. Conventional financial information disclosure is related to a company's financial statement and guides financial and economic decisions, enhances operational efficiency, improves risk management, and supports investors' confidence. Conversely, non-financial information disclosure includes a broad range of information that can be presented in both financial statements and other documents [1]. With reference to the obligation to disclose, information can be voluntarily presented against other information that may be forced by regulation and compulsory requirements. The first type (voluntary disclosure) relies on the self-disclosure of information for a credible signal to markets and stakeholders (Malsch, 2013) and is considered an inner method of self-regulated communication. The second type is termed mandatory disclosure because it is imposed by the law. Ultimately, this information can be quantitative or qualitative according to the way the information is reported. Quantitative information is presented in the form of numbers, whilst qualitative information includes narratives, texts, and pictures.

Similarly, Trucco (2015) groups accounting information into the following three levels of analysis. The mandatory versus voluntary information disclosure and financial versus non-financial information disclosure clusters follow the classification provided by Devalle and Rizzato (2013), while the third level of analysis refers to forward-looking information against historical information according to a specific time frame. The former disclosure refers to future strategies, action plans, and expected targets, while the latter includes information related to past business events, conducts, operations, and performances; as stated by Trucco (2015), 'these three levels of analysis are not independent of one other, and the relative boundaries are not easily detected and defined. As a matter of fact, mandatory disclosure could encompass financial and non-financial information as well as forward-looking and historical information. The same considerations could arise from the side of voluntary disclosure. Furthermore, financial information as well as non-financial information contained in mandatory disclosure could be forward-looking and/or historical information. Similar considerations could arise from the side of voluntary disclosure' (p. 15).

[1] A thoughtful discussion on the meanings for non-financial information disclosure will be presented in Section 1.4.

Concurring with these classifications thus far, Figure 1.1 illustrates the disclosure taxonomy under which the rest of this chapter will accordingly discuss the genesis and development paths of non-financial information disclosure. In fact, financial disclosure has lain at the heart of early mainstream accounting literature, while non-financial information disclosure has progressively conquered a position alongside financial information. Along this line, in its initial stages, non-financial information disclosure was primarily classified under a voluntary-based approach; it later developed into a common-ground field with mandatory requirements.

Figure 1.1 – *Disclosure taxonomy*



Source: Author's elaboration.

Accordingly, this chapter outlines non-financial information disclosure by drawing on this evolutionary path and keeping with the disclosure taxonomy depicted in Figure 1.1. In so doing, the chapter seeks to provide a comprehensive representation of the flourishing of non-financial information disclosure, the current scenario, and the underlying reasons that drive such an approach.

The remainder of the chapter is organised as follows. Section 1.2 traces the historical evolutions of disclosure by tracking the main streams of financial disclosure and non-financial disclosure. Section 1.3 focuses on the meanings and controversial understandings of the term 'non-financial information' in further depth. Section 1.4 subsequently moves onto the analysis of non-financial information disclosure under a voluntary-based approach against a

mandatory regime of disclosure. Section 1.5 describes the ways under which non-financial information disclosure can be presented (e.g., qualitative versus quantitative), while Section 1.6 follows by presenting the consequent ways academics and practitioners collect non-financial information disclosure. Section 1.7 attempts to explain the bottom reasons and underlying motifs of non-financial information disclosure, which can be articulated through the acknowledgement of the range of theories that explain specific ways of thinking and perceiving (e.g., agency theory, institutional theory, legitimacy theory, and stakeholder theory). Section 1.8 draws the conclusions.

1.2. Historical evolutions of financial and non-financial disclosure

The genesis of disclosure is linked with accounting, which involves recording transactions in inventories and bookkeepers and translate those transactions into information flows. The circuit of information is gathered into the company's information system (Cantino, 2005), which turns all the recorded transactions into internal and external information and intertwines them with one another. On one hand, internal information uses accounting information to support the company's internal decision-making process and internal purposes, such as planning and control; on the other hand, external information includes objectives, results, and performances that serve external purposes within the outside world [2]. Therefore, the information system serves a variety of purposes that range from managing internal procedures, overseeing the internal control, and ensuring transparency of information for the company's external users (Cantino, 2007; Cantino and Devalle, 2011) [3].

External users possess different interests and accordingly call for different information. In this vein, the company must comprehend an expansive array of information in order to satisfy different stakes, with the ultimate goal to establish transparency among all stakeholders. The interplay between the company and its stakeholders can be perceived as a socially grounded relationship based on the former's commitment to satisfy all interested parties [4]. In such a

---

[2] Based on such a distinction, accounting is generally classified into *management accounting*, which uses accounting information to support a company's internal decision-making processes, and *financial accounting*, which informs external users.

[3] See Cantino, V. (2005), *Management Information System*, McGraw Hill. Cantino, V. (2002), *Valore d'impresa e merito creditizio – Il rating*, Giuffrè.

[4] The Italian conceptualization of a company is the following: the '*azienda*' is intended as 'an economic coordination established to satisfy human needs' (Zappa, 1950, p. 54)

relationship, accountability and responsibility interface with each other (Zadek, 1998, 2004).

The evolution of corporate reporting and disclosure must be acknowledged as a reaction to the progressive changes of stakeholders' interests and needs (Tschopp and Huefner, 2015, p. 13). While financial reports are mainly prepared to showcase a company's achieved profits and financial results for investment purposes regarding the interests of shareholders, investors, and lending institutions, sustainability reporting presents a broader representation of the company's objectives towards sustainability issues with the aim of meeting the needs of disparate stakeholders, including employees, customers, suppliers, governments, shareholders, potential investors, and society as a whole. The commonality between financial reporting and non-financial reporting relates to transparency, however, we must acknowledge different views when analysing the moral duty of reporting to achieve transparency. In the eyes of financial reporting, the basic premise of transparency lies upon the asymmetric information reduction under an agency theory perspective, whilst in sustainability reporting, transparency is perceived as an improvement of equality within society that includes an inclusive logic that satisfies stakeholders' demands and acquires organisational legitimacy (Nielsen and Madsen, 2009).

Tschoop's (2015) study compares the path developments of financial reporting and Corporate Social Responsibility (CSR) reporting following the Comparative International Accounting History (CIAH) framework proposed by Carnegie and Napier (2002). Within this framework, the characterisations of period, places, people, practices, propagation, products, and profession describe similarities and differences as well as how types of reporting have evolved over time (p. 565). Table 1.1 summarises the seven main dimensions drawn by the CIAH framework.

Drawing upon these premises thus far, the next sections will frame financial and non-financial disclosure alongside the evolution stream of financial and sustainability reporting.

---

and 'an economic system of forces in continuous adaptation to the composite economic system of which it is a complementary part, in order to carry out a production process or a distribution process or, at the same time, a production and distribution process [...] for the satisfaction of human needs' (Amaduzzi, 1936, p. 19). Under this holistic view of the '*azienda*' concept, a business's purpose is to ensure its continuity throughout the year with a residual distribution of dividends to shareholders following an equal compensation of all stakeholders; see Zappa (1927); Onida (1961); Ferrero (1987); Signori and Rusconi (2009).

Table 1.1 – Comparison of financial reporting to sustainability reporting

Dimensions	*Financial reporting*	*Sustainability reporting*
Period	Evolution of capitalism, industrialisation, and increased participation in capital markets	Evolution of sustainability movements and social activism in favour of environmental challenges and sustainability concerns
Places	Worldwide diffusion following financial accounting standard-setting bodies, such as the IASB, the U.S. FASB, and governments	Primary establishment in developed countries under a voluntary-based approach and recent changes to a mandatory regime of disclosure
People	Shareholders, investors, debt and equity providers	Employees, customers, suppliers, shareholders, investors, governments, society
Practices	The EU has applied IFRS, whilst the U.S. has maintained the U.S. GAAP	There is no unanimous consensus around a common international standards framework
Propagation	Intergovernmental institutions have promoted IFRS	Intergovernmental institutions have encouraged voluntary applications
Products	U.S. GAAP are rule-based standards, whereas IFRS are more accurately principles-based standards	GRI is rule based but leaves to companies three different applications of such a disclosure
Profession	Governmental regulatory bodies, such as the SEC and FASB in the U.S. (domestically) and the IASB (globally)	GRI, AccountAbility, the UN Global Compact

Source: Tschopp and Huefner (2015).

1.2.1. *The longer-established development of financial reporting*

Financial reporting includes reporting information into the balance sheet regarding how much the company owns and owes, the costs incurred, and the revenues earned on the income statements as well as the flows of financial cash on the cash flows statements. Thus, such reporting computes net assets and the net income during a distinct accounting period. Financial reporting was designed to provide information on past and current financial positions within an accounting period.

Along this line, financial disclosure can be defined as 'the formulation of information flows of the company in favour of the users – current and potential – with the aim to provide information – both historical and forward-looking – with reference to the economic and financial position of the company' (Devalle, 2010, p. 1).

The International Accounting Standards Board (IASB) set forth that the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions (International Accounting Standards Board, 2010). The 'Comprehensive Business Reporting Model: Financial Reporting for Investors' addresses the role of financial statements and establishes the objective of providing useful disclosure for sound investment decision making [5].

In Europe, two Directives provide a complete set of rules for the preparation and content of statutory financial statements. Directive 78/660/EEC for individual financial statements has been in place since 1978, and Directive 83/349/ECC for consolidated financial statements since 1983. They are often referred to as the "Accounting Directives". The international harmonisation process has been enhanced when the EU had decided to obliged listed companies to apply the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in 2005. The Financial Accounting Standards Board (FASB) has improved the global accounting standards by setting forth 'a reasonably complete set of unbiased accounting standards that require relevant, reliable information that is decision useful for outside investors, creditors, and others who make similar decisions would constitute a high quality set of accounting standards' (FABS, 1998 cited from Fajardo, 2016). The primary objective of such an international convergence was to promote a common language in companies' accounts, enhance cross-border comparability, and satisfy the aims of investors and the market alike (Trucco, 2015). In fact, this process was initiated in response to the increasing necessity to estab-

---

[5] 'Corporate financial statements and their related disclosures are fundamental to sound investment decision making. The well-being of the world's financial markets, and of the millions of investors who entrust their financial present and future to those markets, depends directly on the information financial statements and disclosures provided. Consequently, the quality of the information drives global financial markets. The quality, in turn, depends directly on the principles and standards managers apply when recognizing and measuring economic activities and events affecting their companies' operations. Financial statements should serve the needs of those who provide capital to a company and bearers in a company. Hence, we believe that one of primary objectives of financial reporting and disclosure must be to provide all of the information that the owners of common equity require to evaluate their investments. Common shareowners use of information to make forecasts of future cash flows, evaluate the sustainability of the company's business model, and assess its cash-generating ability. This information is used to estimate the investment's value and its future value'. CFA Institute Center for Financial Market Integrity, A Comprehensive Business Reporting Model: Financial Reporting for Investors, July 2007 www.cfapubs.org (Schacht *et al.*, 2007).

lish data comparability and enhance the efficiency of global markets by improving the information available to investors.

Along this evolutionary trend, academics in the accounting and finance literature have devoted intensive efforts towards investigating the effects of adopting the IFRS in different countries. Some studies analyse the impact of the harmonisation process, and findings indicate that this process has both enhanced transparency and comparability as well as facilitated international business (Zarb, 2006). Other academic works capture the effect of IAS/IFRS disclosure on 'the relationship between accounting data and stock prices' [6] (Devalle *et al.*, 2010, p. 93). Furthermore, other scholarly research works investigate sequential changes in the internal control system and information system following the introduction of IAS/IFRS (Cantino and Devalle, 2005, 2011; Andrei, 2006; Marchi, Paolini and Castellano, 2008).

In the aftermath of the financial crisis and corporate scandals (e.g., Enron, J.P. Morgan) that have severely affected the economy within the last decade, inadequate disclosure of information, scarce procedures on risk assessment, the total absence of governance structures to ensure accountability, and transparency have been acknowledged as primary deficiencies (Waddock, 2011; Brockett and Rezaee, 2012a). Moreover, capital providers – shareholder–stockholders and, generally, equity and bond providers – have been exclusively at the centre of attention, while managers have primarily focused on short-term results to reward shareholders' expectations. The focal objective was to increase shareholder value and stock prices at the expense of other stakeholder groups (e.g., suppliers, customers) who received residual attention.

In contrast to the dominant market logic and wealth maximisation, the idea that companies possess more responsibilities than the sole meeting of shareholders' claims has gathered a consensus and has firmly acquired prominence in response to the financial crisis fallacies. In 2010, the IASB started recognising increasing interest to forward-looking information and qualitative characteristics (IASB, 2010b) [7]. The Management Commentary attempted to stimulate the disclosure of more non-financial and forward-looking information than financial and historical information (IASB, 2010b). In a similar vein, the Accounting Standards Board in the U.K. issued the Reporting Statement: Op-

---

[6] Value relevance can be described as '[...] the ability of financial statement information to capture or summarize information that affects share values' (Hellström, 2006, p. 325, cited in Devalle, 2010).

[7] The Management Commentary includes forward-looking information as well as that which possesses the qualitative characteristics described in the Conceptual Framework for Financial Reporting (the IFRS Practice Statement Management Commentary) (IASB, 2010b) for the launch of dedicated standards related to sustainability.

erating and Financial Review (ASB, 2006), which is a 'narrative explanation, provided in or accompanying the annual report of the main trends and factors underlying the development, performance and position of an entity during the financial year covered by the financial statements, and those which are likely to affect the entity's future development, performance and position'. In June 2014, the Financial Reporting Council issued the Guidance on the Strategic Report, which encouraged companies to prepare a 'high quality strategic report – which provides shareholders with a holistic and meaningful picture of an entity's business model, strategy, development, performance, position and future prospects' (ASB, 2014).

Furthermore, alongside traditional financial reporting, other forms of reporting with disclosed information related to social, environmental, and sustainability issues have progressively developed. In the next section, the phenomenon in question will be analysed.

1.2.2. *The rise of sustainability reporting*

CSR reporting, or sustainability reporting [8], is defined as the 'process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large' (Gray, Owen, and Adams, 1996, p. 3). In this vein, the premise of social disclosure originates from social theory, which implies that companies have a social contract with society [9]; specifically, companies owe stakeholders certain duties.

The increasing consideration of sustainability issues in reporting practices flourished after the occurrence of corporate scandals (e.g., Enron, Parmalat) and the global financial crisis, both of which jeopardised the worldwide economy. As a response, management scholars have started questioning the ethical responsibility of each business, and accounting and management academics emphasise a progressive awareness around the deficiencies of a short-termism view that exclusively relies on the maximisation of shareholder value and fi-

---

[8] Non-financial reporting, CSR reporting, and sustainability reporting are considered synonyms, hence, in this book, they are interchangeably adopted with equal meanings.

[9] In Shocker and Sethi's words (1973, p. 67), 'Any social institution – and business in no exception – operates in society via a social contract, expressed or implied, whereby its survival and growth are based on: the delivery of some socially desirable ends to society in general and, the distribution of economic, social or political benefits to groups from which it derives its power. In a dynamic society, neither the sources of institutional power nor the needs for its services are permanent. Therefore, an institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval'.

nancial performances for investors. In fact, both investors and shareholder ignore that 'surplus could potentially derive from social and environmental externalities' (Gray, 2006, p. 798). For instance, quite a few research studies on intangible assets empirically demonstrate that up to 80% of a company's market value may not be reflected in its financial statements (Lev, 2000; Arvidsson, 2011) but rather derive from intangible assets.

Organisations have started acknowledging their role in society and protecting both the environment and the ecosystem's resources, as risky contingencies regarding sustainable development[10] have increasingly surfaced; these include environmental concerns (e.g., depletion of natural resources, climate change, deforestation, water scarcity, overwhelming greenhouse gas emissions), product responsibility, human rights abuses, and employee safety. Both financial risks and sustainability risks have become even more complex and effective; therefore, the identification of an exposed area of uncertainty, the thorough understanding of its effects, and, ultimately, the implementation of actions for monitoring have proven to be crucial elements at the core of business activities, the surrounding environment, and society as a whole. Therefore, businesses have started voluntarily disclosing their objectives, actions, and performances on sustainability issues into their sustainability and CSR reports.

The growth of sustainability reports can be circumscribed into three phases (Marlin, Alice and Marlin, 2003; Tschopp and Huefner, 2015). The first phase began in the 1970s and 1980s, when reports were mainly prepared for eco-marketing campaigns – namely for 'greenwashing' scopes – with few comparable data. The second phase breathed life over 20 years ago to meet the expectations of various categories of stakeholders. Then, the third phase arose corresponding to the explosion of international standards frameworks as well as the related introduction of third-party reporting certification to increase data comparability and verifiability. In modern times, we could recognise a fourth phase related to the progressive movement, from a voluntary regime of disclosure enacted by an international standards framework to a mandatory regime of disclosure regulated by the law (See Chapter 3).

Several studies prove the effective establishment of sustainability objectives, action, and results as a common reporting practice (King & Bartels, 2015; KPMG, 2017a). According to the KPMG International Survey of Corporate Responsibility Reporting in 2015, the reporting of non-financial infor-

---

[10] The concept of sustainable development was postulated in 1987 in the Brundtland report (the United Nations World Commission on Environment and Development's book *Our Common Future*) as the 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (Brundtland G.H., 1987).

mation and sustainability issues stabilises at high levels – with a reporting rate equal to 73% among the N100 companies and 92% among the G250 companies [11]. In fact, a steady increase is apparent in comparison to the prior survey conducted in 2013; at that time, N100 companies registered a reporting rate of 71% and G250 companies registered a reporting rate of 93%. If we look back at 1999, an evident explosion of reporting practices occurred, as the reporting rate for that year was 24% for N100 companies and 35% for G250 companies. Even third-party independent assurance of sustainability reporting has continued growing among the world's largest companies (G250) – almost two-thirds of whom invest in assurance.

In the last 2017 KPMG International Survey of Corporate Responsibility Reporting, a movement favoured the application of the Sustainable Development Goals (SDGs) [12] by specifically linking sustainable and responsible activities with the SDGs. As a result, the European G250 companies are leading the way towards sustainable development (e.g., Germany = 83%, France = 63%), whilst U.S. companies lag behind at 31%. The application of the SDGs is particularly evident in the utility, automotive, and retail sectors, (58%, 58%, and 57%, respectively) whereas they are not yet adequately covered in the financial services or oil and gas sectors (37% and 28%, respectively).

1.3. Meanings of non-financial information disclosure

Among scholarly academics in the stream of social and environmental accounting research, as well as professional associations and consultancy agencies, there exists a growing interest in what has been broadly termed non-financial information disclosure. This phenomenon has progressively enriched the accounting and reporting lexicons with a broader range of information, considering corporate governance issues, environmental and social matters, intangible assets, and intellectual properties, among other aspects. This interest has thus far increasingly expanded with several taxonomies of non-financial information types, all of which are grouped under the umbrella term 'non-financial information disclosure'.

Despite the growing enthusiasm regarding this issue, the concept is relatively vague, and a significant divergence of perspective seems to be gathering mo-

[11] N100 refers to a worldwide sample of 4,900 companies comprising the top 100 companies by revenue in each of the 49 countries researched in the study. G250 refers to the world's 250 largest companies.

[12] The SDGs will be further explained in Section 2.2.

mentum; in other words, there currently exists neither a common understanding nor a unanimous consensus (Eccles and Krzus, 2010; Haller, Link and Groß, 2017). For example, the Director of Responsible Investment at AXA argues that '… having found 16 different phrases to describe the kind of sustainability data that managers say they are now integrated into their mainstream analysis, it's hard surprising people are confused, and that integration is not moving as quickly as it could!' (cited from 'One Report', Eccles & Krzus, 2010). Moreover, such heterogeneous terminology is even confirmed by the wide existence of reports that present non-financial information. Such reports have been labelled differently from one another, and their non-comprehensive list includes 'corporate social responsibility report', 'CSR report', 'sustainability report', 'social and environmental report', 'non-financial statement', 'integrated annual report', and 'integrated report'(Stolowy and Paugam, 2018).

Therefore, the adoption of different terminologies seriously undermines the universal conceptualisation of non-financial information and the consistent adjustment of disclosure practices within the reports. Consequently, a clear-cut classification of academics' and practitioners' views of non-financial information alongside a track development around its meanings creates a broader picture and holistic comprehension of how non-financial information is conceptualised, conceived, and implemented within corporate reporting.

Among practitioners, the flourishing of non-financial information disclosure in the accounting and reporting system is rooted in the 'Jenkins Committee' report, published in the U.S. in 1994 (AICPA, 1994; Haller, Link and Groß, 2017). Within this report, non-financial information appears for the first time by defining non-financial information as non-financial measures with historical and forward-looking views that address a company's managerial and strategical practices regarding its environment and surrounding society (Haller, Link and Groß, 2017; Rezaee and Tuo, 2017b). The Non-Financial Business Reporting Subcommittee defines non-financial information as 'all the information about the business of the reporting entity other than financial measurements of the entity's past, present, and future resources and obligations and the results of its operations or cash flows. The subcommittee considered information about economic, social, and technological trends; industry structure and outlook; and the company's mission and objectives and its success in meeting those objectives as indicated by various performance measures' (AICPA, 1994, p. 36). The need to include such information can be circumscribed to the increasing necessity to both meet several interests under changing conditions and address the interface between a company's business and a user's need for information. To this end, the Jenkins Committee identified ten elements specific to business reporting and grouped them into five sections:

- Financial and non-financial data:
  - Financial statements and related disclosures;
  - High-level operating data and performance measurements that management uses to manage the business;
- Management's analysis of the financial and non-financial data:
  - Reasons for changes in the financial, operating, and performance-related data and the identity and past effect of key trends;
- Forward-looking information:
  - Opportunities and risks, including those resulting from key trends;
  - Management's plans, including critical success factors;
  - Comparison of actual business performance to previously disclosed opportunities, risks, and management plans;
- Information about management and shareholders:
  - Directors, management, compensation, major shareholders, and transactions and relationships among related parties;
- Background of the company:
  - Broad objectives and strategies;
  - Scope and description of business and properties;
  - Impact of industry structure on the company.

At first sight, non-financial information was conceptualised within the reporting boundaries as possessing a strong business focus, and, at that time, practitioners did not perceive non-financial information with the accountability-responsibility lens of the business itself; in other words, non-financial information was conceived as a standalone communication without links to CSR [13] issues.

Among academics, one of the first definitions of non-financial information was postulated by Gray, Owen, and Maunders (1987) as 'the process of communicating the social and environmental effects of organizations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders' (p. 9). Two main characteristics of non-financial information arise from this definition; the first relates to the topics, meaning 'the social and environmental effects of organizations' are the primary issues addressed, while the second refers to the users of such information that are 'beyond … a financial account to the owners of capital'. On one hand, non-financial information relates to measures regarding CSR prac-

[13] CSR formally entered the business lexicon with the definition Howard Bowen provided in his 1953 book *The Social Responsibilities of the Businessman*. In Bowen's words, CSR 'refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society' (Bowen and Johnson, 1953, p. 6).

tices that constitute the narrative of such information and come to exist nearby the traditional financial performances. On the other hand, non-financial information is released from the traditional financial statements to serve not only common shareholders and investors, but rather all stakeholders with at least one stake jointly related to the company's business.

A similar view was embraced by Eccles and Krzus (2010), who address non-financial information as 'a broad term that applies to all information reported to shareholders and other stakeholders that is not defined by an accounting standard or a calculation of a measure based on an accounting standard, such as revenue growth, which we refer to as "financial information". Thus, nonfinancial can include economic information (e.g. market size in dollars), ratios that use accounting information (e.g. sales per square foot), and accounting-type measures for which no formal standard exists (e.g. core earnings)' (p. 84). Thus, it is clearly evident that this definition combines both the content of such information and the users to whom this information may be of interest. The study of Eccles and Krzus (2010) was one of the first to recognise the fuzzy terminology around non-financial information; as such, they grouped NFI into three main subcategories: (1) intangible assets, including intellectual capital and other intangibles; (2) KPIs, addressed as quantitative measures of results, achieved using tangible and intangible assets, and related to some financial performance indicators; and (3) environmental, social, and governance (ESG) metrics, which can constitute both an intangible asset and a KPI as well as explain ESG performances.

Other scholars classify non-financial information by considering the reporting boundary outlined around this disclosure, meaning the location of such information within or outside the traditional annual report (Robb, Single & Zarzeski, 2001; Amir, Lev & Sougiannis, 2003) or other channels of communication. Accordingly, non-financial information disclosure can be exhibited within financial statements or through other routes towards an extension of a qualitative disclosure, such as press releases, websites, and surveys; for example, Barker and Imam (2008, p. 313) describe non-financial information as 'information drawn from outside the financial statements' (cited in Erkens, Paugam & Stolowy, 2015).

Among these classifications, several surveys (e.g., AXA) and literature reviews were conducted by both academics and practitioners to investigate non-financial information's postulations. In 2008, AXA Investment Managers and AQ Research submitted a questionnaire to investment professionals to classify the NFI terminology and understand which topics are interlinked with their decision-making criteria. Sixteen diverse topics were addressed, and respondents were required to rank the following response according to its meaningful relevance using an ordinal scale 1-5: 'I now take … factors into account much more than I used to'. The factors related to sustainability information – which

respondents associate with ESG issues (3.35, the highest mark) – were followed by sustainability (3.23) and then responsible investment (3.05). As the questionnaire was primarily focused on the term used for sustainability information, the results maintained the expectations (Eccles *et al.*, 2010).

The bibliometric study of Erkens *et al.* (2015) documents meanings and definitions around non-financial information that a quantitative analysis of the academic literature published on the topic. Starting from a raw sample of 3,800 articles, the final sample included 787 articles published in 53 journals over a period of 40 years (1973-2013). The findings outline two main streams according to the covered topics and the reported boundary classification. On one hand, non-financial information relates to several topics outside and different from the traditional financial performance measures, such as management quality, strategy, intellectual capital, and the CSR approach. Thus, these studies intertwine measures of 'non-financial' performance with traditional financial measures and understand such a linkage (Erkens, Paugam and Stolowy, 2015). On the other hand, non-financial information is conceived as the non-traditional channel of communication provided on websites and press releases, including the narrative of the business itself and a proliferation of qualitative information. The former definition seems to be the most widely accepted by academics because an emphasis on measurement is extremely recognised within the accounting system. Obviously, this definition raises the question of 'what is it measuring?' and thus the classification of the topic around non-financial information may be the most significant.

The study of Haller *et al.* (2017) achieved results consistent with those achieved by Erkens *et al.* (2015). The former study investigates whether or not non-financial information holds a common understanding against a murky framing of the meanings, and the authors sent a questionnaire to both academics and practitioners alike in order to determine their results. In essence, academics define non-financial information as 'all quantitative and qualitative data on the policy pursued, the business operations, and the results of this policy in terms of output or outcome, without a direct link with a financial registration system' (Haller *et al.*, 2017, p. 418), thus supporting the bibliometric study of Erkens *et al.* (2015). Hence, Haller *et al.* (2017) acknowledge a common understanding of such non-financial information around academics, but the lack of a unanimous consensus from practitioners remains present. This issue might consequently cause miscommunication-based harm during the implementation of mandatory disclosure adoption and in turn undermines the comparability of data, measures, and definitions.

Table 1.2 provides a summary of the non-financial information definitions grouped according to their content and the reporting boundary classification. Such controversial definitions lead to diverse assessments of non-financial information disclosure in terms of content, which will be investigated in Section 1.6.

Table 1.2 – *Definitions of non-financial information disclosure*

Related Literature	*Definition*	*Content*	*Reporting Boundary*	*Measurement*
European Commission (2013b)	'Non-financial information is generally considered as environmental, social and governance information. This includes information concerning diversity'.	X		
Eccles *et al.* (2010)	'… a broad term that applies to all information reported to shareholders and other stakeholders that is not defined by an accounting standard …'.	X		
Robb and Zarzeski (2001)	'… qualitative information included in company annual reports, but outside of the four financial statements and related footnotes'.		X	
Financial Times Lexicon (2015)	'Any quantitative measure of either an individual's or an entity's performance that is not expressed in monetary units'.	X		X
Gray *et al.* (1987)	'… the process of communicating the social and environmental effects of organizations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders'.	X	X	
Meek, Roberts and Gray (1995)	'Non-financial information is directed more towards a company's social accountability and is aimed at a broader group of stakeholders than the owners/investors'.	X		
NIVRA (2008)	'Nonfinancial information comprises all quantitative and qualitative data on the policy pursued, the business operations, and the result of this policy in terms of output or outcome, without a direct link with a financial registration system'.	X		
INTOSAI Working Group on Environmental Auditing (2013)	'Non-financial information means that it is not represented in monetary terms and is not based on an accounting standard. Non-financial information can be both quantitative […] or qualitative […]'.		X	X
Flöstrand and Ström (2006)	'… information may be considered non-financial even though they are dollar denominated I that information is not included in any of the four financial statements'.			X

Related Literature	*Definition*	*Content*	*Reporting Boundary*	*Measurement*
Upton (2001)	'Nonfinancial disclosures and metrics include index, scores, ratios, counts, and other information not presented in the basic financial statements' (p. 5).		X	X
Amir, Lev and Sougiannis (2003)	'Beyond-financial-report information: information outside financial reports'.		X	
Walden and Stagliano (2003)	'Environmental disclosure in the non-financial section of the annual report'.		X	
Barker and Imam (2008)	'Information drawn from outside the financial statements' (p. 313).		X	
Cinquini *et al.* (2012)	'Facts and claims presented in non-monetary number/form (e.g. time, quality, per cent, quantity) (p. 560).			X
Chen and Bouvain (2009)	Implicit definition: 'some companies (…) have a long-standing tradition in reporting nonfinancial information and report all facets of their corporate responsibility and sustainability' (p. 300).	X		

Source: Elaboration from Erkens, Paugam and Stolowy (2015) and Haller, Link and Groß (2017).

1.4. Voluntary and mandatory non-financial information disclosure

As stated in the introduction, according to the obligation to disclose information, disclosure can be voluntary or mandatory. In the realm of non-financial information disclosure, the academic literature has extensively discussed the voluntary-based approach of non-financial information disclosure against the mandatory regime and has provided both pros and cons.

Along with the development path of non-financial information disclosure, the accounting literature originally focused on voluntary non-financial information disclosure and the effects proven by such an approach. These studies demonstrate that voluntary non-financial disclosure enhances transparency, improves reputation and brand value (Hahn and Kühnen, 2013), affects firm value (Cahan *et al.*, 2016), increases share prices (De Villiers and Marques, 2016), reduce the cost of capital (Dhaliwal *et al.*, 2011; Dhaliwal *et al.*, 2012) [14]. In greater detail, higher levels of disclosure on sustainability aspects lead to lower equity costs, and such reductions can be explained by the decrease of asymmetric information among parties. Martínez-Ferrero, Ruiz-Cano and García-Sánchez (2016) as well as Hung-Yuan (2014) confirm that the reduction of asymmetry information plays a crucial role in the sense that non-financial disclosure quality reduces the cost of capital by decreasing information asymmetry; as such, firms that promote ESG disclosure for an information asymmetry reduction objective achieve low capital costs (Dhaliwal *et al.*, 2011) [15].

The increase of sustainability reporting practices has raised numerous calls for regulatory adequacy to ensure data comparability (Beck *et al.*, 2017); hence, accounting research has started investigating mandatory regimes of non-financial information disclosure. A compulsory approach to disclosure provides data comparability as well as the standardised and transparent ways for analysing companies' social and environmental impacts. This approach allows that investors keep up-to-date information for their investment decisions (Overland, 2007) and avoids misleading behaviours due to the existence of a uniform process. Hess (2001), (2008), (2019) favours the mandatory disclosure approach and argues that the voluntary approach neglects transparency. Furthermore, since social reporting aims to contribute to an ongoing stake-

[14] See Elliott and Jacobson (1994), Elliott *et al.* (2013), Hahn and Kühnen (2013), Brooks and Oikonomou (2018).

[15] See Diamond and Verrecchia (1991); Botosan (1997); Botosan and Plumlee (2002); Graham, Harvey and Rajgopal (2005) for the longstanding interest among academics in the relation between disclosure and the cost of capital.

holder dialogue, 'social reporting must have top-down mandates for disclosure' to ensure benchmarking and ultimately lead to 'a balance benefits-to-costs ratios of both users and disclosures of social and environmental information' (Hess, 2008, p. 471). On the other hand, mandatory requirements imply high costs of monitoring and reporting, which may become higher than the expected benefits and, eventually, even higher than those in a voluntary regime. Hence, these high costs can produce a counterproductive effect if companies do not provide extensive requirements, which will consequently cause an inverse effect towards the mere 'tick the box' approach by decreasing the level of disclosure or eventually shrinking the disclosure's quality.

The more recent study of Gao *et al.* (2016) is one of the first to examine the determinants and economic consequences of the variance in CSR disclosure quality within a mandatory setting. In greater detail, based on a sample of 491 Netherland firms mandated to self-assess their CSR disclosures, the study investigates whether or not disclosure quality can affect capital markets and whether or not capital markets are likely to accordingly differentiate in their quality of disclosure. The disclosure of non-financial information has been proven by the multiple rating score of the Ministry of Economic Affairs [16], and the findings suggest that CSR performance, financing needs, and corporate governance determine the quality of CSR disclosure. Moreover, a higher-quality CSR disclosure leads to greater analyst coverage, higher levels of institutional ownership, and greater stock liquidity.

The study of Ioannou and Serafeim (2017) investigates the impact of regulatory changes and raises two issues: firstly, whether or not mandatory disclosure exerts transparency on sustainability disclosure, and secondly, whether or not regulation affects firm valuations and organisational practices through assurance. The investigation includes four countries – China, Denmark, Malaysia, and South Africa – and the findings suggest a great disclosure following the mandated regulation and, even more significantly, an increased level of credibility of such information through assurance; in other words, after regulatory changes occur, disclosure increases, and companies are more likely to seek assurance on their ESG disclosure.

Stubbs and Higgins (2018) explore practitioners' preferences between mandatory and voluntary approaches for integrated reporting, and the findings

---

[16] The Ministry of Economic Affairs developed the CSR disclosure score to evaluate the quality of companies' CSR disclosure. The CSR disclosure score comprehended multiple rating scores within each of two frameworks: the Content-Oriented Framework of Standards, which covers the (1) company and business model, (2) policy and results, and (3) management approach; and the Quality-Oriented Framework of Standards, which covers the following five criteria: (1) relevance, (2) clearness, (3) reliability, (4) responsiveness, and (5) coherence.

demonstrate that such reporting's self-regulation is greatly accepted due to its great effectiveness during the early stages of implementation. The underlying reason for this result may be attributed to the strong intrinsic intentions associated with addressing such responsibilities. However, it is also true that it might address a misleading evaluation from stakeholders (Cho *et al.*, 2015) or exponentially enhance greenwashing behaviours, which occur when companies engage with CSR practices to improve their corporate image rhetorically and not in practice (Mahoney *et al.*, 2013).

Chelli, Durocher and Fortin (2018) examine how French and Canadian firms changed their reporting practices in reaction to the promulgation of laws and regulations in their respective countries. Moreover, they also analyse firms' voluntary disclosures according to GRI guidelines. Their findings reveal that the GRI combined with local regimes prompts environmental disclosures, although a very low level of substantive disclosure is noted in both countries.

Thus, on one hand, mandatory disclosure may help stakeholders more thoroughly understand how companies perform with respect to long-term sustainability, while on the other hand, it may lead companies to adopt a mere duty without an end purpose.

1.5. Qualitative and quantitative non-financial information disclosure [17]

Depending upon the way by which non-financial information is presented, disclosure can include qualitative, quantitative, or eventually a combination of both qualitative and quantitative non-financial information. As a result, research describes the content and/or quality of disclosures. Content refers to the topics addressed, such as environmental issues, social and employee matters, human rights and anti-corruption concerns, intangibles, and intellectual capital. Some studies narrow the investigation to just one area of expertise, such as the environmental dimension (Brammer and Pavelin, 2006; Andrikopoulos and Kriklani, 2013; Kansal, Joshi and Batra, 2014; Laine *et al.*, 2017), corporate governance (Lapointe-antunes, 2015), stakeholders (Thijssens, Bollen and Hassink, 2015) or intellectual capital (Mangena, Li and Tauringana, 2016);

[17] A prior version of this paragraph constitutes a paragraph of the chapter 'Paving the path for non-financial information disclosure' in *Nuove frontiere del reporting Aziendale. La comunicazione gli stakeholders tra vincoli normativi e attese informative*, Franco Angeli, Milano, ISBN: 9788891786876 (Cantino *et al.*, 2018).

meanwhile, others draw a broader picture that encounters environmental, employee, and customer/community information types, which are generally considered sustainability issues (Adhikari *et al.*, 2015; Rezaee and Tuo, 2017a, 2017b). The content of non-financial information is mostly grouped into categories such as historical and forward-looking information – including the industry environment, market competition, company strategy, production, and customer (Rezaee and Tuo, 2017a) – and clustered in terms of monetary and non-monetary quantification. Such content is often linked with the number of words or sentences (Hackston and Milne, 1996) within the document and are derived from a company's own elaboration of checklists (Thijssens *et al.*, 2015; Mangena *et al.*, 2016) from the adoption of referred international guideline frameworks, such as the GRI (Mallin, Michelon and Raggi, 2013; Martínez-Ferrero, Garcia-Sanchez and Cuadrado-Ballesteros, 2015), and are interlinked with other international standard guidelines (e.g., ISO 26000, UN Global Compact) or, eventually, a list of other authorities, such as that of the American Institute of Certified Public Accountants (AICPA) (Robb and Zarzeski, 2001; Rezaee and Tuo, 2017b).

To assess the content of non-financial information, scholarly works primarily rely on volume-based content analysis, although academic scholars have more recently criticised prior studies that solely investigate the number of items disclosed, the amount of space allocated to such disclosure, or even further, the mere presence of some kind of information (Cho *et al.*, 2015; Michelon, Pilonato & Ricceri, 2015).

Neither the amount ('how much') nor the content ('what') of non-financial information comprehensively portray companies' disclosures because they miss other qualitative dimensions that shape the ways of disclosures, such as materiality, conciseness, and information connectivity; in other words, the extent of the disclosed information does not necessarily affect the quality of the disclosure. Therefore, studies have further disclosed indexes by considering the quality of information (how non-financial information is disclosed). In this vein, contemporary studies look at the presence of performance disclosure (Patten, Ren and Zhao, 2015) – the relevance, comparability, clarity, and neutrality of the disclosed non-financial information (Chauvey *et al.*, 2015).

A combination of content (to assess the types) and principles (to assess the ways) is addressed; for example, the disclosure index of Eccles, Krzus, and Ribot (2015), which assesses the level of disclosure within the integrated reports (IRs), settle up with seven content elements (organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, and outlook), six capitals derived from the Consultation Draft of the International <IR> Framework (fi-

nancial, manufactured, natural, intellectual, human, and social and relationship), and seven special factors. The seven factors determine the quality of disclosure within an IR by identifying (1) material risks, (2) how material risks are handled/mitigated, (3) the presence of a ‘materiality matrix’ to present the risks, (4) stakeholder engagement, (5) the connectivity of information, (6) website content’s supporting/communicating of an IR’s content, and (7) a letter from the Chief Executive Officer or Chief Sustainability Officer that addresses the organisation’s sustainability.

Michelon *et al.* (2015) frame non-financial information disclosure in ‘three different complementary spheres: the content of the information disclosed (what and how much is disclosed), the type of measures used to describe and discuss CSR activities (how it is disclosed) and the managerial orientation (the corporate approach to CSR)’. The authors first measure the content by adopting the G3 guidelines (GRI, 2006) and then acknowledge the information’s accuracy with regard to qualified and quantified CSR activities grouped into qualitative, quantitative, or monetary terms to investigate the CSR disclosure’s quality. Furthermore, quality is assessed considering the managerial orientation postulated by Beretta and Bozzolan (2004), who recognise both the time orientation and the boilerplate approach to CSR versus the committed approach to CSR [18].

Other studies (Melloni and Stacchezzini, 2016; Melloni, Caglio and Perego, 2017) enrich the way non-financial information disclosure is explored by considering the disclosure’s tone, conciseness, completeness, and balance. In greater detail, Melloni *et al.* (2016) address the disclosure’s tone in terms of a positive or non-positive connation of sentences that examine the type of measure (quantitative or non-quantitative), the time orientation (forward looking or non-forward looking), and the ‘business model’ category according to the IIRF guidelines. Melloni *et al.* (2017) focus on the amount of disclosure defined with its respectively measured length with the natural logarithmic number of pages and scope using the Fog Index [19] to measure its readability.

---

[18] Michelon *et al.* (2015) intend time orientation as forward or backward looking, whereas the boilerplate approach versus the committed approach to CSR is intended as the general information that does not help readers understand the impact of corporate activities (boilerplate); conversely, the information provided to the reader is specific to the objective and results, thus providing insight into the organization’s commitment.

[19] ‘Fog index combines the number of words per sentence and the number of syllables per word to measure reports’ readability under the assumption that more words per sentence or more syllables per word make a document harder to read. It is calculated as follows: Fog = (words_per_sentence + percent_of_complex_words) ⁄ 0.4 […] the relation between the Fog and reading ease is as follows: Fog ! 18 (unreadable); 14-18 (difficult); 12-14 (ideal); 10-12 (acceptable); and 8-10 (childish)’. (Melloni *et al.*, 2017, p. 226).

The existing literature tends to mainly focus on a combination of both the quantity – considering the amount of information – and the quality – which deals with linguistic features (Melloni *et al.*, 2017) – of the textual information and number data that are increasingly under greater scrutiny.

1.6. Collection methods of non-financial information disclosure

When assessing non-financial information using a qualitative and/or quantitative method and when gathering non-financial information accordingly, scholarly researchers typically employ one of the following methods. The first research method uses hand-collected data framed around the content analysis of a company's CSR reports, website, and press releases, while the second research method relies on pre-existing data that are automatically gathered through databases provided by consultancy agencies or governmental bodies. These research methodologies are explained in the following section.

1.6.1. *Content analysis*

Content analysis is commonly used to assess disclosure levels because it is 'a tool for the interpretation of usually written (corporate) communication [...] and may help understand and interpret the manifest as well as latent content of communication regarding a corporation's ethical understanding, conduct, and behavior' (Lock and Seele, 2015; Seele and Lock, 2015). Content analysis is 'a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use' (Krippendorff, 2004, p. 18) that 'views data as representations not of physical events but of texts, images, and expressions that are created to be seen, read, interpreted, and acted on for their meanings, and must therefore be analyzed with such uses in mind. Analyzing texts in the contexts of their uses distinguishes content analysis from other methods of inquiry' (Krippendorff, 2013, p. xvii). However, content analysis differs from the discourse analysis, which is conversely defined as a 'purely qualitative approach that focuses on the meaning of a text with respect to its semantic, linguistic, and argumentative dimension (Gee, 2010, quoted by Lock and Seele, 2015, p. 158). Lock and Seele (2015) synthesise the power of quantitative content analysis with four points: as a method (1) to reduce the respondent's bias, (2) to easily check for the validity and reliability of collected data, (3) to properly strengthen triangulation in the event that such a method is intertwined with interviews or questionnaires, and (4) to understand a company's CSR communication, ethical behaviour, or standard of

conduct. As Lock and Seele (2015) underline, content analysis can be executed with both a quantitative and qualitative level of analysis, and the boundaries among such modes are controversial; herein lies the reason why discourse analysis and qualitative content analysis may often overlap. In whatever way the content analysis is conducted, contextualisation on the circumstances surrounding the text should be considered (Krippendorff, 2013).

Content analysis can be performed in either a quantitative or qualitative vein. The difference among those two modes can be circumscribed to the investigation sample and the examination of communication symbols. A qualitative content analysis relies on case studies and a small sample of units and aims to investigate the context and meanings of what is said by a constructive view, while a quantitative content analysis 'is the systematic and replicable explanation of symbols of communication, which have been assigned numeric values according to valid measurement rules, and the analysis of relationships involving those values using statistical methods' (Riffe, Lacy and Fico, 1998, p. 20). A statistical analysis helps 'describe the communication, draw inferences about its meaning, or infer from the communication to its context, both of production and consumption' (Riffe *et al.*, 1998, p. 20). This method primarily prevails in accounting studies (Huang and Watson, 2015), where quantitative content analysis is used by developing disclosure indexes and assess non-financial information.

Research in the accounting stream generally implements disclosure indexes that follow one of the following methods: the dichotomous approach, also known as the unweighted method, or the ranked-scale scoring method, also known as the weighted method (Devalle, Rizzato and Busso, 2016). Eventually, studies may also adopt a combination of both methods to sort out an index that synthetises the level of disclosure regarding the content and quality of such information.

Dichotomous procedures refer to the unweighted methods of disclosure due to the assumption of equal relevance for each item (Devalle, Rizzato and Busso, 2016). According to prior research, these procedures generally rely on item checklists and assess the presence or absence of information by assigning '1' if the information is disclosed and '0' otherwise (Devalle and Rizzato, 2013). This approach undermines non-material information – in other words, information with an unrelated scope with the business. To overcome such an issue, Cooke's (1989) method exclusively evaluates material items that are present and not present; in other words, non-material items are not taken into account and are assigned a 'non-applicable score'. The formula for the index calculation with the unweighted dichotomous method is presented below.

$$DScore_{unweighted_j} = \frac{\sum_i^n = 1^{d_i}}{\sum_i^n = 1^{x_i}}$$

where:

j = the company;
i = the item;
d = the item presented with '1' coding.

Studies that address non-financial information disclosure using dichotomous procedures adopt GRI schemes or build their own checklists; for example, the research of Muttakin and Khan (2014) assesses the extent of CSR disclosure in annual reports with the construction of a checklist containing 20 items and without penalising a firm for non-disclosure if the item is not relevant to the firm (Cooke, 1989). Similarly, Dias (2017) calculates the additive and equally weighted scoring for the CSR disclosure by adopting 40 indicators from the GRI guidelines without assigning negative marks in the event that an item was expressly considered irrelevant by the company.

Ranked-scale approaches (the weighted method) determine indexes that assess the non-financial information disclosure's degree of fulfilment by assigning increasing importance to disclosure items; in other words, firms under evaluation receive more points when they respect pre-determined criteria selected by the researcher, such as completeness or truthfulness. The result is a kind of disclosure index measured by the following formula.

$$DScore_{weighted_w} = \sum_1 \sum_{i=1}^n d_{ij}$$

where:

d_{ij} = an item disclosed according to a rating scale;
n = the maximum number of items a company is expected to disclose.

A considerably large number of academic works follow this research method (Kansal *et al.*, 2014; Skouloudis *et al.*, 2014; Martínez-Ferrero *et al.*, 2015; Rezaee and Tuo, 2017a). Among other researchers, Rezaee (2017) sets up a two-scale method and assigns one point if the firm discloses the item according to the Jenkins Committee's list (AICPA, 1994), two points if the firm provides further and detailed explanations, and zero if no information exists. Kansal *et al.* (2014) develop their corporate social environmental energy

emissions score by weighting disclosures on a five-point rating scale[20], whereas Martínez-Ferrero *et al.* (2015) determine the GRI value – the level of standardisation of the CSR information disclosed – on a four-point scale[21]. The coding procedure is undoubtedly affected by subjectivity and thus leads to unbiased disclosure scores. Therefore, to overcome such concerns, researchers always assess codes' reliability and calculate the Krippendorff's alpha coefficient to firstly measure the agreement among the observers and coders and secondly test the reliability of the gathered data.

A third group of indexes can be derived from the mixed-method approaches when academics rely on primary data because they aim to capture intrinsic and/or extrinsic perceptions and opinions on certain issues originating from various categories of stakeholders to enrich disclosure quality (Lu and Abeysekera, 2014, 2017). For instance, the study of Lu and Abeysekera (2017) introduces the Social and Environmental Disclosure Index (SEDI), which is jointly based on content analysis, scoring criteria, and a questionnaire to combine stakeholders' perceptions of the quality and quantity of corporate social and environmental disclosure (Lu & Abeysekera, 2014, 2017). The SEDI is codified as follows: the first 121 reporting items from GRI (G3) are considered to address social and environmental disclosure (quantity of disclosure); next, a questionnaire was developed to understand perceptions among stakeholders regarding the disclosure type's quality; and finally, a panel consultation of stakeholders ascertains their perceptions of the relative importance of the 121 GRI reporting items (disclosure item quality). With such an approach, disclosure on non-financial information and sustainability issues is enriched because researchers can provide hand-collected data (from reports) and primary data such that unique data from surveys and questionnaires and the combination of objective and subjective aspects of disclosure both from the company and stakeholder perspectives highly refine the evaluation.

[20] '0' if none of the items have been disclosed; '1' if one or less than one sentence has been disclosed; '2' if more than one sentence has been disclosed; '3' if only one quantitative figure is found; '4' if the disclosure is non-monetary and comprises more than one figure; '5' if the disclosure is expressed in monetary terms; and the maximum number of items a company is expected to disclose (96 items).

[21] 'GRI = 0' for companies that do not disclose CSR information or companies that disclose CSR information that does not comply with GRI guidelines; 'GRI = 1' for companies that disclose CSR information following the C level of the GRI guidelines (i.e., their reports are very basic); 'GRI = 2' for companies that disclose CSR information following the B level of the GRI guidelines (i.e., their reports are complete); 'GRI = 3' for companies that disclose CSR information following the A level of the GRI guidelines (i.e., their reports are very advanced).

1.6.2. *Databases provided by consultancy agencies and governmental bodies*

Other scholarly works set up non-financial information disclosure by extracting information from databases such as Bloomberg, KLD Research & Analytics, Inc. (KLD)[22], DataStream (Gao *et al.*, 2016; Li *et al.*, 2018) or from rating agencies as well as both national and international authorities (Brammer and Pavelin, 2006; Cahan *et al.*, 2016).

The selection of non-financial information from databases includes a consultation of DataStream, KLD, or Bloomberg. DataStream, also known as Thomson Reuters Asset4, displays a company's ESG commitment across three dimensions: environmental performance (emissions reduction, resource reduction, product innovation), social performance (employment quality, health and safety, training and development, diversity, human rights, community, product responsibility), and corporate governance structure (management). This database provides and dichotomously scores such information on a scale from 0 to 100; when the information is not present in a company's reports, website, or press releases, the code becomes 'NA' (not available). Similarly, the KLD Statistical Tool for Analyzing Trends in Social and Environmental Performance is a database that includes annual snapshots of companies' ESG performance assessed by KLD Research & Analytics, Inc. This database rates binary data as '1' if the information is available and '0' if the information is not available on a sample of 3,000 publicly traded U.S. companies. Bloomberg addresses similar metrics and provides an overview of the company's support of sustainability affairs with a ranking comparison to industry peers.

The studies of Li *et al.* (2018) and Qiu *et al.* (2016) address their indexes based on the scores provided by Bloomberg and DataStream to respectively investigate the role of CEO power regarding its influence on the ESG disclosure's impact on firm value (Li *et al.*, 2018) and whether or not a linkage exists between voluntary disclosures and profitability (Qiu *et al.*, 2016).

Ultimately, non-financial information disclosure can also circulate in the form of the proprietary data of rating agencies and national/international authorities (Cahan *et al.*, 2016). We can consider, for instance, the disclosure of KPMG which focuses more closely on policies than performance and is therefore more likely to cover themes such as environmental strategy, stakeholder engagement, corporate management systems, reporting, climate change, sup-

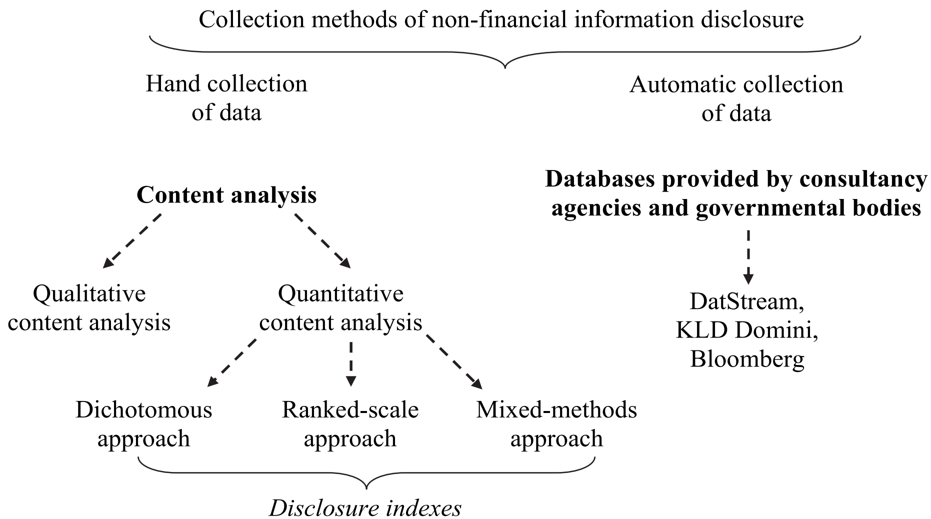
---

[22] The database KLD is offered through the interface of WRDS (Wharton Research Data Service).

ply chain, responsible investment, and assurance (KPMG, 2008); or other specifically independent research consultancies, such as Public Interest Research Centre (PIRC) (Brammer & Pavelin, 2006) [23].

Figure 1.2 summarises the ways by which non-financial information disclosure is assessed or established by hand collection or automatic collection of data.

Figure 1.2 – *Collection methods of non-financial information disclosure*



Source: Author's elaboration.

1.7. Theoretical perspectives as grounds of non-financial information disclosure

According to Gray, Owen and Adams (2010) theory 'serves a range of functions in intellectual life, but perhaps the most important of these – especially within social accounting – are the functions of evaluation and possibility. In effect, the lens of theory enables us to evaluate practice and policy against criteria that we deem appropriate (i.e. our values). The next obvious step is then to consider what forms of practice and policy we consider to be

[23] The PIRC is an independent research consultancy that conducts the most comprehensive study of environmental disclosure by listed companies in the UK. In the study of Brammer and Pavelin (2006), disclosure data were obtained from the 'PIRC Environmental Reporting 2000' survey.

desirable and how we might seek to encourage change in line with our principles. That is, all observations have a normative basis (Tinker, Merino and Neimark, 1982) and, consequently, the purpose of research is not just to describe the world but also to evaluate it and then to try to change it' (p. 3).

Along this line, the corpus of the scholarly research has extensively argued in favour of the motifs that drive – or the underlying reasonings that forge – the development of non-financial information disclosure. In other words, academics have tried to explain why organisations prepare their CSR reports, disclose non-financial information, and anchor to or refine different theoretical perspectives.

On the one hand, some research studies rely on frameworks or pre-existing theories derived from the literature and then use those frameworks or theories to describe some patterns or changes of non-financial information disclosure. This is usually executed by performing a content analysis of corporate reports within a particular setting of investigation. Generally, research in this stream investigates how or to what extent certain traits of theories are adopted to contexts and/or overtime. In this vein, theories may aid the investigation of the phenomenon in question by providing a clearer explanation of the reasons behind the phenomenon (De Villiers and Maroun, 2018).

On the other hand, academics further criticise theoretical postulations into the application of social and environmental accounting, which provide inconsistent justifications regarding why non-financial disclosure is addressed. Therefore, researchers have suggested avenues into why theories should or should not undertake the arguments (Spence, Husillos and Correa-Ruiz, 2010; Deegan, 2017).

Keeping with these postulations, the following paragraphs review the bottom and underlying theories along with prior academic works that address the explanation of or the motivations for non-financial information disclosure. In so doing, we present agency theory, institutional theory, legitimacy theory, and ultimately, stakeholder theory.

1.7.1. *Agency theory*

Agency theory is founded upon the existence of a contractual obligation between the principal and the agent. As the fathers of this theory, Jensen and Meckling (1976) postulate, an agency relationship is 'a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent' (p. 5). The principals – generally, shareholders – lead the agents – generally, directors or managers – to make the most fa-

vourable decisions regarding the pursuit of their interests. Such a delegating contract is grounded upon individuals' utter self-interest, economic rationality, and utility maximisation. Based on those aspects, when interests among parties diverge from one another, opportunistic behaviours occur, and the agents are keen to maximise their utility at the expense of the principals (Fama and Jensen, 1983); in other words, there exists a separation between the ownership and the control[24], thus leading to asymmetry of information. Such an information gap arises when managers possess knowledge of managerial and investment decisions and subsequently exploit this knowledge to privilege their own interests. In addressing the agency problem, companies adopt control mechanisms, which have been termed by Jensen and Meckling (1976) as agency costs; these include the cost of monitoring, the cost of proving assurance, and other costs related to the impossibility of eliminating the problem entirely[25].

Under this conceptualisation, information disclosure and assurance play a crucial role because they may mitigate the agency problems. On one hand, information disclosure aids both the principals, who can verify whether or not their economic interests are optimised, and the agents, who can signal their actions in favour of the principals' advantages; on the other hand, assurance alleviates the bonding costs with which it is associated.

The theory is employed in the non-financial information disclosure discourse to understand the related asymmetry information effects (Martínez-Ferrero, Ruiz-Cano and García-Sánchez, 2016; García-Sánchez and Noguera-Gámez, 2017), the investors' relevant financial effects, the impact on firm value, and the related consequences arising from the cost of debt or the cost of equity.

Martínez-Ferrero *et al.* (2016) investigate the extent to which CSR information disclosure mitigates the asymmetric information derived from agency problems. They base their assumption on the increase of voluntary information disclosure in response to the existence of asymmetric information and agency conflicts (Healy and Palepu, 2001). The researchers tested whether or

[24] Fama and Jensen (1998, p. 29) address the separation of ownership and control as 'the separation of residual risk bearing from decision management', which 'leads to decision systems that separate decision management from decision control. Combination of decision management and decision control in a few agents leads to residual claims that are largely restricted to these agents'. Available at: http://papers.ssrn.com/abstract=94034).

[25] 'The agency costs are the sum of the monitoring expenditures by the principals, the bonding expenditures by the agent, the residual loss' (Jensen & Meckling, 2000, p. 6). Available at: http://papers.ssrn.com/abstract=94043.

not the companies that voluntarily disclose CSR information experience a decrease in their information asymmetry problems. Regarding an international sample of 575 companies during the period from 2003 to 2009, the results reveal that bidirectional relations exist between voluntary CSR disclosure and information asymmetry, the latter of which creates demand for transparency between managers and investors through voluntary CSR disclosure.

Similarly, the study of García-Sánchez and Noguera-Gámez (2017) addresses the relationship between integrated information – namely, financial, social, and environmental governance-related information that jointly meshes into a single report – and asymmetry information. Because information asymmetry problems generate adverse selection in the stock market due to more thoroughly informed investors in their market transactions (Akerlof, 1970), the study aims to verify whether or not integrated information – as a signal of an increased availability of information – the level of information asymmetry. The research study employs a sample of 995 companies worldwide from 2009 to 2013 and demonstrates the usefulness of integrated information against market frictions.

Another dominant objective of these studies deals with the value relevance of non-financial information – specifically, whether or not non-financial information affects stock prices. Prior studies have typically figured out this issue under a voluntary regime of disclosure (See Chapter 1, Section 1.4). Moreover, interest of examination is the role CSR disclosure plays in financial transparency. In this regard, Dhaliwal *et al.* (2012) discuss how non-financial information interacts with financial information in the forecasting process. Their findings suggest that 'the publication of stand-alone CSR reports, is associated with improved earnings forecast accuracy by financial analysts' (Dhaliwal *et al.*, 2012). The association between the provision of CSR-related information and improvements in forecast accuracy suggest that analysts might consider non-financial information in their evaluations. In a similar vein, other academic works have addressed a reduction in firms' cost of equity capital, which explains the increase in CSR disclosure (Dhaliwal *et al.*, 2011).

Despite these main research strands, agency theory is neither thoroughly nor highly acknowledged among social accounting academics, as it merely focuses on investors and does not take into account additional stakeholders' interests; in other words, the assumptions used in the statistical analyses of CSR disclosure deal with the understanding of investor-relevant financial effects. Therefore, some scholars (e.g., Gray, Owen and Adams, 2010) argue against this theory, expressing the individualistic and self-serving views that firmly contrast the 'more expansive, liberationist and even emancipatory ethical basis that most bring to social accounting' (Gray, Adams and Owen, 2014, p. 30).

1.7.2. *Institutional theory*

Institutional theory postulates that 'formal structures of many organizations in post-industrial society dramatically reflect the myths of their institutional environment instead of the demands of their work activities' (DiMaggio and Powell, 1983) and are therefore, 'the processes by which structures, including schemas, rules, norms, and routines become established as authoritative guidelines for social behaviour' (Scott, 1995, 2014). According to Scott (1991) institutions are 'those beliefs, rules, roles, and symbolic elements capable of affecting organizational forms independent of resource flows and technical requirements' (p. 165). These theoretical conceptualisations have been mainly developed into the organisational stream of research, as institutional theorists conceptualise organisational fields as 'both cultural and network systems [which give] rise to a socially constructed arena within which diverse, interdependent organizations carry out specialized functions. It is within such fields that institutional forces have their strongest effects and, hence, are most readily examined' (Scott, 2004, p. 7). As Scott (1995) states, three institutional characterisations exist: regulatory, normative, and cultural-cognitive institutional pressures [26]. The regulatory element refers to the coercive rules and mandatory constraints that institutions impose to regulate behaviour, while the normative trait includes values and norms that address legitimate means to preserve valued ends. Finally, the cultural-cognitive pressure deals with the human existence and is based on shared understandings, mimetic mechanisms, and taken-for-granted routines as 'the way we do things' (Scott, 2014).

In this context, institutional theory constitutes a useful framework for examining sustainability accounting because institutions shape similar or different disclosure patterns with coercive (e.g., the introduction of mandatory requirements), normative (e.g., the introduction of international standards frameworks), and mimetic pressures (e.g., the emulation of CSR reporting practices) (De Villiers and Maroun, 2018) [27].

Institutional theory offers a plausible explanation for non-financial information disclosure and sustainability reporting (Higgins, Stubbs and Milne, 2015). It depicts voluntary disclosures as a response to external social pressures that organisations encounter; in fact, "institutional theorists suggest that sustainability reporting, rather than being purposefully initiated to achieve

---

[26] Institutions comprise regulative, normative, and cultural–cognitive elements that, together with associated activities and resources, provide stability and meaning to social life (Scott, 2014, p. 56).

[27] See De Villiers and Maroun (2018) and Gray, Owen, and Adams (2010) for a detailed literature review.

specific business case outcomes, occurs because managers acquiesce to social pressure that renders it 'required', 'expected', or 'normal' in the contexts in which they operate" (Higgins *et al.*, 2015, p. 310). In other words, non-financial information disclosure can be conceived of as rules and/or norms that companies adopt in reaction to societal pressures.

For instance, the study of De Villiers and Alexander (2014) examines the Corporate Social Responsibility Reporting (CSRR) structures by comparing the disclosures in Australia and South Africa that have been framed as two contexts that experience different social pressures and simultaneously possess the commonality necessary to adopt a voluntary regime of disclosure. The results imply that the CSRR structures are similar within investigation settings, and a normative isomorphism leads to the institutionalisation of sustainability disclosure. In fact, the international standards framework of GRI shapes CSRR due to the similarities in the reports – even if the adherence to such a framework is not a compulsory issue in either jurisdiction. Along a similar logic and theoretical background, De Villiers, Low, and Samkin (2014) examine the institutional development of sustainability reporting in the South African context. In this study, mimetic isomorphism has been confirmed because small companies benchmark with larger companies over the disclosure of environmental and social issues.

Overall, academic works in the field of management and accounting studies convey experience with the institutional conditions that influence businesses' tendency to adopt CSR initiatives (Campbell *et al.*, 2007; Waddock, 2008) and sustainability reporting (De Villiers and Alexander, 2014; De Villiers *et al.*, 2014; Higgins *et al.*, 2015). However, according to Deegan (2017), 'institutional theory has many insight[s] to offer that have been largely ignored by SEA (social and environmental accounting) researchers' (p. 81) and has been indebtedly attributed to legitimacy theory. Institutional theory is closely linked with legitimacy theory (see Section 1.7.3) in that 'managers conform in terms of structures and rules in order to maintain legitimacy' (De Villiers *et al.*, 2014). Spence *et al.* (2010), however, address legitimacy theory's dependence upon institutional theory, and Deegan (2017) therefore points out that an alternative understanding of the non-financial information disclosure with the institutional framework has been acknowledged, as prior studies primarily focus on DiMaggio and Power's (1983) depiction of the aforementioned forms of isomorphism.

1.7.3. *Legitimacy theory*

Legitimacy is defined as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially

constructed system of norms, values, beliefs, and definitions (Dowling and Pfeffer, 1975; Suchman, 1995) '[t]o the extent that corporate performance does not reflect the expectations of the relevant publics a legitimacy gap exists' (Lindblom, 1993, p. 3). The existence of this legitimacy gap may have negative consequences for the firm in question, such as 'difficulty in attracting human and financial resources, difficulty in attracting purchasers for the corporation's outputs, and legislative or regulatory action which the corporation may wish to avoid' (Lindblom, 1993, p. 4). Therefore, in order to satisfy the 'social contract' that is established with society, the firm is interested in being perceived as legitimate (see, e.g., Mathews (1993); Deegan (2002)).

Academic studies on non-financial information disclosure in the realm of legitimacy theory extensively discuss how disclosures have been tailored in response to legitimacy issues; for example, the recent study of Dumay, Frost, and Beck (2015) introduces a legitimacy model that postulates 'material legitimacy' as 'the form of legitimacy that enables organisations to blend what is important to the organisation (strategic legitimacy) with the primary concerns of its major stakeholder (institutional legitimacy)' (p. 2).

Several studies demonstrate how sustainability reporting gaps present disclosures in an appealing light based on legitimacy theory (Rodrigue, Cho & Laine, 2015; Laine *et al.*, 2017; Cho *et al.*, 2018; Deegan & Rankin, 1996; Deegan *et al.*, 2002) and with reference to environmental disclosures (Patten, 2002; Cho and Patten, 2013).

In the social and environmental accounting literature, it is generally maintained that organisations may use reporting as a means of securing organisational legitimacy (Laine, 2009); consequently, such an attitude can be associated with organisational façade and organised hypocrisy (Cho *et al.*, 2015). O'Donovan (2002) suggests that managers will employ various disclosure strategies for certain situations, although this depends upon whether managers perceive the need to repair, maintain, or gain legitimacy.

Conversely, other studies point out legitimacy theory's usefulness in explaining trends in disclosure and reporting behaviour. For instance, according to Gray *et al.* (2010), studies that rely on legitimacy theory nevertheless weakly define the variable 'society', which 'remains a rather clumsy theoretical construct'. Moreover, Deegan (2017) states that 'researchers have borrowed the construct of "legitimacy" from institutional theories and then it has taken on a life/ theory of its own within the SEA literature wherein legitimacy is often then linked to notions of social contracts'. Thereby, legitimacy theory is too simplistically addressed in the social and environmental accounting literature (Spence *et al.*, 2010; Deegan, 2017).

1.7.4. *Stakeholder theory*

The word 'stakeholder' [28] surfaced for the first time in 1963 in the main management discipline stream at the Stanford Research Institute, defined as 'those groups without whose support the organization would cease to exist'. The genesis of the 'stakeholder' therefore emerges 'to generalize the notion of stockholder as the only group to whom management need be responsive' (Freeman, 1984, p. 31), while Freeman conceptualised the 'stakeholders' concept within managerial energies in 1984: 'A stakeholder is any group or individual who can affect, or is affected by, the achievement of a corporation's purpose. Stakeholders include employees, customers, suppliers, stockholders, banks, environmentalists, government and other groups who can help or hurt the corporation' (Freeman, 1984, p. vi) [29]. The stakeholder postulation's underlying principles are owed to Freeman's personal experiences carrying conversations with executives with reading business press and to learn about their views towards business problems within the external environment as well as the related stakeholder approach when dealing with such issues.

The idea of stakeholder theory is that 'business can be understood as a set of relationships – which are not reducible to transactions – among groups that have a stake in the activities that make up the business. Business is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, and so on), communities, and managers interact and create value. To understand a business is to know how these relationships work' (Freeman, Harrison, Andrew C. Wicks, *et al.*, 2010; Freeman, 2017). Executives should perceive business 'as fully situated in the realm of humanity' and take care of stakeholders as 'people with names and faces and children' (p. 4).

Stakeholder theory was developed to reconceptualise three problems: (1) the problem of value creation and trade related to the understanding of business in the turbulent 21st century; (2) the problem of ethics of capitalism; and, ultimately, (3) the problem of the managerial mindset when compiling business and ethics to establish a responsible decision. In response to these issues, stakeholder theory enlightens four main ideas: the separation fallacy, the open question argument, the integration thesis, and the responsibility prin-

[28] To guide the reader towards a solid discussion on stakeholder theory, the following academics works are suggested: Freeman (1984), (1999), (2017); Donaldson and Preston (1995); Freeman, Velamuri and Moriarty (2006); Freeman, Harrison, Wicks, Parmar, de Colle. (2010); Sachs and Edwin (2011); Freeman and Parmar (2017); Freeman, Kujala and Sachs (2017); Wicks and Harrison (2017).

[29] The stakeholder concept was born to give insight into new ways of strategic management concerning mainstream management thinking in business ethics.

ciple[30]. Those main ideas essentially centre on the juxtaposition of 'business' and 'ethics' in making business decisions as well as the acknowledgement of ethical implications.

If managers are glued to volumes of data on shareholder profit and mere economic productivity whilst their employees are left to endure poor working conditions or they make business decisions at the expense of customers, suppliers, and, eventually, the surrounding natural environmental, they therein embrace the 'cutting-cost' perspective with a short-termism view. This view contemplates the sole responsibility of a business to generate profits, which is decidedly the only way to guide business people to narrow and redirect their focus back towards being efficient and competitive. An exaggeration of mere profits may not be sustainable in the long term because it undermines the indirect consequences of such preferences and may consequently encourage that they threaten business's growth. Conversely, business responsibility[31] is a multi-faceted concept that entails both institutional roles and the joint causality of various stakeholders' interests as business facets and human beings exist within the complex realm of humanity.

Accordingly, the bottom-line paradigms of stakeholder theory converge upon the value creation of the nature of business and the jointness of interests between stakeholders. Stakeholder theory posits that the integration of economic, ethical, social, and environmental issues is a joint aspect of the decision-making process regarding the corporate strategy management criteria. As such, business maintains relationships with stakeholders with a cooperative logic and thus creates value for and among stakeholders; hence, the focus is on 'the jointness of stakeholder interests rather than solely on the trade-offs that sometimes have to be made. It does not deny that such trade-offs are necessary but suggests that they also represent opportunities to think beyond trade-offs to a question of value' (p. 15). Such an attitude supports the consideration of different values against the maximisation of a single value that consequently polarises a set of decisions (Van Der Linden and Edward Freeman, 2017).

Over the past 40 years, stakeholder theory has witnessed enormous growth, reaching more than 47 million results when the word 'stakeholder' is searched on Google, while more than 500,000 results are returned when the term 'stakeholder theory' is searched on Google Scholar (Freeman, 2017). Academics typically perceive stakeholder theory as an opponent to shareholder

---

[30] See Freeman *et al.* (2010, pp. 7-9).

[31] In this regard, Carroll (1991) addresses four principal responsibilities: economic (being profitable), legal (obeying the law), ethical (doing what is right), and philanthropic (being a good corporate citizen and improving the community's quality).

capitalism due to its apparently diverging philosophies that contrast shareholder capitalism [32] regarding the purpose of business of American capitalism. Moreover, this theory has been implicated in close proximity to 'business ethics', 'social issues in management', and 'corporate social responsibility', thus leading to multiple interpretations – and even some misinterpretations [33] – as well as several applications to the traditional disciplines of business (e.g., accounting, finance, management, marketing, public policy literature) [34].

Considering the accounting discipline and the sustainability disclosure strand of research, stakeholder theory enlightens contributions, although the relationship has not been reciprocated (Freeman *et al.*, 2010). Roberts's (1992) study, among others, empirically investigates how stakeholder theory explains social responsibility disclosure. Robert's (1992) research includes a sample of 130 large Fortune 500 companies over a period of two years (1984 to 1986). Social disclosure was assessed with an ordinary scale adapted from the Council on Economic Priorities, whilst stakeholder theory was synthesised in terms of stakeholder power (ownership, governmental risks, creditor influences), a

---

[32] Milton Friedman (1970) asserts that 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'. Other economists, such as Michael Jensen, embraced a similar idea about business by theorizing that the firm is a set of relationships, and one relationship is much more important compared to others – that is, the relationship between principals (the owners of firms) and agents (the managers). Jensen's theory of firms (1976) gave birth to the shareholder value theory, which asserts that managers should be more productive and exclusively act in the best interest of the corporation owners (stockholders) in order to efficiently compete and perform in the global economy.

[33] For instance, several academic studies perceive stakeholder theory as closely related to CSR. However, Freeman *et al.* (2010) argues that CSR requires a redefinition of responsible practices for the scope of managerial responsibilities, and the stand-alone categories of 'social' and 'environmental' are superfluous because they hint to the separation fallacy of business decisions and responsible actions; in other words, if companies focus on their inner workings by taking care of the consequences of their decisions on various categories of stakeholders, then the business proposition of value creation for and among stakeholders is bottom line and is mostly embedded into the underlying business structure through the incorporation of social and environmental issues, economic profits, and corporate decision-making processes. In the same vein, the authors advise a new interpretation of CSR's purpose that transforms the term 'corporate social responsibility' into 'company stakeholder responsibility', in favour of an interpretive perspective that focuses on ex-ante value creation rather than profit distribution (Freeman *et al.*, 2010, p. 263).

[34] For a thoughtful discussion, see Part II – Stakeholder Theory and the Traditional Discipline of Business in 'Stakeholder Theory: The State of the Art' (Freeman *et al.*, 2010).

strategic posture towards CSR activities (public affairs staff, philanthropic activities), and finally, economic performance (ROE) and systematic risks (Beta; age, industry, and company size were also included). The results reveal that stakeholder power, strategic posture, and economic performance all affect certain levels of corporate social disclosure.

The more recent study of Thijssens, Bollen and Hassink (2015), under the framework of stakeholder salience as proposed by Mitchell, Agle and Wood, (1997)[35], investigates how secondary stakeholders influence managerial decision making in regard to CSR disclosure. The study argues that CSR disclosure can be perceived as an expression of accountability consistent with the normative stakeholder perspective (Donaldson and Preston, 1995). Hence, it aims to understand to what extent CSR disclosure considers stakeholders' respective interests. Using an international sample of 199 large listed companies, the study tests the relationship that is formed between stakeholder attributes of power, urgency, and legitimacy and the level of public environmental disclosure. The findings indicate a positive relationship, as power and urgency mediated by legitimacy are directly associated with environmental disclosure, and power and urgency indirectly mediate this relationship.

To summarise with the words of Freeman *et al.* (2010), 'one conclusion that can be drawn from the literature on stakeholder influence on social reporting is that reporting is a function of multiple influences and that these influences are interconnected' (p. 137). The authors acknowledge the need to integrate the spectrum of non-financial information into a comprehensively and interlinked manner, as it seems to nevertheless remain inconsistent and lack adequacy in terms of how to measure total performance and how to account for stakeholder relationships.

1.8. Conclusion

Non-financial information disclosure has been added to reporting lexicons as the motif for explaining how companies address social, ethical, and environmental practices. A conspicuous debate has been held on non-financial information disclosure under multi-faceted perspectives, and the following argumentations must be addressed to draw the line over its development.

Considering the meanings and conceptualisations around non-financial information, it is worth mentioning that prior research stresses controversial in-

[35] Mitchell *et al.* (1997) introduce the term 'stakeholder salience' as the degree to which a stakeholder upholds power, legitimacy, and urgency.

terpretations, which are valid for the various content issues, measures, indicators, and boundaries pertaining to such disclosure. In consequence, this 'non-unanimous framework' affects the comparability of data.

Regarding the voluntary-based approach versus the mandatory approach, prior studies mainly describe non-financial information under a voluntary regime (Abraham and Shrives, 2014; Rezaee and Tuo, 2017). Few papers focus on mandatory disclosure (Chelli, Durocher and Fortin, 2018), while recent academic notes emphasise the need to deepen the analysis of such disclosure's mandatory requirements. This necessity is even more adamantly emphasised in light of the recent harmonisation towards the regulatory framework in accordance with Directive 95/2014/EU (see Chapter 3).

Concerning the way non-financial information is disclosed (i.e., qualitative and quantitative information) and the consequent ways for assessing such information, academic studies firstly develop empirical research on the content and volume of such disclosure and progressively move towards a configuration of the quality and tone under which non-financial information disclosure is presented within CSR reports. In other words, academics have assessed non-financial information in terms of its conciseness, materiality, and connectivity.

Finally, in reviewing the theoretical rationales that explain companies' motivations for preparing non-financial information disclosure, social accounting scholars have interpreted these underlying motives considering that the prevailing tendency deals with legitimacy theory (Buhr, Gray and Milne, 2014). Furthermore, non-financial information disclosure may serve 'to anticipate and prevent potential long-term problems' (Hess, 2008, p. 470) in the event that a clear understanding exists as to who is using the disclosed information and how. Thus, the focus is no useful information directly projected onto interested stakeholders (Hess, 2010); in this way, non-financial information may maintain the business continuum and respond to stakeholder interests with accountability (Zadek, 1998; Haslam *et al.*, 2015).

In response to these claims, Buhr, Gray and Milne (2014) point out that 'these rationales do not operate in isolation' (Buhr *et al.*, 2014), as social accounting 'is almost definitionally interwoven with a belief in the need for change' (Gray, 2010).

2.
The development of international standards frameworks on non-financial information disclosure

2.1. Introduction

The emergence of risky contingencies associated with the sustainability agenda, such as societal security threats, the depletion of natural resources, and climate change, has maintained a growing influence within the institutional context surrounding business (Brown, De Jong and Lessidrenska, 2009; Brown, de Jong and Levy, 2009; Milne and Gray, 2013). In this light, businesses have not been left alone in regard to taking up sustainability challenges, as growing support has been afforded by consultancy agencies (e.g., KPMG), independent international organisations (considering the Global Reporting Initiative [GRI] and the International Integrated Reporting Council [IIRC]), and strategic partnerships that enact business initiatives (e.g., the Dow Jones Sustainability Index) (Milne and Gray, 2013). Therefore, the past decade has witnessed an explosion of international standards frameworks concerning sustainability issues.

The International Trade Centre has identified nearly 255 standards, codes of conduct, and audit protocols that address sustainability-related information across 80 sectors and 180 countries [1]. Thus, a myriad of international standards frameworks has been developed during the 21st century to improve the reporting of sustainability issues and non-financial information. International standards and conducts can be defined as voluntary, predefined norms and procedures provided in the form of a framework (Rasche, 2010) that pursues a twofold aim. They seek to firstly drive companies to record their sustainability and CSR practices and secondly set up a homogenous language of reporting in favour of comparability and transparency; as such, these frameworks are often valid on a global level (Rasche, 2009).

---

[1] See www.sustainabilitymap.org/standards and Financial Times (2019), 'Defective data is a big problem for sustainable investing'.

The first attempts were raised in the 1960s when NGOs and activist groups (e.g., Greenpeace and Save the Children) initially began pushing both individuals and organisations alike towards taking responsibility for the environment. Then, the development towards a 'quasi-regulation' sustainability agenda has increasingly progressed within the last decade. In fact, the CSR initiatives have been addressed within the international trade law since the 1990s; as Camilleri (2017) points out, a considerable number of bilateral and regional trade agreements dealing with labour, human rights, and environmental standards have been stipulated at an international level.

In this ever-evolving context, it is of keen focus to outline this phenomenon, and therefore this chapter aims to both frame the growth of the international standards frameworks and discuss their strengths and drawbacks. Accordingly, a comprehensive although not exhaustive list is detailed in Section 2.2. For each international standards framework, the chapter addresses the underlying history and peculiar traits that drive the reporting of sustainability issues. Then, Section 2.3 presents the debate wherein the corpus of scholarly academics discusses this flourishing, while Section 2.4 concludes the discussion.

2.2. The growing of international standards frameworks

International standards are voluntarily predefined norms and procedures that are valid at a global level for regulating companies' organisational behaviour with regard to their ESG practices (Rasche, 2010). As the number of international standards frameworks proliferates, the academic debate around their classifications becomes increasingly vivid (Hess, 2001; Tschopp and Nastanski, 2014). Hess (2001) clusters the accountability standards into two distinctive levels: a macro-level, which encounters the 'substantive' law approach, and a micro-level, which encompasses the 'reflexive' law approach. The former approach prescribes outcomes within a framework to indicate practices that are expected to be implemented by organisations to achieve their desired outcomes. Keeping with this, the macro-level norms are characterised as generic and broad; namely, they are outcome-based norms because they address principles and suggest content issues associated with achieving those outcomes. The latter approach identifies procedures that address outcomes and can be usually circumscribed at a micro-level because it details practicalities necessary for achieving defined results.

Another classification has been provided within the report named 'Carrots & sticks – Global trends in sustainability reporting, regulations and policy' (King *et al.*, 2016), wherein a list of international sustainability guidance aspects are identified as groundwork of analysis; we can include AccountAbility

1000 (AA1000, for social and ethical accounting, auditing, and reporting), the GRI, the Climate Disclosure Standards Board Framework, the Carbon Disclosure Project, the Eco-Management and Audit Scheme (EMAS), the Guiding Principles Reporting Framework on Business and Human Rights, ISO 26000 of the International Organization for Standardization (ISO), and the recent Integrated Reporting Framework, among others. The report subsequently classifies the main existing frameworks into two levels of analysis.

The first level of analysis clusters the standards into normative, reporting, and management guidelines according to their provided content. The normative guidelines encounter the United Nations (UN) Global Compact principles and the OECD Guidelines for multinational enterprises because both provide insight in light of a sustainability vision as well as policies for responsible business conduct. The reporting guidelines include principles, technicalities, procedures to account for and report to, sustainability objectives, activities, and achieved performance. Within this sphere, we can include the AA1000, the GRI, and the International <IR> Framework. The management guidelines provide a managerial framework for certain actions; for instance, ISO 26000 addresses seven core subjects of social responsibility with a holistic approach.

The second level of analysis orders the guidelines according to the sustainability scope – specifically, the broad level against the deep level of disclosure that has been addressed within the frameworks. In other words, some frameworks primarily focus on specific sectors, while others address comprehensive sustainability issues; for instance, the Sustainability Accounting Standards Board (SASB) defines the disclosure of material sustainability information among 78 industries in 10 countries and therefore can be grouped into the sector-specific guidelines.

The remainder of the chapter describes the main international standards frameworks that are based on the normative–reporting–management order as follows: principles of the UN Global Compact, Sustainable Development Goals (SDGs), AA1000 Accountability's Series of Standards, Global Reporting Initiative (GRI) Standards, Integrated Reporting Framework, Sustainability Accounting Standards Board (SASB) Standards, ISO 26000 on social responsibility, and Eco-Management and Audit Scheme (EMAS).

2.2.1. *Principles of the UN Global Compact*

The UN Global Compact was established on the 26th of July, 2000 in New York to enhance corporate sustainability using a principles-based approach [2]

[2] For this reason, the frameworks issued by the UN Global Compact are classified as normative frameworks (Bartels *et al.*, 2016).

to doing business [3]. To this aim, the initiative provided businesses with global insights through the publication of ten universally accepted principles that were launched in 2003 and framed around four main pillars: human rights, labour, environment, and anti-corruption. These pillars are crucial for maintaining social, environmental, and ethical dimensions of sustainability (see Figure 2.1). The UN Global Compact is currently a voluntary framework, although for those who are interested in implementing the initiative, the UN Global Compact has set some reporting boundaries related to the annual Communication on Progress (COP) – an annual report wherein companies must publish their declared commitment to the Global Compact. The COP report synthetises a company's implementation of the Compact's ten universal principles. In the event of a company's non-compliance with this requirement, its status will be changed or the company will be eliminated from the Compact (Brockett and Rezaee, 2012b; King *et al.*, 2016).

The Ten Principles of the UN Global Compact are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Evidently, the Compact has evolved over time, thus transforming the normative principles into specific areas of sustainability and sustainable development (Demartini and Trucco, 2017a). In proof of this shift, the Principles of Responsible Management Education and the Principles for Responsible Investment were developed and, moreover, a growing and joint connection among other frameworks has taken form; for instance, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work is mainly devoted to enhancing and spreading a common culture of decent conditions at work. As such, Principles 3-6 were further developed in the 'The Labour Principles of the UN Global Compact – A Guide for Business' (ILO and UN Global Compact, 2010), in which forced and compulsory labour, collective bargains, as well as the effective abolition of child labour are further explained.

A more recent initiative is related to the launch of the 'Guiding Principles for Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework' by the United Nations Human Rights in 2011, which provides foundational and operational principles for strengthening corporate responsibility with respect to human rights.

The UN Global Compact has grown over time to include more than 8,000 participants and 6,000 businesses in 135 countries (Brockett and Rezaee,

[3] See www.unglobalcompact.org.

2012); today, the UN Global Compact is devoted to corporate sustainability under two main fronts. On one hand, it aims to enhance business responsibility by aligning companies' strategies and operations with the 'Ten Principles on human rights, labour, environment and anti-corruption', while on the other hand, it aims to advance broader social goals – namely, the UN Sustainable Development Goals (SDGs) – and fixate collaboration and innovation at its core. The next sub-section focuses on the recent SDG targets.

Figure 2.1 – The Ten Principles of the UN Global Compact

Human Right

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: UN Global Compact (2010).

2.2.2. *Sustainable Development Goals (SDGs)*

The Sustainable Development Goals (SDGs) have been gaining momentum in the global scene since the UN Summit was held in September 2015 [4]. Sev-

[4] They were developed at the United Nations Conference on Sustainable Development in 2012 ('Rio+20') and built upon the Millennium Development Goals adopted in Sep-

enteen SDGs and their associated 169 targets became effective on the 1st of January, 2016 with the aim of tackling global challenges, poverty, economic inequality, climate and environmental deterioration, as well as to invigorate peace, justice, and protect human rights, among other goals (Nilsson *et al.*, 2017). The SDGs provide an endorsed, normative framework for implementing those challenges and dealing with the global complexities and embryonic trade-offs that arise on a global scale. Those objectives are highlighted at the forefront of the 2030 Agenda for Sustainable Development [5].

The 2030 Agenda for Sustainable Development is a blueprint to 'promote human dignity and prosperity while safeguarding the Earth's vital biophysical processes and ecosystem services. They recognise that ending poverty and inequality must go hand-in-hand with strategies that support sustainable economic growth, peace and justice; address fundamental social needs, including education, health, social protection, and job opportunities; and do all this while also tackling climate change and enhancing environmental protection' [6]. To these ends, the following SDGs were issued:

1. Poverty: end poverty in all its forms;
2. Zero hunger: achieve food security and improved nutrition and promote sustainable agriculture;
3. Good health and well-being: healthy lives and promote wellbeing for all the all ages;
4. Quality education: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
5. Gender equality: achieve gender equality and empower all women and girls;
6. Clean water and sanitation: ensure availability and sustainable management of water and sanitation for all;
7. Affordable and clean energy: ensure access to affordable reliable sustainable and modern energy for all;
8. Decent work and economic growth: promote sustained inclusive and sustainable economic growth full and productive employment and decent work for all;
9. Industry, innovation and infrastructure: build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation;
10. Reduced inequalities: reduce inequality within and among countries;

---

tember 2000 as part of the UN Millennium Declaration. Further information is available at: https://sustainabledevelopment.un.org/?menu=1300.

[5] See the 2030 Agenda for Sustainable Development.

[6] See https://www.un.org/sustainabledevelopment/.

11. Sustainable cities and communities: make cities and human settlements inclusive, safe resilient and sustainable;

12. Responsible consumption and production: ensure sustainable consumption and production patterns;

13. Climate action: take urgent action to combat climate change and its impacts;

14. Life below water: conserve and sustainably use the oceans, seas and marine resources for sustainable development;

15. Life on land: protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halting and reversing degradation biodiversity loss;

16. Peace, justice and strong institutions: promote peaceful and inclusive societies for sustainable development, provide access to justice for all building effective accountable, inclusive institutions at all levels;

17. Partnerships for the goals: strengthen the means of implementation and

18. Revitalise the Global Partnership for Sustainable Development (GPSD).

In meeting these goals and pursuing these global challenges, organisations and institutional governments are called to firstly understand the importance of multi-faceted, entrenched, and interlinked values and objectives and secondly implement aligned actions accordingly.

The SDGs constitutes a fertile ground "for (re)invigorating accounting's contribution to sustainable development debates", for instance, accounting technologies in SDG analysis, re-discovering topics of relevance, re-examining conceptual commitments, among others (Bebbington and Unerman, 2018).

2.2.3. *AA1000 Accountability's Series of Standards*

The AA1000 Accountability Principles firstly appeared in 1999 as a response to organisations' needs to define, measure, and monitor their sustainability objectives. The Principles were developed by the The Institute of Social and Ethical AccountAbility (ISEA) – a global consulting organisation that encourages companies, non-profit organisations, and governments to further pursue responsible business actions to propel an ethical, environmental, social, and governance-oriented accountability entangled within the organisation (ISEA, 1999). The AA1000 is an internationally accepted, principles- and guidance-based framework that organisations can use to identify, prioritise, and respond to sustainability challenges and improve their long-term performance (AccountAbility, 2018, p. 3). The overall goal is to provide organisations with a practical set of internationally accepted guiding principles with

which they can assess, manage, improve, and communicate their accountability and sustainability performance (AccountAbility, 2018, p. 12). According to the AA1000AP (2018), accountability means assuming responsibility and upholding transparency regarding the effects of an organisation's policies, decisions, actions, products, services, and associated performance. Therefore, it implies straightforward communication as well as responsible engagement with stakeholders with respect to a company's decisions, actions, and performance; in other words, 'the organisation must be able to explain or justify what it does or does not do, and the consequence for which it is responsible, to people with a legitimate interest' (de Colle and Gonella, 2002, p. 89).

The set of instructions defines how sustainability management may be effectively implemented in terms of:

- The pursuit of and engagement with organisational performance alongside the creation of social, economic, and environmental value; and
- The identification and management of material topics through accountability for organisational impacts.

Starting from 1999, three iterations of the Accountability Principles were issued: the first in 1999, the second in 2008, and the third in 2018. The first version outlines the principle of inclusivity regarding the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Since its first publication, the mantra highlights 'building performance not compliance', meaning the guidelines aim to provide stimuli in favour of the promotion of an innovative management culture concerning social and ethical issues against a strict compliance-based approach (ISEA, 1999). The subsequent version extends the principles of materiality, responsiveness, and the aforementioned principle of inclusivity, the last of which is the backbone of materiality and responsiveness. In further detail, inclusivity is the anchor that defines the materiality process as the procedure for determining the significant issues relative to an organisation and its stakeholders. Responsiveness, then, is how one reacts to material issues in terms of targets, decisions, and performance. The three principles altogether nurture a good-quality accountability process (AA1000, 2008a). Finally, the final and current version (issued in 2018) adds the principle of impact to the prior list, thus forming four core Principles at the forefront:

- Inclusivity: an organisation's commitment to be accountable to its stakeholders that requires active involvement from stakeholders in the organisation's material sustainability issues for the purpose of understanding its needs

and concerns as well as developing solutions and strategic responses to those needs and concerns;

• Materiality: the identification and prioritisation of the most relevant sustainability topics, considering the effects each topic has on an organisation and its stakeholders;

• Responsiveness: an organisation's timely and relevant reaction to material sustainability topics and their related impacts, which implies the formulation of policies, objectives, and targets, the improvement of governance structures and management processes, and the constant measurement, monitoring, and reporting of sustainability practices and achieved performance;

• Impact: the effect of behaviour, performance, and/or outcome pertaining to the individual, the economy, the environment, society, stakeholders, or the organisation itself. Both the direct and indirect impacts must be acknowledged with a double-faced perspective – specifically, positive or negative, intended or unintended, expected or realised, or short, medium, or long term.

The AA1000AP (2018) works closely with its companion standards: the stakeholder engagement guidelines, the AA1000 Stakeholder Engagement Standard (AA1000SES) and assurance guidelines, and the A1000 Assurance Standard (AA1000AS). The former Standard refers to stakeholder engagement expressed as the process used by an organisation to engage relevant stakeholders for a clear purpose and achieve the agreed-upon outcomes, thus involving stakeholders in 'identifying, understanding and responding to sustainability issues and concerns, and to report, explain and answer to stakeholders for decision, actions, and performance' (AccountAbility, 2015, p. 5); the first version was published in 2005 to more thoroughly clarify the principles of inclusivity. The latter Standard, on the other hand, relates to sustainability-related assurance, aims to verify an organisation's adherence to and the extent to which it conforms to the AccountAbility Principles, and evaluates the quality of publicly disclosed information on sustainability performance (AA1000, 2008b). An updated version will be released in 2019.

Taken altogether, the Accountability Principles are outlined in such a way that reporting and assurance are fixed at the core to meet stakeholders' interests and needs; for these reasons, the stakeholder approach is the pillar for establishing and persevering in pursuit of accountability.

2.2.4. *Global Reporting Initiative (GRI) Standards*

The GRI Standards present a set of indications and indicators to drive companies into the disclosure of their approaches to sustainability issues. In modern times, the GRI Standards are recognised as the universal guidelines

for sustainability reporting because they have gathered an increased and unanimous consensus over time. In fact, the guidelines are acknowledged as 'the global benchmark for standardized ESG / nonfinancial reporting' 'to be comparable to generally accepted accounting principles for financial reporting' (Waddock, 2008, p. 93). Moreover, these Standards have become a widely accepted language even for other initiatives due to, for example, their adoption of construct sustainability performance tools and rating schemes (GRI, 2015).

The GRI was founded in Boston in 1997 as an NGO, and its first reporting guideline was launched in 2000 with a primary focus on environmental performance. Several updated versions were subsequently realised during the last decade to widely cover ESG and ethical issues. In further detail, five versions were issued in 2000, 2002, 2006, 2011, and 2013, and were named GRI G1 Guidelines, GRI G2 Guidelines, GRI G3 Guidelines, GRI G3.1 Guidelines, and GRI G4 Guidelines, respectively. In 2016, the first global standards for sustainability reporting were realised by the Global Sustainability Standards Board. These latest reporting standards present a modular and interrelated structure for maintaining up-to-date and relevant sustainability issues that would remain valid for the reports published on or after the 1st of July, 2018 (KPMG, 2017b).

The new structure groups 36 Standards into Universal Standards and Topic-Specific Standards. On one hand, the Universal Standards comprehend the so-called '100 series', which include 3 of 36 Standards (GRI 101 – Foundation, GRI 102 – General Disclosure, and GRI 103 – Management Approach). These Standards provide the starting point and the principles upon which organisations should rely (GRI 101) [7] to report contextual information about an organisation (GRI 102) [8] as well as the management approach for each material topic (GRI 103) [9].

---

[7] 'GRI 101: Foundation' addresses the Reporting Principles, fundamental to achieve high quality of sustainability reporting (Global Sustainability Standards Board – GSSB, 2016, p. 7). They are divided into two groups: principles for defining report content and principles for defining report quality. The former group includes Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness, whilst the latter entails Accuracy, Balance, Clarity, Comparability, Reliability, Timeliness.

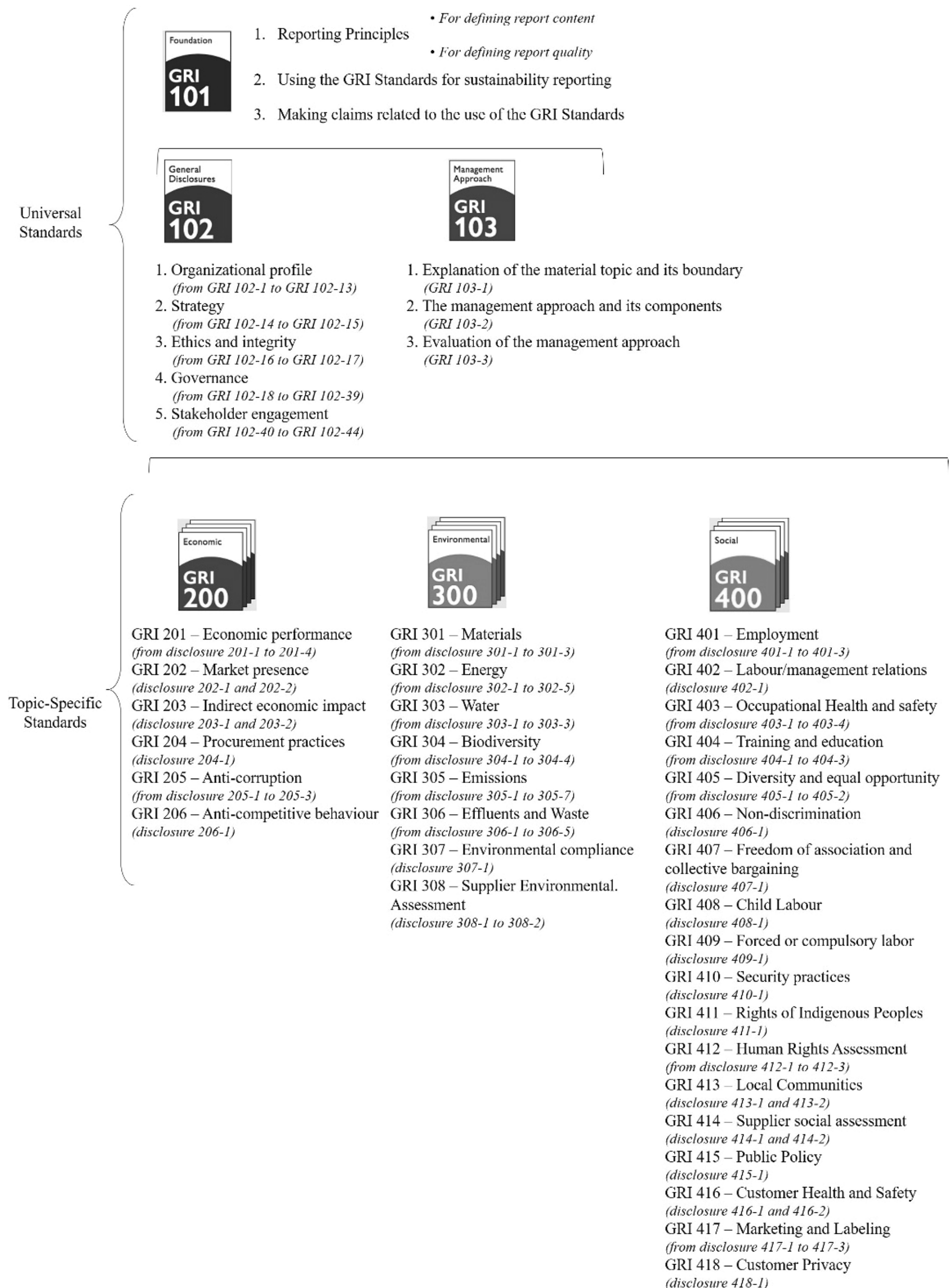
[8] 'GRI 102: General Disclosures' includes Organisational Profile, Strategy, Ethics and Integrity, Governance, Stakeholder Engagement (GSSB, 2016).

[9] 'GRI 103: Management Approach' includes General requirements for reporting the management approach, Explanation of the material topic and its Boundary Disclosure, The management approach and its components, Evaluation of the management approach (GSSB, 2016).

On the other hand, the Topic-Specific Standards cover the so-called '200 series' for economic topics, the '300 series' for environmental topics, and the '400 series' for social topics. These series complete the remaining 33 Standards and specify the disclosures for each material topic with regard to the organisation's impacts on economic, environmental, and social topics (e.g., indirect economic impact, water, diversity, and equal opportunity). As these Standards provide details of organisations' achieved impacts and performance, they must be used in combination with GRI 103 – Management Approach, which addresses the disclosure of the management of specific topics (GRI, 2016a). Figure 2.2 depicts the modular and interrelated structure of the current Standards, classified into the two abovementioned categories. For each Standard, the related disclosures have been provided to illustrate the composed and analytical architecture of this reporting framework.

Each GRI Standard includes requirements, recommendations, and guidance; the requirements are mandatory instructions that must be contextualised following the recommendations or guidance, while the recommendations are cases wherein a particular course of action is encouraged. Finally, guidance includes example backgrounds and overall information to help organisations more thoroughly understand each Standard's requirements. For example, in GRI 301 – Materials, three topic-specific disclosures exist: Disclosure 301-1 – Materials used by weight or volume; Disclosure 301-2 – Recycled input materials used; and Disclosure 301-3 – Reclaimed products and their packaging materials. If we consider Disclosure 301-2 – Recycled input materials used, the reporting requirements relate to the percentage of recycled input materials used to manufacture the organisation's primary products and services, the reporting recommendation suggests that the organisation explain its estimation methods, while the guidance lastly circumscribes the organisation's need to convert measurements to standardised units in the event that they are expressed in different units.

Figure 2.2 – *GRI Reporting Guidelines*



Source: Elaboration from the GRI Standards (2016).

Organisations can prepare their sustainability reports in accordance with the GRI Standards by following one of the two accepted options – Core or Comprehensive (GRI, 2016, p. 21). The Core option implies the disclosure of some aspects of GRI 102's General Disclosure [10], the organisation's compliance with all the reporting requirements from GRI 103 – Management Approach for each material topic, and finally, the reporting of at least one topic-specific disclosure. As the topic-specific GRI Standards include numerous disclosures, the organisation can independently select the disclosures that most adequately reflect a comprehensive outline of that topic in terms of impact. The Comprehensive option requires all disclosures from GRI 102, including compliance with all reporting requirements from GRI and, ultimately, the reporting of all topic-specific disclosures related to material issues. There does exist a third alternative, which is called 'GRI-referenced' and allows that companies adopt selected Standards or parts of their content to report specific information. This alternative is particularly practical for providing information on a specific economic, environmental, and/or social impact and useful for whom is not interested in disclosing the full picture of each material topic and related impact. The faculty for applying one option over the others facilitates that companies belonging to any size, type, sector, or geographic location adhere to the GRI Standards; for instance, if we consider the prior example of GRI 301 – Materials, we see that the Standard under consideration includes the management approach disclosures that refer to GRI 103 and the three topic-specific disclosures. In order to be compliant with the GRI, the organisation must provide disclosure of the management approach for that topic – specifically, a narrative explanation of how the organisation manages its materials, the associated impacts, and its stakeholders' reasonable expectations and interests. In further detail, the management approach includes the explanation of the material topic and its boundary (GRI 103-1) as well as the disclosure of the management approach and its components (GRI 103-2), while the disclosure regards the evaluation of the management approach (GRI 103-3). Following the topic-specific disclosures, the organisation must provide all the topic-specific disclosures in adherence with the Comprehensive option (Disclosure 301-1 [11], Disclosure 301-2 [12], and Disclo-

[10] Disclosures 102-1 to 102-13 (Organizational profile); Disclosure 102-14 (Strategy); Disclosure 102-16 (Ethics and integrity); Disclosure 102-18 (Governance); Disclosures 102-40 to 102-44 (Stakeholder engagement); Disclosures 102-45 to 102-56 (Reporting).

[11] The reporting requirement includes the total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period by (i.) non-renewable materials used and (ii.) renewable materials used.

sure 301-3) [13]. On the contrary, if the organisation chooses the Core option, at least one topic-specific disclosure must be presented. Finally, by selecting specific Standards with a GRI-referenced claim, the organisation must firstly indicate which content from the specific Standard has been applied as well as whether or not the Standard has been used in full and secondly comply with all reporting requirements that correspond to the reported disclosures.

The GRI is continuously under revision because it repeatedly updates some Standards; for instance, the last revision dates back to June 2018, when it expanded GRI 303 – Water. The reviewed form of these Standards aims to both assess water usage, from withdrawal to consumption and discharge across the entire product supply chain, and report the related impacts (GRI, 2019). The GRI evolves in response to emerging global challenges, such as the critical issue of climate change, the development of new technologies, the rise of economic inequality and the world population, and the yearly increase in the consumption of raw materials (GRI, 2016b; GRI in collaboration with SustainAbility, 2017; GRI, 2015). Furthermore, there exists an anonymous consensus regarding the fact that 'the financial language should also be used to quantify value creation – and destruction – including for social and natural capital involved in companies' operations, products and services' (GRI, 2015, p. 9). In this vein, the GRI created the 'Sustainability and Reporting 2025' project to debate the type of information needed to tackle these global issues and discuss the role of technology in enabling companies and stakeholders to properly access, collate, check, analyse, and correlate data (GRI, 2015, p. 11). Moreover, the GRI aims to strengthen sustainability disclosure and reporting as effective tools that support companies and stakeholders along the processes concerning production and consumption. By doing so, the most frequently discussed trends have been centred on the reporting content and format. Concerning the reporting content, some attention has been paid in support of the reporting of the valuation of externalities defined as 'external business factors and impacts that are normally not monetized in value calculations' (p. 9). In addition, the reporting should contribute towards achieving the SGDs, and the disclosure should therefore be related to SDG-related improvements as well as address how the organisation will meet those SDG-related targets. Finally, the content shall support the investors' decision-making process for sustainability issues (GRI, 2015). In reference to the report-

[12] The reporting requirement includes the percentage of recycled input materials used to manufacture the organization's primary products and services.

[13] The reporting requirement includes the (a) percentage of reclaimed products and their packaging materials for each product category and (b) how the data for this disclosure have been collected.

ing format, there exists a common consensus on the inextricable link with the new technology data as well as the way companies shape the reporting format in terms of disclosure and real-time online data access (GRI, 2015).

These current trends and upcoming initiatives point out one main argument: it is possible to denote an interconnection among the GRI Standards and other international frameworks, meaning sustainability-related matters are becoming a common language on a global scale (Bartels *et al.*, 2016).

2.2.5. *Integrated Reporting Framework*

Integrated reporting refers to 'a holistic and integrated representation of the company's performance in terms of both its finances and its sustainability' (Institute of Directors in Southern Africa, 2009, p. 108). It has quickly emerged as a new accounting method to 'combine the financial and narrative information found in a company's annual report with the nonfinancial (such as on environmental, social and governance issues) and narrative information found in a company's "corporate social responsibility" or "sustainability" report' (Eccles & Krzus, 2010, p. 10) and has been enacted in two international jurisdictions – those of South Africa and the U.K. (Demartini & Trucco, 2017).

The Integrated Reporting Framework firstly appeared in South Africa in 1994, when the first King Code of Corporate Governance Principles, commonly known as 'King I', were issued. 'King II' subsequently followed in 2002, in which 'integrated sustainability reporting' firmly emerged to 'analyse a wide range of new and complex areas of non-financial reporting' (Dumay *et al.*, 2016 cited in Gleeson-White, 2014, p. 156) . The corporate governance principles addressed in King II were consolidated into the Sarbanes-Oxley Act to discipline the governance of risks, the internal audit and internal control, accountability, and transparency in response to several U.S. scandals that emerged during the time. In 2009, the King Report on Governance for South Africa was updated for its third time to encounter a set of principles for the Integrated Reporting <IR> implementation, and, in February 2010, the principles were incorporated into the Johannesburg Stock Exchange's (JSE) listing requirements. Finally, in March 2010, the <IR> had been mandated by the JSE. Currently, all the listed South African companies are under the jurisdiction that enforces <IR> on the 'apply or explain basis' (Dumay *et al.*, 2016). The JSE does not explicitly require that listed companies assure their IRs, although companies voluntarily assure sustainability information because assurance is met with credibility and reliability (Edgley, Jones, & Solomon, 2010). Therefore, we concur that South Africa[14] is

[14] See *The Integrated Reporting Movement: Meanings, Momentum, Motives, and Ma-*

leading in its establishment of <IR> – more importantly, even under a mandatory regime starting from 2010 that was issued by the stock exchange. These mandatory requirements have met interesting results. A survey conducted by PwC in 2015 on the JSE 'Top 40 Companies of 2014' IRs reveals that strategy and resource allocation were effectively communicated, and performance reporting significantly improved in comparison to the prior year despite the remaining few disclosures on the outlook regarding a forward-looking perspective (PwC, 2015).

Moving onward from this first initiative, the <IR> was conducted in the U.K. for the first time when the IIRC was formed in 2010. In 2011, the IIRC published its first discussion paper on <IR>, which aims to 'create a reporting framework that brings together the different strands of reporting into a coherent, integrated whole' by building on 'the foundations of financial, management commentary, governance, and remuneration, and sustainability reporting in a way that reflects their interdependence' (IIRC, 2011, p. 1). After receiving feedback from stakeholders on the discussion paper, the IIRC released the International <IR> Framework in December 2013 (IIRC, 2013) to guide its preparation of IRs.

According to the IIRC, the <IR> Framework 'improves the quality of information available to providers of financial capital to enable more efficient and productive allocation of capital' (p. 2). In that sense, several studies point out the <IR> shift from a sustainability-related information focus to an investor-related information focus (Milne & Gray, 2013; Perego, Kennedy, & Whiteman, 2016). The voluntary <IR> Framework facilitates the reporting of six main 'resources and relationships' – namely 'capitals' – used by an organisation to more efficiently frame a comprehensive picture of its business and its interactions with the external environment and capitals to create value over the short, medium, and long term.

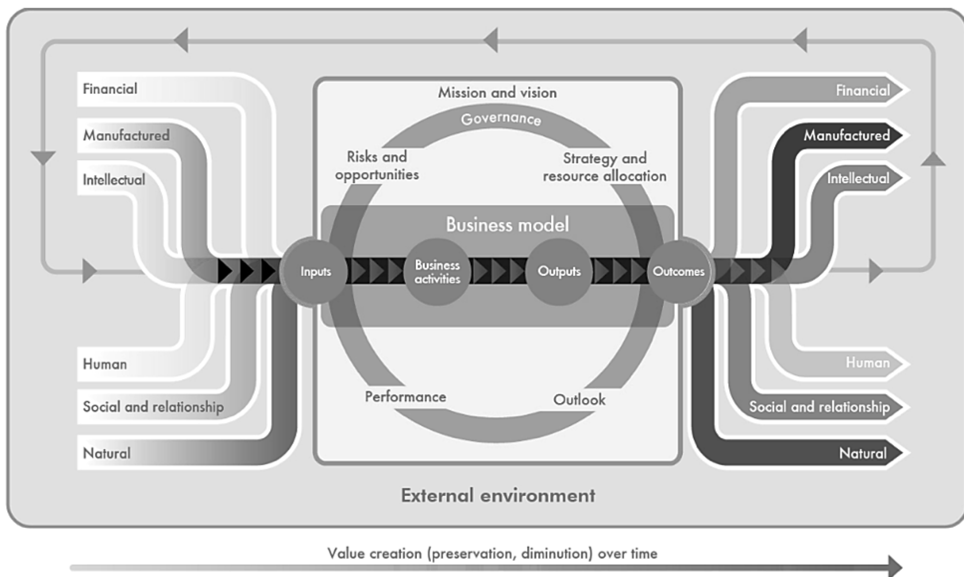
The <IR> Framework accounts for six capitals categorised as financial, intellectual, human, manufactured, natural, social, and relationship capital (see Figure 2.3). The value creation process centres on the business model, which the IIRC defines as the 'system of transforming inputs, through its business activities, into outputs and outcomes' (2013, p. 25). The inputs are the six forms of capital transformed by companies' business activities (e.g., manufacture of products or services) into output (e.g., new products or services) and defined as the tangible evidence of business activity. Finally, the outcomes are 'the internal and external consequences (positive and negative) for the capi-

---

teriality, written by Robert G. Eccles, Michael P. Krzus, and Sydney Ribot – Chapter 1, which presents a case study on the emergence of integrated reporting in South Africa (pp. 1-29).

tals' (IIRC, 2013b, p. 14). The business model must be coherent with the company's mission and vision and must be addressed in response to potential risks and opportunities. In doing so, the adherence of the business model to the company's strategy, resource allocation, and performance is additionally demanding. Moreover, the business model is intrinsically related to the organisation's external environment, ranging from its political and legal environment to its natural, social, and commercial environment: 'The regular review of each component and its interactions with other components, and a focus on the organization's outlook, lead to revision and refinement to improve all the components' (IIRC, 2013, p. 14) with the ultimate objective of creating value as a dynamic process.

Figure 2.3 – *The value chain process of the International <IR> Framework*



Source: The IIRC International <IR> Framework (2013).

The <IR> Framework drives companies along the value chain disclosure process by two fundamental pillars – the 'guiding principles' and the 'content elements' – that constitute the basis for preparing an IR. The content elements follow the value creation process, and thus the disclosure should therefore be related to the business model, the organisation's risks, opportunities, strategy, resource allocation, performance, and outlook. On the other hand, the guiding principles inform companies as to how the information must be presented; IRs

should consider a strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, as well as consistency and comparability of information [15]. For this reason, the <IR> Framework is considered principle-based guidance because the flexibility in its disclosure of specific circumstances is overarching; for instance, the framework neither provides a detailed list of KPIs nor forces companies to present pre-determined KPIs. In terms of reporting scope and content, this broad margin affects the diversity in IR practices as well as the fragmentation across institutional regimes (Dumay *et al.*, 2016; Perego *et al.*, 2016).

2.2.6. *The Sustainability Accounting Standards Board (SASB) Standards*

The SASB Foundation is a U.S.-based, not-for-profit, independent standard-setting organisation founded in 2011 with the aim of inaugurating the first industry-based sustainability standards for the disclosure of material sustainability issues.

The SASB Foundation is organised similarly to the other internationally recognised bodies, such as the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), because the structure includes a board of directors ('the Foundation Board') and a standards-setting board ('the Standards Board'), the latter of which issues the SASB standards (Sustainability Accounting Standards Board, 2017). The Standards Board initiated the setting of the industry-based sustainability standards in 2012 and, in March 2016, identified provisional standards for each of the industries identified in the Sustainability Industry Classification System. After the consultation period, the Standards Board revised the provisional standards and finally culminated with 77 industry standards in October 2018 [16]. These standards were established such that U.S. companies may strengthen their focus on financial sustainability topics that matter most to investors, the objective being to facilitate companies to disclose the ESG and sustainability topics that are most likely to affect their financial performance; for this reason, these standards are likely to produce the most relevant and decision-useful information for investors. Therefore, the SASB standards mainly focus on providing investors with applicable financial–material sustainability information.

These standards have been organised around the SASB Conceptual Framework, which identifies the basic concepts, principles, definitions, and

[15] See the <IR> Framework – Guiding Principles (pp. 16-23).

[16] See https://www.sasb.org/standard-setting-archive/.

objectives that guide SASB in its approach of setting standards for sustainability accounting [17]. According to the standards, the information must be material, decision useful for companies and their investors, and cost effective for corporate issuers:

• Information is material when there is ‘a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available’ [18];

• Information is decision useful when it is reasonably likely to materially affect near-, medium-, or long-term business value;

• Information is cost effective when it guides companies towards disclosing material and decision-useful information; it ‘might also mitigate the need for the costly and time-consuming questionnaire that investors, analysts, and ratings groups frequently use to obtain sustainability information’ (p. 11).

The approach utilised when pursuing the disclosure of such pieces of information is evidence based, market informed, and industry specific:

• Evidence based: the SASB aims to identify information useful for investors that is evidenced in terms of financial impact and sustainability issues. Thus, it establishes the potential financial impact occurring in revenues and costs, assets and liabilities, and/or the cost of capital;

• Market informed: the SASB focuses on the participants in the capital markets – that is, investors and providers of financial capital;

• Industry specific: the SASB develops sustainability accounting standards at the industry level, as the materiality of sustainability information requires the contextualisation of each industry-related characterisation to more thoroughly comprehend the impact of sustainability challenges on business.

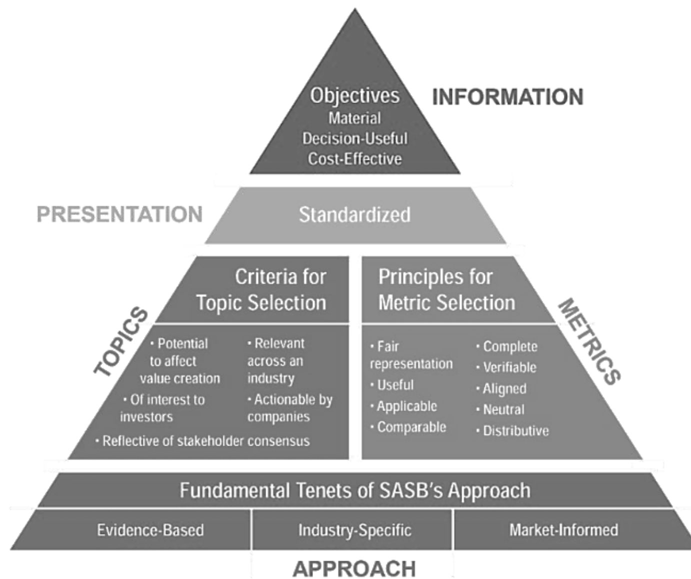
Figure 6 displays the conceptual framework. In keeping with these approaches, the disclosure should primarily focus on the criteria of the topic selection and the principles for the evaluation of performance concerning sustainability issues (see Figure 2.4).

---

[17] See https://www.sasb.org/standard-setting-process/conceptual-framework/.

[18] See the U.S. Supreme Court, TSC Industries v. Northway, Inc., 426 U.S. 438, 449 (1976).

Figure 2.4 – *The SASB Framework*



Source: The SASB (2017).

2.2.7. *ISO 26000 on social responsibility*

ISO 26000 represents the guidelines for social responsibility reporting, developed in November 2010 by the ISO (International Organization for Standardization, 2014). This guidance document aims to help businesses of all sizes and organisation types operate in a socially responsible way. As such, it addresses social responsibility by multidimensional perspectives, ranging from traits and core subjects to principles and practices concerning social responsibility [19].

This standard is framed around seven clauses that address the scope of this standard (Clause 1), terms and definitions (Clause 2), the understanding of social responsibility (Clause 3), the principles of social responsibility (Clause 4), the two fundamental practices of social responsibility (Clause 5), the core social responsibility subjects (Clause 6), and ultimately, the integration of social responsibility throughout the organisation (Clause 7); in other words, it outlines the scope 'to provide guidance to all types of organizations, regardless of

[19] See https://www.iso.org/standard/42546.html. International Organization for Standardization (ISO). (2010). "ISO 2600: 2010 – Guidance on social responsibility." Available at http://www.iso.org/ iso/catalogue_detail?csnumber 1⁄4 42546.

their size or location, […] in contributing to sustainable development' (Clause 1). Then, it conceptualises social responsibility in terms of definitions, backgrounds, and characteristics (Clauses 2 and 3) and subsequently addresses the core principle of a socially responsible behaviour (Clause 4). In keeping with these principles, the organisation should identify the core subjects related to its sphere of importance and impact and then approach those subjects for both internal and external users (Clause 5 and 6). Finally, the standard provides routes for translating policies into concrete programs along with indications for reporting ESG, ethical, and economic issues. Moreover, the standard is centred on the pursuit of a socially responsible behaviour and thus encourages organisations to integrate such behaviour both within the organisation and alongside its stakeholders; this means an organisation should contemplate social responsibility that is integral to its business objectives, decisions, operations, and organisational culture and, in order to achieve its goals, should build internal competency and strengthen its engagement with stakeholders (ISO, 2014). Figure 2.5 below illustrates the scheme of ISO 26000.

By acknowledging its self-existence alongside other guidelines, 'the standard seeks to promote a common understanding of social responsibility while complementing – but not replacing – other existing tools and initiatives. When applying ISO 26000, organisations should consider societal, environmental, legal, cultural, political and organisational diversity as well as differences in economic conditions, while being consistent with international norms of behaviour'. In fact, the ISO developed additional standards [20], such as ISO 14000, which addresses family and environmental management with regard to environmental responsibilities [21], ISO 50001, which addresses energy management regarding the conservation of resources to tackle climate change [22], ISO 37001, which addresses anti-bribery management systems to help organisations fight bribery and promote an ethical business culture [23], and ISO 45001, which addresses occupational health and safety to improve employee safety, reduce workplace risks, and create more favourable, safer working conditions [24]. When grouping all the ISO standards together, they recognise a joint connection with the SDGs because they support the three pillars of sustainable development

[20] The list is not exhaustive, as the ISO has developed over 22,586 International Standards and all are included in the ISO Standards catalogue, which can be found here: https://www.iso.org/standards-catalogue/browse-by-ics.html.

[21] See https://www.iso.org/iso-14001-environmental-management.html.

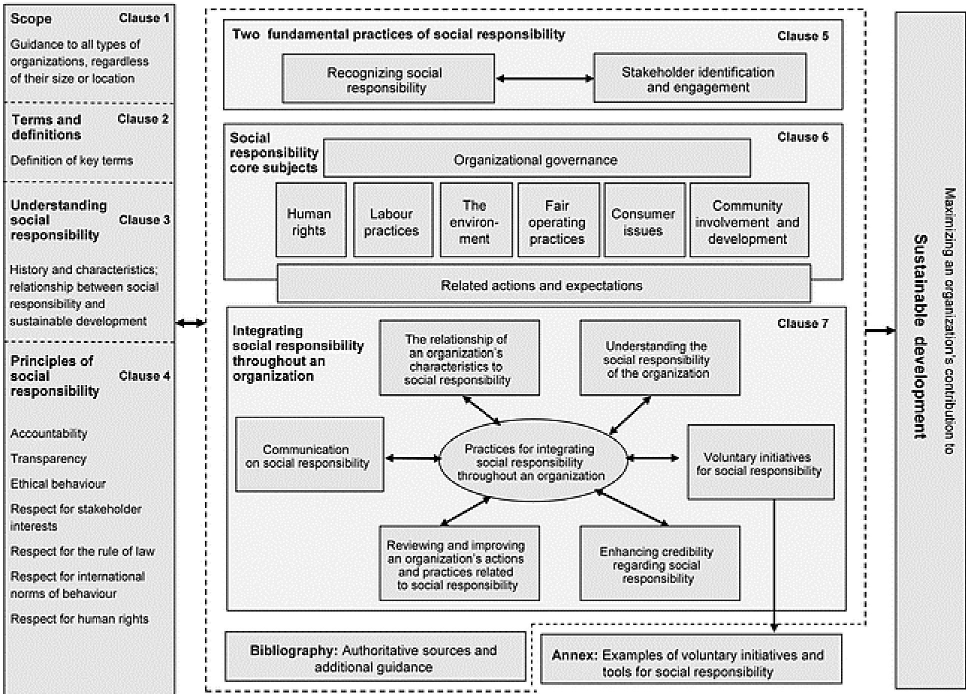
[22] See https://www.iso.org/iso-50001-energy-management.html.

[23] See https://www.iso.org/iso-37001-anti-bribery-management.html.

[24] See https://www.iso.org/iso-45001-occupational-health-and-safety.html.

(the social, economic, and environmental dimensions). The recent report, named 'SDGs Contributing to the UN Sustainable Development Goals with ISO Standards' (ISO, 2018), addresses the exact SDGs to which the standards contribute by linking each SDG to the ISO standard that aims to tackle that specific challenge; for instance, SDG 2 (zero hunger) aims to beat hunger, achieve food security, improve nutrition, and promote sustainable culture, which highly correlates with ISO 22000 (food safety management), ISO 26000 (social responsibility), ISO 20400 (social procurement throughout the food production chain), and ISO 34101 (sustainable and traceable cocoa beans; currently under development) (ISO, 2018, p. 7).

Figure 2.5 – *The scheme of ISO 26000*



Source: ISO 26000.

2.2.8. *Eco-Management and Audit Scheme (EMAS)*

The EU EMAS is a protocol for organisations to evaluate, report, and improve their environmental performance[25] that was firstly developed by the Eu-

[25] See European Commission – Environment – EMAS.

ropean Commission in 1993 [26] to mandate that companies analyse, measure, and report on their environmental performance. The first version was effectively introduced under voluntary participation in April 1995, while the European Commission made subsequent improvements to align the scheme to international environmental management system (EMS) standard EN ISO 14001:1996; three revisions were issued – the first in 2001 [27], the second in 2009 [28], and the third in 2017 [29].

The guideline's requirements include organisations' legal compliance with all environmental legislations, the measurement and verification of their key environmental data, and the continuous improvement of their environmental performance and reporting of annual reports. All the EMAS-registered organisations were required to comply with the revised annex until September 2018; as such, they are now required to define the environmental review that comprises the following criteria. Organisations are required to determine the organisational context of their EMS, considering the positive and negative influences of environmental issues (e.g., biodiversity, climate change). Organisations should identify stakeholders' interests and expectations, verify the environmental compliance requirements, and assess both internal and external factors that significantly influence environmental matters with life-cycle and risks/opportunities perspectives. The reporting process of environmental targets, activities, and performance must focus on the core indications that explain environmental performance – such as energy efficiency, material efficiency, biodiversity, emissions, water and waste consumption – alongside the further steps available for engaging in future improvements.

A recent study that investigates the effectiveness of the EMAS implementation (Adelphi *et al.*, 2017) reveals that an EMAS-registered organisation tends to reduce both costs and risks through resource efficiency and waste management, as the EMAS scheme helps organisations monitor their objectives, activities, and performance. The authors even present quality improvements and innovation related to training employees. Moreover, the EMAS scheme favours the communication to stakeholders of more heavily targeted and simpler information concerning environmental performance, although it remains lacking in that it favours the creation of business opportunities among partners and groups of stakeholders (Adelphi *et al.*, 2017).

[26] See EMAS Regulation 1836/93.

[27] Revised Regulation (EC) No 761/2001 (EMAS II).

[28] Revised Regulation (EC) No 1221/2009 (EMAS Regulation).

[29] The Regulation itself (the articles) did not change. The Annexes I to III of the EMAS Regulation integrated the revisions of the new ISO 14001:2015 Standard.

The EMAS scheme closely aligns with the EU's sustainable development objectives due to its close relation with many types of environmental policies actively enacted by the EU, such as climate change, green finance, and circular economy. Furthermore, the EU Commission aims to target these policies with the EMAS scheme and initiatives [30].

2.3. Discussion: sharp or mucky setup?

Within this framework bubble, academics have extensively debated on these standards by focusing on their positive and negative sides (de Colle, Henriques, & Sarasvathy, 2014) usefulness (Tschopp & Nastanski, 2014), and extensive development. Whilst 'all the standards share the common objective to advance the social, ethical and environmental performance of organizations by codifying aspects of organizational behaviour' (de Colle *et al.*, 2014, p. 178), 'it may seem that there is still no formal model which can be used as [a] yardstick to evaluate these standards' strengths and weakness' (Camilleri, 2017, p. 30).

de Colle *et al.* (2014) discuss the positive and negative effects and define the paradox of the CSR standards: 'The *thoughtful, responsible and stakeholder-oriented* mindset that CSR standards aim to promote among standards users may be directly counteracted by the *thoughtless, blind and blinkered* mindset that standards users tend to employ, the more they focus on implementing CSR standards' (p. 184). In further detail, de Colle *et al.* (2014) identify seven beneficial outcomes associated with the CSR standards: CSR's operationalisation, avoidance of confusion, support of CSR uptake, facilitation of stakeholder engagement, promotion of continuous improvements, enhanced corporate reputation, and enabled self-enforcement. On the other hand, they seriously consider seven specular drawbacks: conceptual inadequacy, introduction of extra costs, lack of enforcement, obsession of compliance, over/miscommunication of data, stifled innovation, and failure to drive systemic change. Within this framework, a constructive criticism arises and underlines the problem of deceptive measurements, responsibility erosions, and blinkered culture. The deceptive measurements occur with the use of proxies (e.g., the measurement of 'human capital' by counting an organisation's hours of training allotted per employee) due to the loss of unmeasurable qualities (e.g., training quality), while responsibility erosions arise when organisations inertly follow international standards due to a '[sole] matter of compliance'

[30] See 'Introduction to EMAS', 'Registration Procedures', and 'EMAS Reporting'.

with predetermined procedures rather than a 'matter of responsibility' among multiple stakeholders' interests. The blinkered culture occurs when organisations implement managerial procedures according to the standards although simultaneously ignore the stakeholder culture that comprises belief, values, and practices in managing stakeholder relationships. Thus, following international standards by merely ticking a box and forgetting about material issues that are necessary to scale in favour of changing directions and incurring large-scale outcomes (de Colle *et al.*, 2014, p. 184) can seriously lead to levels of (un)sustainability.

In many cases, these guidelines are taken up voluntarily, and furthermore, such a considerable number of guidelines may justify their partial implementation or – even further – full inaction, specifically in the event of voluntary disclosure (Camilleri, 2015). This voluntary implementation leads to murky and biased information, specifically that which favours disclosing exclusively positive signalling. Such impression management tactics considerably threaten the truly effective results as well as the comparability, reliability, and consistency of data.

On the other hand, without international standards, the reports can be drawn for strategic marketing and reputational reasons in a manner that is likely to be comparable with brochures; in other words, the report can be designed with a 'window-dressing' approach, which occurs when companies primarily focus on a matter of image enhancement (Mahoney *et al.*, 2013). In this vein, harmonisation is necessary for data's comparability and consistency, which are particular traits of decision-useful information (Tschopp & Nastanski, 2014). In fact, reports are useful for making decisions, and thus the reports' decision usefulness is crucial for several groups of stakeholders. We may consider investors who may need to evaluate investment opportunities or, eventually, customers and suppliers who would like to monitor companies' practices and actions. However, harmonisation and convergence of non-financial information disclosure are faced with barriers of implementation, such as 'difficulties in establishing core CSR elements, lack of precise quantitative or qualitative measures and perceived relevancy particularly as it relates to performance' along with different stakeholders' requests for various reasons and multiple interests (Tschopp & Nastanski, 2014). Therefore, standard setters can pursue those objectives under a common ground of similar meanings, definitions, and scope.

Buhr, Gray, and Milne (2014) examine the rationales underlying the main international standards frameworks, and several concerns regarding the standards' scope and targets have been discussed; for instance, in the International <IR> Framework, matters of accountability and sustainability have not yet been

considered, and the discussion focuses almost exclusively upon the needs of investors while it simultaneously ignores other stakeholders' interests (Buhr *et al.*, 2014, p. 65). Academics are thus called to force standard setters to define a commonplace arena of languages and means that are headed in the shared direction towards sustainability practices.

2.4. Conclusion

This chapter aimed to outline the development path of the international standards frameworks that have sustained businesses in their pursuit of sustainability challenges. A multitude of international initiatives have been advanced to uphold organisational, managerial, and reporting practices, each of which has addressed the CSR agenda under different and multi-faceted perspectives that favour the enhancement of such practices. In response, businesses and organisations have started seriously considering sustainability and CSR issues on a voluntary basis, which is evidently demonstrated by their development of voluntary sustainability reporting, spontaneous initiatives in favour of communities, and, eventually, programs mainly devoted to protecting and safeguarding the environment – an increasing interest that is most impressive.

The effectiveness of the international standards explosion, however, is vividly debated in academic terms because it may potentially lead to levels of unsustainability (Milne & Gray, 2013; Buhr *et al.*, 2014; de Colle *et al.*, 2014). Therefore, it is crucial that developments be further stimulated over a systemic and large-scale change to enact transformative sustainability rather than opt for misleading languages that encourage business-as-usual practices and reporting exercises. In such vein, international standards frameworks could develop settled processes with an accountability logic, rather than merely instrumental.

3.
Regulatory framework of non-financial information disclosure in Europe

3.1. Introduction

Recent decades have seen a perceptible growth in CSR and sustainability reporting. The Federation of European Accountants have presented a significant increase in the reporting of non-financial information on a voluntary basis since 2013. To be more specific, there has been a 15% increase in the number of reports issued (Federation of European Accountants, 2015, p. 1). If we consider a broad range of years between 2002 and 2015, prior research has shown a major shift in CSR reporting practices, starting from 2007, with a rise from 13% to 47% (Stolowy and Paugam, 2018). CSR reporting remained primarily voluntarily as companies implemented those practices mainly to satisfy stakeholders' demand for sustainable development (Brockett and Rezaee, 2012a). In other words, sustainability initiatives in terms of reporting have been primarily market-driven.

Therefore, it is necessary to understand the major changes which regulatory governments enacted to support such a huge increment. Within this context, this chapter aims at illustrating the evolution of non-financial information disclosure across Europe and tracking its developments regarding the regulatory requirements of the mandatory regime.

Toward these aims, the chapter first delineates the major steps in favour of CSR issues across Europe (Section 3.2). Subsequently, it reviews national laws concerning CSR reporting and sustainability disclosure (Section 3.3). The breakthrough is identified with Directive 95/2014/EU, which dictates the mandatory disclosure of non-financial and diversity information. The chapter will address the content requirements and the principle-based approach adopted by the Directive (Section 3.4), after which it will discuss the harmonisation or discretionary specification of the directive (Section 3.5). The chapter continues with a discussion on the current scenario facing non-financial mandato-

ry information (Section 3.6), finally, it will end by providing recent guidelines from the European Commission (Section 3.7).

3.2. European Union (EU) steps to break through non-financial information disclosure

The history of the European Union (EU) in dealing with corporate social responsibility (CSR) issues dates back to 2000 at the Lisbon Summit, where the European Council agreed to 'make Europe the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010' (Presidency Conclusions, Lisbon European Council, 23 and 24 March 2000) [1].

The strategy was to enhance a knowledge-based economy and strengthen employment, economic reforms and social cohesion in favour of sustainable economic growth; those aims were mainly based on social and economic pillars. One year later, the European Summit in Gothenburg addressed the commitment towards a sustainable environment. Thus, the environment-related element was added to enact coordinating actions for all the member states. Therefore, at the Lisbon Summit, CSR become a cornerstone of the 10-year strategy of the Lisbon Agenda.

The first definition of CSR was provided by the EU in 2001 within the Green Paper, which promotes a European framework for CSR. The European Commission (EC) defined *corporate social responsibility* as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (European Commission, 2001, p. 6). In this definition, CSR is framed with a holistic view which includes both an internal and an external perspective. Internally, companies were called to address responsible practices in dealing with employees' empowerment, health and safety at work and adaptation to change, as well as meet consumers' demands and, ultimately, the management of environmental impacts and natural resources used in their production. Externally, companies were involved with various categories of stakeholders. Thus, their challenges were mainly devoted to developing positive relationships with the community; working closely with business partners, suppliers

[1] See Lisbon European Council – 23 and 24 March 2000, and the "Briefing Note for the Meeting of the EMPL Committee 5 October 2009 Regarding the Exchange of Views on the Lisbon Strategy and the EU Cooperation in the Field of Social Inclusion" (European Parliament, 2014a).

and consumers; respecting the local physical environment and operating against human rights violations. The core issue of the Green Paper concerned the implementation of these CSR strategies which needed to be understood as day-to-day actions across the organisation. Turning this first initiative into action, the EC invited enterprises, business organisations, trade unions, enterprises, as well as civil society to state their positions regarding the CSR debate that arose in the Green Paper. The consultation produced 250 responses, from which a consensus firmly emerged concerning the CSR concept and related attempts to manage it strategically. Several actors emphasised different, even divergent, perspectives on CSR. Enterprises promoted a voluntary approach to CSR, as they acknowledged the impracticability of a 'one-size-fits-all' solution whilst trade unions and civil society organisations favoured a regulatory framework with minimum requirements. Moreover, investors called for methods and tools which assessed socially responsible investments, whereas consumers stressed the importance of trustworthy products and services, as well as transparent information to make consumption attentive and aware.

Based on this consultation, in 2002, the EC issued the first EC Communication on CSR, namely, 'Corporate Social Responsibility: A Business Contribution to Sustainable Development', to provide a comprehensive framework and good practices for addressing CSR issues based on the Green Paper published the year before. The EU Commission stated, 'CSR is about managing change at the company level in a socially responsible manner. This happens when a company seeks to set the trade-offs between the requirements and the needs of the various stakeholders into a balance, which is acceptable to all parties. If companies succeed in managing change in a socially responsible manner, this will have a positive impact at the macro-economic level' (European Commission, 2002, p. 3). The aim of this communication was to outline CSR directions for delivering the objectives declared in the Lisbon Summit. Accordingly, four strategies were identified:

1. Improve the knowledge of CSR and facilitate the exchange of experience and good practice;
2. Promote convergence and transparency of CSR practices and tools;
3. Launch an EU multi-stakeholder forum on CSR;
4. Integrate CSR into all EU policies.

The first strategy aimed at animating knowledge-based innovation practices between businesses and stakeholders, bringing together existing initiatives or building consensus between companies as well as between member states. Furthermore, it aimed at encouraging education and training on responsible practices and contextualising CSR to SMEs, which are the vast majority of European

enterprises and vary hugely from large companies. The second strategy addressed the codes of conduct, management standards, accounting, auditing and reporting tools, labels and socially responsible investments to increase convergence and transparency among companies. The third strategy set up an EU multi-stakeholder forum on CSR to share competences within the EU and investigate further developments on CSR issues. Finally, the fourth strategy is committed to providing an integrated outline which covers CSR policies, ranging from employment and social affairs policy to the environment, from consumer policy to public procurement. Interestingly, for the first time, the EC underlined the commitment in favour of management standards, accounting, auditing and reporting tools to improve trustworthy benchmarking and transparency among companies as well as the uniformity of information for both internal and external stakeholders. In this regard, the EC referred to the 'triple bottom line' reporting of economic, social and environmental results [2], the Global Reporting Initiative (GRI) guidelines or, eventually, the Eco-Management and Audit Scheme (EMAS) as practical tools and useful guidelines to establish CSR reports. To pursue those strategies, the EC advocated voluntary adoptions with a long-term perspective (European Commission, 2002) and addressed the compelling role which enterprises and companies play. In fact, companies and enterprises deal with the concrete practice of CSR implementations as they directly drive business, interact with stakeholders and can promote change in line with the objectives of EU policies like, for instance, sustainable development.

In this sense, the EU's postulation of the CSR concept firmly refuses the idea of CSR as an 'optional add-on'. Therefore, it has commonalities with stakeholder theory and its related 'integrated view of CSR'. In fact, the core idea lies in 'the integration of social, ethical, and environmental concerns into the management criteria for corporate strategy' (Freeman *et al.*, 2010, pp. 258-259). Moreover, the purpose of business is to contribute to the overall success of an organisation by creating value for and among stakeholders, rather than sustain the legitimacy of business and focus on profit redistribution after profits are maximised (p. 258). Similarly, the EC stressed the need to build partnership among stakeholders and 'to create value through producing goods and

---

[2] The "Triple Botton Line" was coined in 1994 by John Elkington in his book – Cannibals with Forks: The triple bottom line of 21st Century Business and his consultancy, SustainAbility. It is a sustainability framework that examines a company's social, environmental, and economic impact. In 2019 making the 25th anniversary of the concept Elkington opted for a redefinition and some fine tuning as "sustainability goals cannot be measured in terms of profit and loss. It must also be measured in terms of the wellbeing of millions of people" (see "25 Years Ago I Coined the Phrase "Triple Bottom Line". Here's Why It's time to Rethink it" in Harvard Business Review, June 25, 2018).

services that society demands, thereby generating profit for its owners and shareholders as well as welfare for society, particularly through an ongoing process of job creation' (European Commission, 2002, p. 5).

The first attempt to regulate CSR and sustainability issues was in 2003, when the European Parliament issued Directive 2003/51/EC. Article 36 was amended as follows: '[…] To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, *where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters*' (European Parliament, 2003, *emphasis added*)[3]. Despite this preliminary effort, the Modernisation Directive and the subsequent Directive 2006/46/EU[4] do not include strict requirements respecting the type of indicators to specify in the annual report. Therefore, few individual EU states have set up initiatives to better explain non-financial key performance indicators; however, they have already issued some national laws by forcing companies into the disclosure of some social and environment-related issues (Camilleri, 2017) (see Section 3.3).

Between 2002 and 2006, the EC launched several consultations as well as forums and conferences for engaging with social partners and civil society, as well as exchanging information and experiences (Mullerat, 2013). These contributed to considerable advancements: first, in 2005, the EC updated the Lisbon Strategy. Second, in 2006, it issued the Second EC Communication entitled 'Implementing the partnership for growth and jobs: Making Europe a pole of excellence on corporate social responsibility'. The Communication of 2005[5] launched a renewed Lisbon Strategy with growth and employment at the centre of the EU's objectives by building partnerships as the philosophy of implementation (European Commission, 2005). This renewal provided a greater focus in four priority areas of development: research and innovation, investing in people/modernising labour markets, unlocking business potential, particularly of SMEs, and energy/climate change (European Commission, 2010). The Second EC Communication did not significantly differ from the prior objectives; it proposed two initiatives: the multi-stakeholder forum and the integration of CSR into European policies (European Commission, 2006).

In 2010, the EC presented an assessment of the Lisbon Strategy and its im-

---

[3] See Article 2, comma 10, of Directive 2003/51/EU, also known as the EU Accounts Modernization Directive.

[4] Directive 2006/46/EU obliged companies to present a corporate governance statement within their annual report.

[5] Communication from President Barroso in agreement with Vice-President Verheugen.

pact on growth and jobs: results showed that the EU faced turbulent years due to the financial crisis, so the need to reinforce policies and measures to improve the efficacy of actions was of primary importance [6]. Correspondingly, the year after, in October 2011, the EC published ‘A renewed EU strategy 2011-14 for corporate social responsibility’. Eight objectives became paramount priorities [7], and two of them were addressed in favour of company disclosure of social and environmental information and the alignment towards internationally recognised CSR principles and guidelines. In this regard, some member states introduced non-financial disclosure requirements beyond the current law [8] to provide social and environmental information and facilitate engagement with stakeholders. The EC (2011) pointed out that ‘2,500 European companies publish CSR or sustainability reports. […] However, this is still only a small fraction of the 42,000 large companies operating in the EU’ (p. 11). The Single Market Act of 2011 outlined the CSR activities with an attempt similar to the renewed EU strategy of 2011-14 [9]. More specifically, the EC identified 12 levers to boost growth and strengthen confidence. Among other, CSR reporting was very much of interest.

Therefore, a proposal for enhancing non-financial information transparency was sorted out in 2013 as a key element of any CSR policy (European Commission, 2013a), along with a new report which strengthened the argument surrounding CSR as an indispensable opportunity to enhance business competitiveness against ‘greenwashing’ behaviours [10] (European Parliament, 2013). Simultaneously, the EC consulted third parties and various stakeholder groups, like preparers, users and non-governmental organisations, for advancing a proposal for the amendment to Article 46 of the Fourth Directive and to Article 36 of the Seventh Directive on the ‘disclosure of non-financial information by companies’.

[6] See “Briefing Note for the Meeting of the EMPL Committee 5 October 2009 Regarding the Exchange of Views on the Lisbon Strategy and the EU Cooperation in the Field of Social Inclusion” (European Commission, 2010; European Parliament, 2014a).

[7] See “A renewed EU strategy 2011-14 for corporate social responsibility” (European Commission, 2011a).

[8] See Directive 2003/51/CE which stated that: “To the extent necessary for an understanding of the company’s development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters” (European Parliament, 2003).

[9] See “Single Market Act Twelve levers to boost growth and strengthen confidence. Working together to create new growth” (European Commission, 2011b).

[10] See “Corporate social responsibility: Promoting society’s interests and a route to sustainable and inclusive recovery” (European Parliament, 2013).

This was because both the EU and member states were not effective enough in addressing this problem, and companies did not sufficiently meet stakeholders' demand for a higher level of disclosure to ensure transparency (European Commission, 2013b). Hence, they opted for intensifying the existing obligation, with the introduction of new requirements to report non-financial information.

A further attempt to enhance the disclosure of non-financial information emerged with Directive 2013/34/EU of the European Parliament. In this directive, Article 19 dictates the inclusion of 'undertakings' likely future development and activities in the field of research and development', confirming the need to explain the analysis of 'both financial and, *where appropriate*, *non-financial key performance indicators relevant to the particular business*, *including information relating to environmental and employees matters*' (European Parliament and the Council, 2013; *emphasis added*).

With Directive 2003/51/EU, the subsequent Directive 2006/46/EU and Directive 2013/34/EU, the regulators left a broad margin of discretion in such implementations because they neither specified channels for the disclosure of such information nor what kind of information companies were required to report. Both Directives did not stipulate any requirements in relation to the type of indicators to be included in annual reports (Knopf *et al.*, 2010). Such a dearth contributed to loose specifications, with counterproductive effects (Bini, Dainelli and Giunta, 2017).

All Member States transposed the Modernisation Directive and most of them transposed Directive 2006/46 (literally) in their national laws by November 2009 whereas other individual EU governments provided further guidance in respect of non-financial information (Knopf *et al.*, 2010).

In the next section, we will discuss the range of national implementations prior to Directive 95/2014/EU which have led to the homogenous content requirements of the new directive.

3.3. Pioneering evidence in developing non-financial information mandatory disclosure before Directive 95/2014/EU

European countries have implemented national laws for the disclosure of non-financial information. Some of those have introduced such measures before Modernisation Directive 2003/51/EC, Directive 2006/46, and Directive 2013/34/EU (e.g. Denmark), whereas most of those have opted for the transposition of the directives (e.g. the Netherlands, the UK, Italy, among others)[11]. Moreover, some

[11] See "Corporate Social Responsibility. National Public Policies in the European Union"

EU states have defined mandatory requirements in the form of standalone categories by considering, for instance, the environmental dimension (Criado-Jimenéz *et al.*, 2008; Peters and Romi, 2013), whilst others have developed comprehensive mandatory disclosures (Ioannou and Serafeim, 2014; Camilleri, 2017).

Denmark was the pioneer in instructing around 1,000 Danish companies to prepare the so-called 'green account' with the Danish Environmental Protection Act in July 1995 (Holgaard and Jørgensen, 2005; Peters and Romi, 2013). The national law demanded 'an outline containing general information about the company, a statement from the management concerning the environment and a quantitative account presenting the environmental performance of the company' (Holgaard and Jørgensen, 2005, p. 363) [12]. This first attempt to advance the disclosure of environmental issues has led to divergent approaches. On the one hand, few companies proactively implement such disclosures and set the agenda for future regulation initiatives. On the other hand, most companies, both large and small and medium-sized enterprises (SMEs) did not put much effort into the communication of environmental issues. In fact, green accounts mostly lacked statutory information, which consequently undermined the usefulness of information, as the public did not trust its content (Thy, 2003; Holgaard and Jørgensen, 2005). To overcome such shortcomings and strengthen the completeness and accuracy of green accounts, the legislator revised the law seven years later. Thus, in August 2002, the statutory order of environmental accounting came into force. New information was required about developments on environmental matters over the last five financial years, about waste generation and waste management, forward-looking information about environmental objectives and current information about implemented policies and concrete results achieved (Jorgensen and Holgaard, 2004). On the 16 December 2008, the Danish Parliament issued the 'Bill amending the Danish Financial Statement Act (Accounting for CSR in large businesses)', with the aim to inspire companies toward an active approach to CSR and its communication to stakeholders. Danish large businesses had to apply the undertakings starting on or after 1 January 2009 and experienced statutory CSR reporting on the environment and climate, human rights, employee rights, anti-corruption and social conditions. In 2013, the Ministry for Economic and Business Affairs assessed compliance with legal requirements by considering the three years of the law's application. Indeed, 131 companies (94% of the total sample) reported their CSR work, against eight companies (6%) which declared

---

(Knopf *et al.*, 2010, pp. 26-32) for further reading on Member States' implementation of Directive 2003/51/EC and Directive 2013/34/EU (e.g. Sweden, Portugal, among others).

[12] See Holgaard and Jørgensen (2005, p. 363) for further reading.

any implementation of CSR policies. This number has been significantly decreased in comparison with the prior year, when CSR activities were not implemented in 15 companies (Ministry for Economic and Business Affairs, 2013)[13].

Another country which has lengthy track experience with the disclosure of environmental issues is France. The first law came into force in 2002, when the French Parliament promulgated the *Loi sur les Nouvelles Regulations Economiques* (NRE), also known as the New Economic Regulations (NER) on environmental disclosure. In 2010, the NER was replaced by the Grenelle II Act, which had more extensive environmental disclosure (Chauvey *et al.*, 2015; Chelli, Durocher and Fortin, 2018). All French-listed companies and non-listed companies (depending on revenues and number of employees) had to prepare non-financial reporting as part of annual management reports by providing a disclosure of social, environmental and governance aspects. The disclosures were related to the company's economic and social impact, external relations with other organisations and individuals, the sustainable use of natural resources, climate change, the protection of biodiversity, as well as employment conditions, social relations, health and safety, to cite some examples[14].

In Spain, initial efforts were related to the regulation of environmental reporting in 1998 with the Instituto de Contabilidad y Auditoría de Cuentas (ICAC) standard, and then, to decrease the diffused lack of compliance, the Spanish government issued a more comprehensive standard (ICAC-2002) (Criado-Jimenéz *et al.*, 2008). In March 2010, the legislator promulgated the Sustainable Economy Law, which obliged state-owned companies to present company directors' remunerations. Furthermore, state-owned companies were forced to publish sustainability reports following commonly accepted standards (Camilleri, 2017). Article 37 of the Sustainable Economy Law stated: '[T]he government shall provide companies, especially SMEs, with guidance and indicators that provide support for self-assessment in relation to their social responsibility, as well as reporting models or references that are in line with international reporting frameworks' (Knopf *et al.*, 2010).

The Netherlands turned into a mandatory regime of reporting on CSR in 2008 (Camilleri, 2017). All stock-exchange-listed companies with a balance sheet of more than € 500 million had to integrate how they implemented inter-

---

[13] See "Corporate Social Responsibility and Reporting in Denmark: Impact of the third year subject to the legal requirements for reporting on CSR in the Danish Financial Statements Act" issued by the Ministry for Economic and Business Affairs in 2013.

[14] In total, 29 non-financial indicators (42 non-financial indicators for listed companies) were developed (Williamson, Stampe-Knippel and Weber, 2014).

national best practices for their management and supervisory boards, based on 'comply or explain'. The undertakings were transposed into the Dutch code for corporate governance and into the Dutch Civil Code (1838 Section 2, Part 9, Article 2:391 subsection 1). CSR was still voluntarily; however, businesses without policies on sustainability issues were obliged to provide explanations on why did not do so (Knopf *et al.*, 2010).

The United Kingdom integrated CSR into its legislation by transposing Directive 2003/51/EC. Thus, developments dated back to the Companies Act 2006, which significantly revised company law, and the Operation & Finance Review, which transposed the EU Accounts Modernisation Directive of 2003. This legislation obliged companies to disclose the impact of their activities on other interests to be transparent, especially with shareholders. In greater detail, non-financial information had to be included in the directors' report, in the 'Business Review' section.

The Italian regulatory development of non-financial information can be traced back to the European Parliament's adoption of Directive 2003/51/EC along with the amendment of Article 2428 of the Civil Code in 2007. One year after the amendment of Article 2428 of the Civil Code, the Italian National Council of Chartered Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* [CNDCEC]) recommended the inclusion of such 'soft information' in case it had strategic implications for a business itself. The CNDCEC (2008) recognised the relevance of such information since it could affect operating activities. For instance, a gas and oil company with policies on environmental matters could potentially allow stakeholders to properly evaluate the company in terms of its risk exposure (p. 24).

Bini *et al.* (2017) investigated the requirements concerning the disclosure of performance indicators introduced by the Modernization Directive (2003/51/EC) with a sample of 75 Italian companies. The results showed a greater level of compliance with the Modernization Directive (2003/51/EC) due to more indicators; however, the research remarked, 'inadequate specification with few details leads to the failure of regulatory intervention' (p. 66), which did not 'guarantee high-quality disclosure practices' (p. 63).

Mio and Venturelli (2013) provide a comparative study between the UK and Italy over the application of the Accounts Modernisation Directive of 2003, with a focus on the disclosure of sustainability issues in the annual report. Based on a sample of 50 listed Italian companies and 50 listed UK companies, the findings suggest the process of reporting non-financial information is not advanced, especially in Italy, where disclosure levels are lower compared to the UK.

Further attempts to enhance CSR strategies were established in Germany

and Belgium. In Germany, the federal government released a comprehensive guideline which draws upon the German 'National Strategy for Sustainable Development of 2002'. The range of topics was vast, extending from the management of sustainability issues to the assessment of progress made regarding sustainability indicators and ending by providing concrete terms of sustainability among different sectors (The Federal Government, 2008). In Belgium, the government opted for the application of ISO 26000 in government agencies as a pilot initiative (Knopf *et al.*, 2010; Camilleri, 2017).

Taking all the national legislations together, there is a considerable and evident commitment in favour of the disclosure of non-financial information prior to mandatory requirements of Directive 95/2014/EU (Camilleri, 2015). These implementations have been accomplished in disparate ways, and they broadly come after the Modernisation Directive. In fact, the Directive set up a minimum and unrestricted disclosures. Thus, the contents and modalities of disclosure mainly remained in a voluntary regime of implementation (Bini, Dainelli and Giunta, 2017).

3.4. Directive 95/2014/EU: Content requirements and non-binding guidelines

In 2014, the EU suggested a detailed explanation of non-financial information, as well as consistency and comparability of non-financial information throughout the Union. The legislature opted for regulating minimum requirements to build a common playing field with transparency at its core. In fact, transparency leads to lower financing costs, the retention of talented employees and long-term success as all stakeholders – investors, suppliers, customers, employees and the community – have 'a comprehensive understanding of a company's development, performance, position and impact of its activity' (European Commission, 2014, p. 1). By enhancing the disclosure of social and environmental issues, the EU aimed at supporting long-term economic growth and employment.

Before advancing the directive, 'Around 2,500 large EU companies disclosed environmental and social information regularly, which was less than 10% of the EU large companies. […] Fewer than 10% of the largest EU companies disclosed such information regularly. Over time, some member states introduced disclosure requirements before the Directive. For instance, the UK introduced legislation in 2006 and updated it in 2013; Sweden adopted legislation in 2007; Spain in 2011; Denmark amended its legislation the same year and France in 2012' (European Commission, 2014, p. 2). However, these efforts were mainly adopted as sporadic actions and were misleading concerning

the convergence and the transparency of information which the EU Strategy 2011-14 called for. With these new mandatory requirements, the directive included about 6,000 large companies and groups across the EU. In the next section, we will analyse the content requirements of the directive in greater depth, after which we will investigate the voluntary guidelines issued by the EC as clarifications and strengthening of concepts.

3.4.1. *Content requirements*

Directive 2014/95/EU amends Directive 2013/34/EU and obliges public interest entities [15] to report non-financial information if two requirements are met: first, the average number of employees have to exceed 500 during the financial year. Second, one of the following criteria needs to be satisfied: either a balance sheet total exceeding €20 million or a net turnover exceeding €40 million. Companies that meet these boundaries must apply all their undertakings for the fiscal year starting 1 January 2017 or during calendar year 2017.

The disclosure includes: 'an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

• a brief description of the undertaking's business model;
• a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
• the outcome of those policies;
• the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;
• non-financial key performance indicators relevant to the business.

This means that non-financial information is related to five content issues – environmental, social, employee, human rights and anti-corruption – and, for each content issue, companies must indicate the business model, related policies and outcomes, risks and opportunities, and non-financial key performance indicators. In providing such disclosures, companies must rely on an international reporting framework, European or national guidelines, in accordance with their

[15] *Public-interest entities* trade transferable securities on the regulated market of any member state, credit institution, insurance undertaking or designation by member states as a public-interest entity (Global Reporting Initiative, 2017).

own peculiarities and business environment. The directive suggests a union-based framework such as the Eco-Management and Audit Scheme (EMAS) or international frameworks, for instance, the United Nations (UN) Global Compact, the Guiding Principles on Business and Human Rights Implementing the UN 'Protect, Respect and Remedy' Framework, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the International Organisation for Standardisation's ISO 26000, the International Labour Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the Global Reporting Initiative or other recognised international frameworks (European Parliament, 2014b; [9]). The directive requires the disclosure of 'diversity policies in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period' (European Parliament, 2014b) [16].

In providing the abovementioned disclosures, the directive adopts the Comply or Explain principle, namely, if companies do not pursue policies regarding one or more of the listed matters, they must provide a clear, reasoned motivation, as matter of fact: 'Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so' (European Parliament, 2014b) [17].

Such disclosures can be presented in their management report or in a separate report, which can be published alongside the management report or up to six months later on the company's website. The statutory auditor shall ensure that the non-financial statement or the separate reports have been provided. Additionally, member states may oblige companies to allow independent assurance service providers to verify the information presented in the non-financial statement and in the separate report [18]. This means that auditors are limited in checking whether the non-financial statement or the separate report is present, whereas additional rigorous verifications by an independent assurance service provider are discretionary for member states.

Taken together, the directive has been constructed in a non-prescriptive manner, meaning that it leaves significant flexibility to member states, which are obliged to implement the directive in internal law. Nonetheless, they have

---

[16] See Article 20(a), paragraph 1, of Directive 2014/95/EU, amending Directive 2013/34/EU (The Directive).

[17] See Article 19(a), paragraph 1, of Directive 2014/95/EU, amending Directive 2013/34/EU (The Directive).

[18] See Article 19 (a), paragraphs 5 and 6, Directive 95/2014/EU.

extensive discretion to transpose requirements (ECCJ European Coalition for Corporate Justice, 2014).

Moreover, the directive indicates, 'The Commission shall prepare non-binding guidelines on methodology for reporting non-financial information, including non-financial key performance indicators, general and sectoral, with a view to facilitating relevant, useful and comparable disclosure of non-financial information by undertakings. In doing so, the Commission shall consult relevant stakeholders' (European Parliament, 2014b) [19]. Consequently, the Commission established a public consultation in 2016 with a publicly available questionnaire with 11 questions to receive feedback and prepare non-binding guidelines on reporting non-financial information accordingly.

3.4.2. *Non-binding guidelines on the methodology for reporting non-financial information*

The objective of the non-binding guidelines is to facilitate the disclosure of non-financial information. Toward this aim, on 20 September 2016, the EC first issued the 'Feedback statement on the public consultation on the non-binding guidelines for reporting on non-financial information by companies having taken place from 15 January to 15 April 2016'. The year after, the EC finalised the 'Guidelines on non-financial reporting (methodology for reporting non-financial information)', in 2017.

The questionnaire received 355 responses from companies and business organisations (47%), non-governmental organisations, trade unions (23%), auditors, accountants (13%), public authorities (5%) and individuals (12%) (European Commission, 2016a). The questionnaire was divided into four parts with regards to the general principles and key attributes of non-financial information (Part 1), the content of non-binding guidelines (Part 2), the interaction with other frameworks (Part 3) and the disclosure related to the board diversity policy (Part 4).

In Part 1, the general principles needed to be addressed in the guidelines have been materiality (almost 80%), followed by usefulness, reliability, avoiding undue administrative burden and comparability. Most respondents have considered all users of non-financial information disclosure (investors, suppliers, consumers, local communities, NGOs) as the main audience of non-financial statements. Regarding key attributes of non-financial information, a piece of information has been considered necessary to understand the impacts of a company's activity and usefulness to shareholder and investor decision-making.

---

[19] See Article 2 "Guidance on Reporting" Directive 2014/95/EU.

In Part 2, respondents expressed their opinions on the content of the non-binding guidelines. They preferred a principle-based approach instead of a detailed guideline to 'stimulate innovation and enable companies to disclose information in the way they consider most useful' (p. 10), and then they suggested definitions and further explanations for each content requirement (business model, policies, outcomes of policies, due diligence process, KPIs, principal risks)[20]. Moving towards the disclosure of KPIs, respondents agreed in favour of flexibility in disclosure and addressed the need to identify key principles against a full list of KPIs.

In Part 3, the demand for making appropriate references to other frameworks or explaining the context of frameworks in terms of how they could be used in a non-financial statement was unanimous from all respondents. Finally, in Part 4, respondents called for more clarity on what companies should disclose regarding their boards' diversity.

Turning these consultations into actions, the EC provided the 'Guidelines on non-financial reporting (methodology for reporting non-financial information)' in 2017. The guidelines intend to provide a follow-up and a mechanism review to establish strong accountability in line with the aims of the EC's Communication in 2016, in response to the global 2030 agenda adopted by the General Assembly of the United Nations in September 2015[21]. Therefore, 'the aim of these guidelines is to help companies disclose high quality, relevant, useful, consistent and more comparable non-financial (environmental, social and governance-related) information in a way that fosters resilient and sustainable growth and employment, and provides transparency to stakeholders' (European Commission, 2017, p. 4). The focus is to furnish companies with the disclosure of relevant, useful and comparable non-financial information which must be provided consistently and coherently.

To this aim, the EC has prepared a principle-based methodology which fits all companies across all sectors. The non-financial statement should be drawn in accordance with a set of key principles, as follows:

• Material information: Can be defined as 'the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make based on the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar

[20] See "Feedback Statement on the Public Consultation on the Non-Binding Guidelines for Reporting on Non-Financial Information by Companies Having Taken Place from 15 January to 15 April 2016" for further details.

[21] See "Next Steps for a Sustainable European Future. European Action for Sustainability" (European Commission, 2016).

items’ [22]. In other words, information is material when ‘a company’s thorough understanding of the key components of its value chain’ can ‘identify key issues and assess what makes information material’ (European Commission, 2017, p. 5);

• Fair, balanced, understandable information: Can be defined in terms of the disclosure of favourable and unfavourable aspects with consistent terminology which explains measurement methods, underlying assumptions and sources. With this logic, narrative reporting alongside quantitative information as a visual representation represents a favourable joint integration to support effective communication;

• Comprehensive but concise information: Can be defined in terms of the breadth of information disclosed as it frames a comprehensive picture of the reporting year. However, such information needs to be concise, thus avoiding immaterial information;

• Strategic and forward-looking information: Can be defined as information which provides an assessment of the company’s development, position, performance and impact over time, including an explanation of the company’s strategy, which covers long-term objectives;

• Stakeholder-oriented information: Must be relevant to all stakeholders;

• Consistent and coherent information: Must be uniform over time to ensure comparability among years and let all stakeholders comprehend reporting methodology. Linkages among sections and internal cross references help to maintain consistency and coherence.

For each of these characterisations, the guideline provides examples of applications to prepare non-financial statements accordingly. The guidelines then explain each content requirement regarding the business model, policies and due diligence, outcomes, principal risks and their management, KPIs and thematic aspects. All these content requirements must be disclosed according to the key principles, expressing linkages and interdependencies if those occur. Finally, the guideline expanded the list of the international frameworks companies should rely upon, by adding, for instance, the recent Integrated Reporting Framework, which was missing from the directive.

3.5. Member states’ implementation of Directive 95/2014/EU

Before the directive, member states faced different experiences with CSR reporting: some have presented a long track record of mandatory requirements on CSR issues, whilst others have mainly anchored themselves to a voluntary-

[22] Article 2(16) of the Accounting Directive (2013/34/EU).

based approach. After the directive, all the member states had to bring into force the requirements with national laws by 6 December 2016. The national governments have transposed the directive into national laws before the divulging of the 'Guidelines on Non-Financial Reporting (Methodology for Reporting Non-Financial Information)' issued in 2017. As already mentioned, the directive has drawn upon a wide degree of discretion; therefore, member states had the opportunity to implement the minimum requirements of a directive or eventually go beyond those and develop them further (Jeffery, 2017). The explicit undertakings of the directive which left the member states a voluntary degree of implementation cover the following:

• Whether reports must be verified by an independent assurance service provider;
• If penalties will be imposed on companies which do not report adequately;
• Definition of an organisation as a large undertaking and public interest entity;
• Any other further improvements on non-financial information which cover the following:
• Disclosure format (annual report-separate report);
• Report topics and content;
• Reporting framework to rely upon.

Jeffery (2017) illustrates how UK, Germany, France and Italy have implemented the directive into national law, highlighting the key differences in how the surveyed states applied and/or amended the directive's requirements.

For instance, the directive left to the member states the possibility of further specifying the inclusion of non-financial information with the management report or separately, namely, in the format of the non-financial statement. Some states decided to strictly outline the boundaries of reporting by setting up the management report as the only way to present the disclosure of non-financial information (e.g. the UK). Conversely, others preferred to maintain both options, as the directive suggested (e.g. Italy). Differences could even emerge regarding the content requirements, given that the directive states that 'at least' environmental issues, social and employee matters, anti-corruption and human rights issues should be disclosed. Therefore, some countries prescribed certain additional requirements, whereas others opted for a conservative approach. Italy and France provided supplementary disclosure for some content issues, such as for environmental matters. The French implemented legislation aimed to include 'the impact of the company's activities as well as its services and products on climate change'. Similarly, Italian national law required the disclosure of greenhouse gas (GHG) emission and air pollution, water use, as well as renewa-

ble and non-renewable energy sources. Conversely, Germany and the UK did not provide supplementary indications on content issues or further specifications of KPIs. Similarly, Spain transposed the directive establishing the minimum requirements provided in the directive.

No indications regarding sanctions for non-compliance were issued. Therefore, the transposition of consequences for non-compliance widely differed across the jurisdiction (Jeffery, 2017). In Italy, non-conformity with the implementing legislation has been punished with monetary penalties. The related consequences have been even extended to external auditors who verify the non-financial statement. However, in France, 'the only consequence of non-compliance in France is that any interested party or individual may send a request to the presiding judge of summary proceedings, that the information be provided. Where the application is granted, the penalty and the procedure costs will be borne by the directors or the members of the executive board' (Jeffery, 2017, p. 6).

The Global Reporting Initiative in partnership with Accountancy Europe has provided a comparison on how member states have implemented Directive 95/2014/EU. Table 3.1 depicts the summary table addressed within the report[23].

Table 3.1 – Member States implementation of Directive 95/2014/EU

Country	1)	2)	3)	4)	5)	6)	7)	8)
Austria	■	○	■	■	○	■	○	○
Belgium	○	○	■	■	○	■	○	○
Czech Republic	○	○	■	■	○	■	○	■
Denmark	○	○	■	○	○	○	♦	○
Finland	■	■	■	■	■	■	○	■
France	■	○	■	■	○	○	○	■
Germany	■	○	■	■	○	♦	○	■
Greece	○	○	○	■	○	■	○	■
Italy	■	○	■	○	○	○	○	■
Luxembourg	○	○	■	■	■	■	○	■
Malta	■	■	○	■	○	■	○	■

[23] See "Member State Implementation of Directive 2014/95/EU A comprehensive overview of how Member States are implementing the EU Directive on Non-financial and Diversity Information" published by CSR Europe and GRI with the support of Accountancy Europe in November 2017 (Global Reporting Initiative, 2017).

	1	2	3	4	5	6	7	8
The Netherlands	■	○	■	■	○	■	♦	○
Norway	■	○	■	■	○	■	○	■
Poland	■	○	■	○	■	■	○	■
Portugal	○	○	■	■	■	■	○	■
Spain	■	○	○	○	○	■	♦	■
Sweden	○	○	○	■	○	■	○	■
United Kingdom	○	■	■	■	○	○	○	■

with:
1. Definition of a Large Undertaking
2. Definition of a Public Interest Entity
3. Report Topics and Content
4. Reporting Framework
5. Disclosure Format
6. Auditor's involvement
7. Non-compliance Penalties
8. Diversity Reporting Required

Legend:
■ Requirements are the same as in the Directive
♦ Requirements have been omitted
○ Requirements have been adapted

Source: CSR Europe GRI and Accountancy Europe (2017).

3.6. Discussion: Is the loop closed?

The path toward the monitoring and reporting of CSR issues has developed a long history. There has been increasing interest around sustainability issues. Meanwhile, several progressive steps have favoured the implementation of concrete actions. The most significant milestone in favour of the implementation of CSR issues started with the Lisbon Strategy in 2000, and nowadays, there are still numerous implementations to support sustainable outreach.

With the last recent effort of the EU, Directive 95/2014/EU makes a significant change to force companies to disclose non-financial information and the related tracking of their impact on society. The objective of the directive is to increase the relevance, consistency and comparability of the information disclosed by companies across the EU. However, some concerns were raised by public authorities and policy makers (ECCJ European Coalition for Corporate Justice, 2014; Federation of European Accountants, 2015).

First, the directive was originally proposed for 18,000 companies – listed and unlisted – that had over 500 employees and a certain annual turnover or balance sheet. However, the applied scope covers the largest companies within the EU, which are around 6,000 of the total 42,000 largest companies (ECCJ

European Coalition for Corporate Justice, 2014). Moreover, small and medium enterprises are out of the scope of the directive which represents a huge part of the European economy; for that reason, it could be useful to extend minimum requirements even to those organisations. Only the French legislature made an exception by obliging both listed companies (with a balance of at least €20 million or net turnover of €40 million and 500+ employees) and unlisted companies (with a balance of at least €100 million or net turnover of €100 million and 500+ employees) to prepare a non-financial statement.

Second, the directive and the non-binding guidelines are principle-based. Thus, they addressed the principles that companies must follow throughout the disclosure of non-financial information. However, a certain degree of uncertainty remains if we consider the materiality principle (ECCJ European Coalition for Corporate Justice, 2014; Jeffery, 2017). Non-financial information must be provided to the 'extent necessary for an understanding of the company's development, performance and position and the impact of its activity' without specifying how to determine 'the extent necessary'.

Third, information to be provided in relation to each content issue (business model, policies, outcomes, risks, KPIs) is given on a general level. For instance, the business model is defined as a brief description of companies' business, but the directive 'does not state whether such business model should bear relevance to each ESG factor, or whether it should merely be referred to in order to inform the reader of the company's overall business approach' (Jeffery, 2017, p. 4). Similarly, there are further details in relation to the risks from the supply chain and business relationship, 'if relevant and proportional'. Consequently, different transposing legislations emerge, with quite disparate interpretations.

Fourth, the directive suggests relying on an international standard framework to report non-financial information. However, each of those frameworks vary significantly from one to the other in terms of contents and definitions. Therefore, in that sense, comparability is increasingly jeopardised.

Finally, the option to present the disclosure of non-financial information in a separate report goes against the growing trend toward the integration of financial and non-financial information (ECCJ European Coalition for Corporate Justice, 2014). It also runs counter to the principles of conciseness of information.

Despite all these concerns, the EU actively responds to risky contingencies on sustainable development, resource deficiencies and the depletion of natural resources. Thus, the EC has progressively recognised the crucial role of the disclosure of CSR issues to ensure transparency and enhance potentially replicable good practices (Global Reporting Initiative, 2016a; European Commission, 2017b; Rezaee and Tuo, 2017b). Moreover, the effort to stimulate companies to raise their commitment to CSR issues needs to be acknowledged, as the EU has

encouraged companies to engage with sustainable responsible practices over time. It is quite evident that we do not achieve a common playing field; thus, further improvements of regulatory refinements are acknowledged.

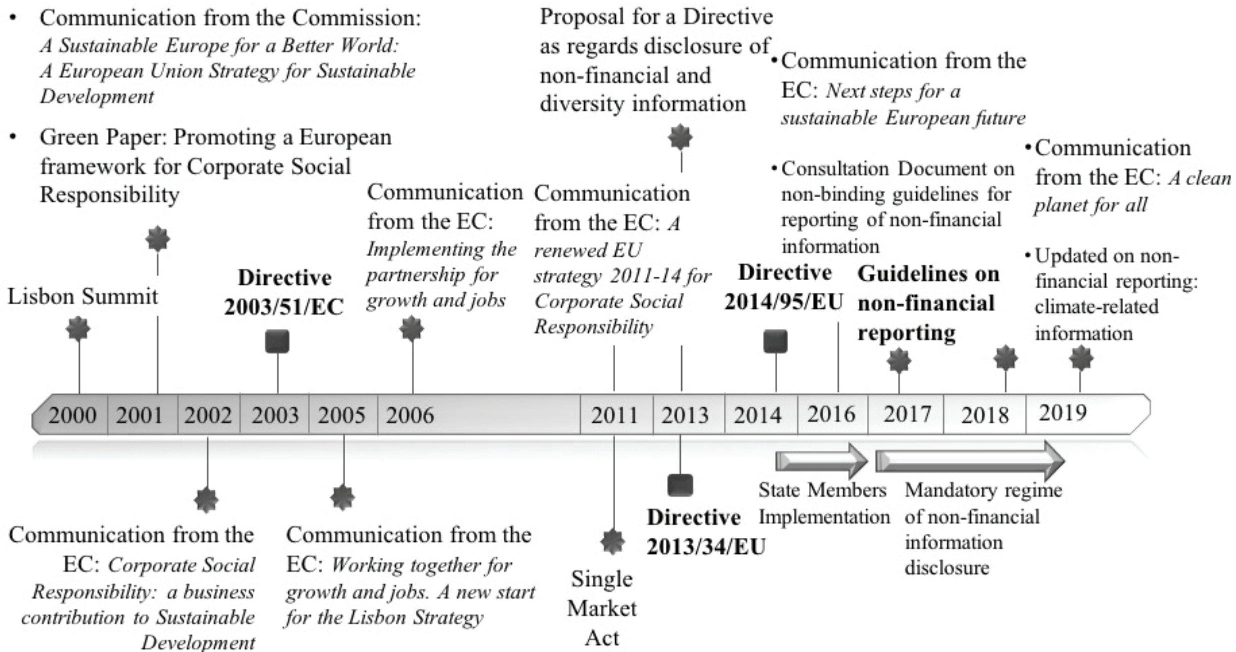
Several initiatives are setting into the EU's agenda for supporting sustainable development and the United Nations' 2030 Agenda for Sustainable Development. The aim is to provide a coherent, holistic framework for addressing the world's most urgent sustainability challenges by reviewing and aligning all the current policies with the SDGs (Global Reporting Initiative, 2017). To this end, the EC published the Action Plan on Financing for Sustainable Growth in March 2018, pointing out risks related to climate change, biodiversity and rising social inequality, which are potential hazards to long-term sustainable growth. In that sense, the financial system can sustain a greener and more sustainable economy with several initiatives. For instance, a sustainable finance strategy can incorporate environmental, social and governance factors into the investment decision-making process or, eventually, can reorient private capital to sustainable investments which assess and aim to achieve both financial and social returns (European Commission, 2018a). In the same context as the Action Plan, the Commission recently revised the Non-Binding Guidelines on Non-Financial Reporting with reference to the disclosure of climate-related information. An updated supplement of the existing version will be published in June 2019 (European Commission, 2019). The climate-related disclosures are linked to each of the five reporting areas listed in the directive: business model, policies and due diligence, outcome of policies, risks and risk management and key performance indicators. The climate-related disclosures need to be presented with a double materiality perspective, by considering both financial materiality (with reference to the company's 'development, performance [and] position') and social materiality (with reference to the external impacts of the company) [24].

To summarise the milestones the EU has achieved over time and to outline the ongoing interventions which will be further developed, the timeline of the EU's milestones has been illustrated in Figure 3.1.

---

[24] See the "Consultation document on the update of the non-binding guidelines on non-financial reporting" (European Commission, 2019) and "A Clean Planet for all A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy"(European Commission, 2018b) and the "Action Plan: Financing Sustainable Growth" (European Commission, 2018c).

Figure 3.1 – *Timeline of milestones enacted by the European Union*



Source: Author's elaboration of the European Union's Communications and Directives.

3.7. Conclusion

This chapter aimed at framing the path development of the regulatory framework of non-financial information disclosure in Europe, which has evolved from a voluntary-based approach to a mandatory regime. European governments draw up myriad laws and guidelines with the aim of turning CSR policies into actions. These initiatives ranged from the implementation and management of CSR issues to the management and the concrete monitoring and reporting of those activities. The first mandatory requirements on non-financial information disclosure dates back to 1995, when Denmark mandated public environmental reporting, covering a range of 3,000 companies (Tschopp and Huefner, 2015). Progressive improvements arose in France, Spain, the UK, Italy, Germany and other European countries. At the beginning, those attempts remained primarily on a voluntary basis. Then, there was some progressive movement towards mandatory requirements, helped by the EC, which issued several communications and disclosures, and ended up as Directive 95/2014/EU.

The EU legislature enacted the directive regarding the 'disclosure of non-financial and diversity information by certain large undertakings and groups' to large public-interest companies with more than 500 employees. Thus, a sample of 6,000 large companies and groups across Europe (approximately) has been included by considering listed companies, banks, insurance companies and other companies designated by national authorities as public-interest entities.

Nowadays, the current scenario facing the disclosure of non-financial information is widely spread across all European countries. However, concerns remain regarding the implementation of legislation. This confirms the outline framed by Camilleri in 2017, when he stated that the 'EU framework on the disclosure of the non-financial reports still does not provide a specific "one-size-fits-all" solution. […] Any compulsory reinforcement of the regulatory measures may possibly yield operational efficiencies and cost savings for businesses, in the long term' (Camilleri, 2017). Therefore, on the one hand, companies are required to actively respond to a concrete implementation of their CSR initiatives into their decision-making process as well as their reporting system in a strategic manner. On the other hand, further developments involving EU governments and the EC are needed to create a homogenous reporting system on CSR issues and sustainable, responsible practices as a whole.

Although we have learned from this chapter that the EU and member states actively engaged with the mandatory reporting on non-financial information

along with the enhancement of CSR policies and practices, the effective application of those mandatory requirements is still unknown.

'Effective, efficient, and scalable sustainability regulations are expected to bring more uniform, standardised, and globally accepted practices of business sustainability and sustainability reporting and assurance' (Brockett and Rezaee, 2012a). Therefore, two main streams are of interest. First, there is the need to understand whether companies are compliant with the new mandatory requirements. Second, it is of interest to deeply comprehend how the compulsory criteria as well as the discretionary interventions have been addressed.

4. Mandatory compliance with non-financial information disclosure: evidence from Italy

4.1. Introduction

Non-financial information disclosure has become inextricable from the language of corporate reporting because it has recently turned into a mandatory regime in Europe and consequently in Italy [1]. Few scholarly studies in the realm of non-financial information disclosure have provided evidence for the level of compliance with this regulation; meanwhile, several academic works call for the investigation of the effectiveness and adequacy of this new regulation (Hummel and Schlick, 2016; Schneider, Michelon and Paananen, 2018). Moreover, the literature on non-financial mandatory disclosure is in its infancy (Chelli, Durocher and Fortin, 2018; Schneider, Michelon and Paananen, 2018), therefore, the present empirical research is moved by these premises.

Drawn on the exploratory investigations recently issued by Consob (2018) and KPMG (2018), this study examines the level of compliance of non-financial information with the new regulatory requirements and investigates whether management discretion affects mandatory compliance. In this chapter and according to Schneider, Michelon and Paananen (2018), management discretion includes the following:

1. The number of years of voluntary disclosure of non-financial information;

[1] In Europe, Directive 95/2014/EU imposed the disclosure of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including a brief description of the undertaking's business model; a description of the policies pursued by the undertaking in relation to those matters; the principal risks related to those matters; and non-financial key performance indicators relevant to the business. See Section 3.4.1 for a review.

In Italy, the Italian Legislative Decree 254/2016 transposed the directive.

2. The reporting documents chosen by companies for the disclosure of non-financial information; and

3. The standard framework adopted internationally when setting up the disclosure of non-financial information.

As a matter of fact, the research hypothesses that prior sustainability issues might impact the level of adherence to these new regulatory requirements. Moreover, the discretionary disclosure companies should take into account when setting non-financial information could be related with the level of non-financial information disclosure. In more details, the discretionary disclosure corresponding to the reporting documents as well as the adopted international standards, might affect the level of compliance, as they might lead to different applications and approaches to disclosure.

The sample of the research is based on 150 Italian companies that were listed as obliged to prepare non-financial statements in accordance with the Italian Legislative Decree No. 254/2016 starting from the 2017 financial year.

This research contributes to the literature and advances the debate on non-financial information disclosure in at least two ways. First, it is part of a body of research that breaks new ground on for level of compliance with non-financial information disclosure in the first year of its regulatory adequacy. Second, this research complements a prior scholarly work (Bini, Dainelli and Giunta, 2017) that has examined regulatory interventions governing management commentary disclosure when management discretion is left to companies in choosing the number of disclosed indicators and their modalities of presentation in applying the requirements of the Modernisation Directive (2003/51/EC).

The remainder of this chapter proceeds as follows: Section 4.2 provides the early investigations conducted by Consob (2018) and KPMG (2018), and Section 4.3 formulates the objectives and hypotheses for this research. Section 4.4 describes the sample, Section 4.5 explains the research methods used to rank non-financial information disclosure and to test hypothesis. Section 4.6 examines the results corresponding the level of compliance, then, the chapter moves to Section 4.7 to present the regression analysis. Section 4.8 summaries the findings, acknowledges limitations and hints for future developments.

4.2. Insights regarding the level of compliance with non-financial information mandatory disclosure

Insights into the level of compliance and the adequacy of the new regulatory requirements have tracked in two exploratory analyses provided by Consob, the Italian authority responsible for regulating the Italian securities market also

known as Commissione Nazionale per le società e la Borsa , and by KMPG.

During the Integrated Governance Conference held in Milan in June, 2018 [2], Consob identified five ways to disclose non-financial information within a mandatory regime of non-financial information disclosure: 1) non-financial statements that constitute standalone reports separate from annual reports and publicly available on companies' websites; 2) non-financial statements that are part of annual reports; 3) non-financial statements that are part of Integrated Reports; 4) non-financial statements that represent CSR/sustainability reports; and 5) non-financial statements that are similar other CSR reports. Moreover, the authority shows preliminary results up to May 31, 2018 with regard to the number of companies that have already provided non-financial statements, reporting such non-financial information as the frameworks of international standards that they rely on, and their prior sustainability reports. The results show that, from a sample of 230 listed Italian companies, 144 companies have prepared the disclosure of non-financial mandatory information, 86 companies have not yet provided their financial statements, 6 have already disclosed non-financial information within the Integrated Report, but, at that time, few non-financial statements were ready to be analysed [3]. Consob gave preliminary evidence on the content of such information, considering a sub-sample of 12 companies listed at FTSE MIB. In essence, all content has been reported according to GRI Standards, and these preliminary results confirm the well-established authority that GRI has acquired over the last decade.

A few months later, Consob issued a comprehensive analysis that examined the impact of non-financial information disclosure on corporate governance [4]. The aim of the report was twofold. First, it aimed to review how the Italian firms listed had implemented the non-financial information disclosure, considering whether they assessed the materiality analysis and whether they established a process with both an internal and an external assessment. To accomplish these objectives, data were collected from non-financial statements. Second, the report issued by Consob explored whether companies have considered non-financial issues relevant at the board level. To do so, they con-

---

[2] See "Evoluzione del quadro regolatorio sui temi della finanza sostenibile e prime evidenze dell'attività di vigilanza CONSOB sulle Dichiarazioni non finanziarie" Anna Genovese – Commissario Consob – June 19, 2018.

[3] See "Evoluzione del quadro regolatorio sui temi della finanza sostenibile e prime evidenze dell'attività di vigilanza CONSOB sulle Dichiarazioni non finanziarie" (p. 12) for details on the updated sample by June 19, 2018.

[4] See "Non-financial information as a driver of transformation" (Consob, 2018).

ducted a survey involving the members of the Italian community of non-executive and independent directors (Nedcommunity). The survey investigated whether independent directors engage with non-financial information disclosure and whether they are keen to enact a cultural renewal of internal processes, reporting tools, and corporate governance systems towards the integration of sustainability issues into the company's business model.

Referring to the analysis of the 2017 non-financial statements, the results show that 151 companies published non-financial statements by the end of 2018, and in so doing, they have presented overlapping and disparate documentations for each other: "139 companies have only published the information required by the Decree, either in a standalone document (called Sustainability Report in 53 cases) or in the management report; six firms have published an Integrated Report (IR), embedding the NFS; two issuers have published both an Integrated Report and a separate Sustainability Report (SR); one firm has released an Integrated Report and a Sustainability Report as a NFS; three companies have circulated both a NFS and a Sustainability Report" (p. 6). Referring to the materiality analysis, all companies provided such an examination, in the form of a matrix (39 cases out of 151), or else in a descriptive table. In so preparing, 113 companies addressed interviews, questionnaires, and focus groups, to better understand material topics from stakeholders' viewpoints.

With reference to the survey "Board leadership and sustainability: the view of non-executive directors", the results display a positive awareness of the crucial role of the Board of Directors in designing long-term strategies: 36.2% were inclined to the conjunct implementation of disclosures and practices at the core of growth strategies with a long-term view, whereas this was not a high priority for the remainders. The questionnaire further investigated:

- the involvement of the board with the application of the Italian Legislative Decree 254/2016; Boards of Directors felt less engaged in both benchmark analyses and scenario analyses;
- the individual attitudes in favour of sustainability issues: Boards of Directors were committed foremost to social and to innovation matters;
- the interest of board members in different forms of value creation, primarily: profit and loss, assets, reputation and stakeholder trust, environmental impact, innovation, people engagement, and capabilities.

The study conducted by KPMG, in collaboration with NetCommunities, analyses a sample of 205 Italian public-interest entities. The sample includes 150 listed Italian companies, 55 Italian companies that were not listed, 32 unlisted banks and insurance companies, and 3 Italian companies not within the

scope of the Italian Legislative Decree 254/2016, but which voluntarily disclosed non-financial information. The companies under investigation submitted a questionnaire that aimed to understand the number of years companies used to disclose non-financial information before, the type of documentation, and modalities of presentations (e.g. pages).

The results showed that 59% of the sample was in the first year of non-financial reporting, whilst the remaining 41% of the sample voluntarily prepared reports for sustainability issues in prior years in the form of CSR reports or sustainability reports, eventually integrated reports. The disparate forms of documentation have been confirmed even in this survey. Out of 205 companies, 143 presented the non-financial information disclosure in a separate report, 44 displayed such information in a distinctive section of the annual report, 4 companies showed the non-financial information disclosure in the management report, which links to the other sections of the annual report, and 14 companies out of 205 have disclosed non-financial information in a section of the annual report, but separate and distinctive from the management report. Furthermore, the survey investigated the length of the reports, questioning the number of pages; the average was 85 pages, with a maximum of 385 and a minimum of 17. Considering the number of pages in conjunction with the format of the report, it is possible to conclude that standalone reports are generally longer (99 pages, on average) than non-financial statements presented in the annual report (63 pages, on average) and non-financial statements within the management report (45 pages, on average).

Generally, standalone reports describe other officially mandated commitments over sustainability issues. Based on these arguments and trends, the next section will posit the research objectives and hypotheses.

4.3. Research objectives and hypotheses development

Drawing on these premises, it seems to be a notable and conspicuous trend in favour of the evolution of non-financial information disclosure under a mandatory-based approach. The new regulatory requirements enact adequacy regarding organizational processes, reporting tools, and the active promotion and enhancement of strategies for sustainability issues at the core of business activities.

The research objective of the study is twofold: first, to understand the level of adequate compliance in the first year of the regulation; second, to verify whether management discretion in disclosures relate to the level of compliance with mandatory requirements.

To accomplish these research objectives, the study adheres to the following research procedure: it constructs a non-financial information disclosure score (NFI disclosure score thereafter) considering that the disclosure is closely linked with the adopted international standards framework to present the Key Performance Indicators (KPIs). All the 150 companies under investigation have opted for the GRI. Therefore, to prepare the disclosure score, the KPI sections of each content topic have been developed according to the companies' chosen GRI Standards. This means that the disclosure score directly accounts for the correspondence of discretionary disclosure with the adopted international standard framework because of their interwoven relationship (see the next section for further details of the construction of the NFI disclosure score).

While considering management discretion related to the number of years of prior non-financial voluntary disclosure and the reporting documents which companies have adopted to channel this disclosure, the study posits the following arguments to accordingly develop the hypotheses.

First, the CSR reports from prior years completed on a voluntary basis that were provided by the company can work to signal higher levels of compliance with mandatory non-financial information disclosure. This means that companies can build confidence when disclosing their sustainability practices (Malik, 2015; Ali, Frynas, and Mahmood, 2017; Venturelli *et al.*, 2017). Moreover, as approaches emerged from the KPMG survey and from Consob's analysis, some companies were familiar with disclosing non-financial information before the law, whilst others entered in the first year of such disclosure. Consequently, this might impact the level of compliance across diverse layers. The following hypothesis is presented hereafter:

HP1: *The higher the number of years of non-financial information voluntary disclosure, the greater the rate of compliance when the disclosure of non-financial information is mandatory.*

Second, the reporting format, namely, the disclosure of the non-financial information in a standalone report versus the disclosure of the non-financial information within an annual report, can even be related to the level of compliance.

A large number of scholarly works have analysed non-financial corporate reporting practices with the adoption of standalone reports (CSR Report, Sustainability Report), Integrated Reports (IRs), or within annual reports. For instance, Maniora's (2017) research investigated internal and external accounting practices by comparing IRs with standalone ESG reports or with annual reports that contain ESG information. The findings suggest that standalone ESG reports give more attention to ESG issues among managers, employees, and other

stakeholders of companies, because, according to the results, IRs are negatively associated with the integration of ESG, but IRs are positively associated with the integration of ESG issues in standalone ESG reports (Maniora, 2017).

The literature suggests that under a voluntary disclosure approach, reporting channels enact different levels of non-financial information (De Villiers and Alexander, 2014). Therefore, the aim of the present research is to analyse whether reporting channels remain consistent under a mandatory regime (Stolowy and Paugam, 2018a). The research objective is also supported by the disclosure discretion of the EU Directive, which gives each company the possibility of disclosing non-financial information in the consolidated management report or in a separate report.

Under a mandatory disclosure approach, the investigation of KPMG (2018) suggests the persistence of such a possible relation, as neither the Directive nor the Italian Legislative Decree imposed narrow obligations. Thus, consistent with the findings of Maniora (2017) under a voluntary-based approach, the research postulate the following hypothesis in order to extend the findings under a mandatory-based approach:

HP2: *The level of compliance is likely to be higher in standalone reports in comparison to non-financial information disclosed in the annual report.*

4.4. Data sample of listed Italian companies

The sample for investigation was collected from 244 groups that were listed to the Italian Stock Exchange and that belonged to the FTSE MIB, the FTSE Italia Mid Cap, and the FTSE Small Cap on December 29, 2017[5].

In order for a company to be included in the sample, the following requirements had to be met for the first year of the regulatory adequacy (2017):

1. Companies should be continuously listed on the Italian Stock Exchange;
2. Companies should have headquarters in Italy, to be compliant with the Italian Legislative Decree 254/2016;
3. Companies should meet the requirements of the Italian Legislative Decree 254/2016; and
4. Companies should present a non-financial statement for 2017 financial year.

---

[5] The list can be retrieved at Borsa Italiana – listed companies capitalization at 29 December 2017.

Along with these criteria, the following screening procedure, shown in Table 4.1, was adopted.

Table 4.1 – *Sample selection procedure*

Description	*Observation*
Initial sample from the Italian Stock Exchange	244
Screening of companies not continuously listed (suspended)	(1)
Screening of foreign companies or companies with headquarters outside Italy (not obliged to comply with the Italian Legislative Decree 254/2016)	(11)
Screening of Italian companies outside the scope of the Italian Legislative Decree	(78)
Screening of Italian companies that did not present the 2017 non-financial statement	(4)
Sample under the mandatory requirement of the Italian Legislative Decree 254/2016	150

The research excluded one listed Italian company that was suspended at the end of December 2017. 11 foreign companies with headquarters outside Italy were also removed, and 78 listed Italian companies did not meet the criteria of the Italian Legislative Decree 254/2016. Specifically, 73 companies out of 78 had, on average, fewer than 500 employees in the 2016-2017 financial period [6], so they were not within the scope of this study. Five companies out of 78 were subsidiaries, and they decided not to present a non-financial statement, as it was provided by the parent company. Another company was omitted from the initial sample because of the change in the closing date of the financial year, which had a duration of 15 months (from October 1, 2016 to December 31, 2017). As the Decree applies to financial years beginning on or after January 1, 2017, this company decided not to present the 2017 non-financial statement. Finally, the study did not consider two other listed companies in the sample since their last annual report dated back to 2016, and one listed company was excluded because its annual report was not available. The research ended up with a sample of 150 listed Italian companies [7]. Table 4.2 describes the sample, which has been classified in terms of basket and sector.

[6] Data on the average number of employees were gathered on DataStream.

[7] Consob issued the list of the Italian listed companies (150) for which the 2017 non-financial statement was available by August 31, 2018 (Delibera 20 settembre 2018, n. 20586). The list was updated to include the Italian listed companies (2) for which the 2017 non-financial statement was available by December 31, 2018 (Delibera 31 gennaio 2019, n. 20796).

Table 4.2 – *Sample description*

Description	*N. of companies*	*Percentage (%)*
Basket		
FTSE Small Cap	65	42.67
FTSE Mid Cap	53	36.00
FTSE MIB	32	21.33
Total	150	100.00
Sector		
Consumer goods and services	49	32.67
Industrials	44	29.33
Financial	25	16.67
Utilities	11	7.33
Technology	9	6.00
Health Care	4	2.67
Oil & Gas	4	2.67
Basic Materials	3	2.00
Telecommunications	1	0.66
Total	150	100.00

Considering the basket, 64 companies were listed under FTSE Small Cap (42.67%), companies were listed under FTSE Mid Cap (35.33%), and 32 companies were listed under FTSE MIB (21.33%). For the FTSE MIB, eight companies out of 40 were excluded from the analysis. Referring to the industry sector, the following classification is used: 50 belonged to consumer goods and services (33.33%), 43 were industrial (28.67%), 25 were financial (16.67%), 11 were utility (7.33%), 9 were technological (6.00%), 4 belonged to health care (2.67%), 4 belonged to oil and gas (2.67%), 3 belonged to basic materials (2.00%), and 1 belonged to telecommunications (0.66%).

Comparing the sample of this research with the lists issued by Consob, it is possible to notice that this sample included 150 listed companies, whilst Consob comprehended 152 listed companies. In the present research, Tamburi Investment Partners was excluded because of a number of employees less than 500; comparatively, Tamburi Investment Partners was considered by Borsa Italiana as M&C SpA. Moreover, in this study, Best Union Company was removed as missing data were present.

4.5. Data collection

4.5.1. *Configuration of the NFI disclosure score*

To define the level of non-financial information disclosure compliance according to the Italian Legislative Decree 254/2016, a quantitative content analysis was conducted for this research. This method was chosen because it has been widely adopted among accounting studies. Hence, the quantitative content analysis was carried out to construct disclosure indexes with the adoption of weighted or unweighted method criteria, also known as ranked or dichotomous scoring (Huang and Watson, 2015). The content analysis was performed following three steps, formulated by Krippendorff (2004):

1. Development of the items' checklist containing the mandatory non-financial information;
2. Computation of the items;
3. Assessment of the 2017 non-financial statement.

In the first phase, the research built the checklist, and when doing so, the analysis followed the articles of the decree as an anchor point, since it discloses each content issue.

Subparagraph 1 (Article 3) states that "*the non-financial statements, to the extent of providing the understanding of the business activity, its results, and impacts, covers the environmental, social, and employees themes, as well as the respect of the human rights, anti-corruption and anti-bribery issues, which are material with respect to the business activity, and for each of them describing at least: a) the business model with reference to the Legislative Decree 231/2001; b) the policies, the related results, as well as the key performance indicators; c) the main risks, incurred and occurred, which are connected to each theme, and eventually are related to the business activity of the company, its products and services as well as the supply chain*" (literal translation of text from subparagraph 1 – Article 3 – Italian Legislative Decree 254/2016). Along these lines, the analysis considered the business models, the policies, related results, key performance indicators, main risks for each dimension of the content (matters concerning the environment, socialisation, employees, human rights, anti-corruption, and anti-bribery), and the risks which might affect the overall business activity of the company.

Subparagraph 2 (Article 3) posits specific topic disclosures: "*the non-financial statement should include, at least, the following: (a) energy consumption, renewable, and not-renewable, water use; (b) GHG (Greenhouse Gas) emission and other substances emission; (c) the related impact in con-*

sideration of medium-long term scenario on the environment as well as health and safety, eventually, other relevant factors of environmental risks; (d) social aspects related to employees, actions to ensure gender diversity and equal right opportunity, activities to set up international agreements, and practicalities through which dialogue is established; (e) respect of human rights and actions to prevent infractions as well as discriminatory behaviours; (f) anti-corruption, and related activities adopted" (literal translation of text from subparagraph 2 – Article 3 – Italian Legislative Decree 254/2016). Thus, when building the checklist, those requirements were included as key performance indicators or risks of the related content issues.

Subparagraph 3 (Article 3) articulates that "*the requirements, shown in sub 1 and sub 2, need to be presented in comparison with the prior year, according to the international standard framework the company relies on [...] which needs to be clearly mentioned*". Moreover, subparagraph 4 (Article 3) continues: "*In case the company opted for an own reporting framework, there should be the related description and the underlying motivations*". Accordingly, the research verified whether the disclosure addressed a comparison with prior years, and the framework which the companies relied was checked.

Subparagraph 5 (Article 3) provides guidelines for the disclosure of key performance indicators, stating that "*key performance indicators are the ones provided by the adopted international standard framework in order to describe the content issues aligned with the business activity and related impacts. If an own reporting framework is adopted, the key performance indicators needs to be coherent with the business activity and related impacts, and then, selected accordingly by showing the underlying motivations*".

Drawing on this regulatory framework, there is a close link between the mandatory requirements and discretionary disclosure; therefore, the checklist was developed above those considerations, as depicted in Figure 4.1.

In more detail, the study first considered Subparagraphs 1 and 2 to classify the requirements – the business model, policies, results, risks, and key performance indicators – for each content dimension – the environment, social, employees, human rights, anti-corruption, and anti-bribery issues. Then the analysis considered Subparagraph 3, to compare the results with the prior year's results, while also considering the framework guidance. In taking into account the reporting guidelines, the study questioned whether companies relied upon an international standards framework against an own reporting framework. All the companies were checked and all opted for a framework of international standards, favouring the GRI Guidelines. Some of them chose more than one framework, but, in any case, all the 2017 non-financial statements adopted the

GRI Guidelines. Finally, the research considered the chosen GRI options (GRI-Referenced, Core option, Comprehensive option), as each entails different inclusions criteria when dealing with topic-specific standards for the disclosure of the related KPIs. The checklist counts 88 items in total, as shown in Appendix A.

In the second phase of the research, the items' measurement was computed by categorizing text-units. The computation of each compliance score followed the disclosure framework stated in Figure 4.1. Since all the companies opted for the adoption of GRI, the disclosure score computed the points under the conditions of the chosen GRI. In fact, the GRI options have different rules and requirements of disclosure, especially for the topic-specific standards, which focus on the KPIs.

In so doing, the points for the KPI sections were assigned under the conditions of the chosen GRI. The total number of hand-collected items was 88 (as shown in Appendix A), but the computation of the disclosure score was made upon 40 items in total, as the different GRI configurations led to more restrictive or less bounded KPI disclosures. For example, for the environmental issues, 27 items were considered in total: seven items were related to the business model for environmental matters, the applied policies and its related results, as well as the overall environmental risk identification, whereas 20 items referred to the disclosure of environmental KPIs. However, a maximum of eight points within the NFI disclosure score was computed, considering seven points, in case all seven items stated above were present, plus one point in case the disclosure of the environmental KPIs was respected, taking into account the compliance with the chosen GRI option. The research proceeded accordingly for each content theme (social and employee matters, human rights, anti-corruption, and anti-bribery issues).

Figure 4.1 – *Checklist development in accordance with the mandatory requirements of the Italian Legislative Decree 254/2016*

Mandatory requirements

Art. 3 – sub. 1 and 2 of the Decree 254/2016	Environment	Social	Employees	Human Rights	Anti-corruption and anti-bribery issues
Business Model	√	√	√	√	√
Policies	√	√ *social aspects related to employees, actions to ensure gender diversity and equal right opportunity*	√	√ *respect of human rights and actions*	√ *anti-corruption, and activities adopted*
Results	√	√	√	√	√
Related Risks	√ *related impact in consideration of medium-long term scenario on the environment*	√	√	√	√
Key Performance Indicators	√ *energy consumption, renewable, and not-renewable, water use; GHG (Greenhouse gas) emission and other substances emission*	√	√	√	√

Art. 3 – sub. 3 of the Decree 254/2016

1) Comparison with prior years

Discretionary disclosure

2) Guideline framework

① Which is the framework that companies adopted?

- *International Standards Framework*
- *Own reporting framework*

② For which International Standards Framework did companies opted for?

- *GRI Reporting Guidelines (alongwith other international standards, eventually)*
- *Integrated Reporting Framework only*
- *Other Standards according to Art. 1 – sub. 1 f) of the Decree 254/2016*

③ Which are the criteria that companies shall meet to use selected GRI Standards, or claim that a report has been prepared in accordance with the Standards?

- *Selected GRI Standards GRI-Referenced claim*
- *In accordance with GRI Standards: Core option*
- *In accordance with GRI Standards: Comprehensive option*

Source: Author's elaboration from the Italian Legislative Decree 254/2016.

In the third phase, the sentences within the non-financial statements were assessed and assigned to each item in the checklist according to their content.

A dichotomous approach was adopted for the coding procedure: when a piece of non-financial information was identified, value “1” was assigned if the information was present, or “0” otherwise. The coding “Not Applicable” (NA) was taken into consideration in case a disclosure content was acknowledged as “not-material topic”, and thereby not relevant to be disclosed in each compulsory theme in accordance with the law. In this sense, the non-financial information disclosure score referred to the “unweighted Cooke’s method” (Cooke, 1989). Accordingly, the non-financial information disclosure score was defined as follows:

$$NFI\ disclosure\ score_j = \frac{\sum_i^n = 1^{d_i}}{\sum_i^n = 1^{x_i}}$$

where:

j = the company;
i = the item;
d = the item (assumed “1” if the information had been presented, otherwise used “0”); and
x = the material item, which was coded with NA (Not Applicable).

The assessment was developed manually; thus, to ensure the reliability of the coding and to minimize subjectivity as much as the author possibly could, the following procedure was carried out. At an early stage, a pilot test was performed to verify the checklist and refine the coding procedure accordingly. Then, 20 non-financial statements were double-checked to verify and compare the classifications, but no significant differences were sorted out. Finally, the NFI disclosure score was derived to assess the level of compliance with non-financial information disclosure for each observation during the 2017 financial year.

4.5.2. *Definition of independent variables and presentation of the statistical model*

In the present research, there are two variables of interest, namely, Reporting_year and Reporting_format, which were addressed to test our hypothesis and to test other variables to depict the financial performance, risk, size, and sector as control. All the variables investigated have been presented in Table 4.3.

The variable Annual_Format qualifies the typology of documents in which the non-financial information is presented. In more detail, it distinguishes whether the non-financial information was disclosed in the annual report or a standalone report. In the first case, the dummy variable Annual_Format has a value of 1; in the second case, the dummy variable Annual_Report gets the value of 0.

The variable Reporting_year describes the number of years that the sustainability and non-financial information were reported. It is a numerical variable and tracks the number of years of non-financial information disclosure, including the first year of mandatory adequacy.

According to the stream of accounting research, firm's characteristics are generally considered control variables. Thus, the present research adopts the following as the control: Return on Equity (ROE), leverage, Tobin's q, Beta, Ln_Employees, and Financials. ROE and leverage are commonly considered accounting-based measures (Qiu *et al.*, 2016; Gao *et al.*, 2016; Muttakin and Khan, 2014). For example, Muttakin and Khan (2014) introduced financial variables (leverage and profitability) as controls, arguing that firms with higher leverage respond for their actions to both shareholders and creditors, and, in turn, companies with higher leverage have stronger ties with creditors. This frame has led to the proposal that CSR disclosure might be addressed through other means (Purushothaman *et al.*, 2000; Haniffa and Cooke, 2005; Reverte, 2009).

ROE is measured as the net income during the year 2017 that has been scaled by shareholder value equity, in line with prior research (Pavlopoulos, Magnis, and Iatridis, 2017; Baboukardos, 2018). Leverage is defined as the total asset that has been scaled by total equity, according to prior research (Mahoney *et al.*, 2013; Lai, Melloni, and Stacchezzini, 2016; Baboukardos, 2018). The research also includes other financial-based measures to control risks. Thus, Tobin's q, as a measure of financial performance, and Beta, as a measure of risks, are taken into consideration. Tobin's q is the market's assessment of a firm's future cash flows and the riskiness of that cash flow (Cahan *et al.*, 2016), whereas Beta is the risk market measure using the Capital Assets Pricing Model (CAPM). This study opts for the inclusion of Ln_Employees to measure the size of the company. Moreover, the number of employees represents the primary criterion of the Directive on non-financial information disclosure; thus, the size was assessed with the number of employees accordingly. Ln_Employees was the number of employees scaled by the natural logarithm to define the size of the company, in line with previous literature (Skouloudis *et al.*, 2014; Halkos and Skouloudis, 2016; Qiu, Shaukat, and Tharyan, 2016). Finally, Financial was added as a control varia-

ble, which assessed whether the company belonged to the financial sector (then assigned the value of "1") or not (in this case, the assigned value was "0").

Table 4.3 – *Description of variables*

Variables	*Description*	*Typology*	*Source*
NFI_disclosure_score	Non-financial disclosure score, from 0 to 100.	Dependent	Own elaboration
Reporting_format	Dummy variable equal to 1 when non-financial information was presented in the Annual Report, and equal to 0 when non-financial information was presented in a standalone report (CSR Report or IR).	Independent	Own elaboration
Reporting_year	Number of prior years reporting non-financial information and sustainability issues.	Independent	Own elaboration
ROE	Return on Equity, defined as the ratio of net income scaled by total shareholder equity. Categorized as an accounting-based measure.	Control for performance	DataStream
Leverage	Leverage ratio, defined as the ratio of total asset, divided by total equity. Categorized as an accounting-based measure.	Control for risk	DataStream
Tobin	Market's assessment of a company's riskiness of future cash flow, ratio of the market value of assets to the replacement costs of assets (Cheng, 2008; Jermias and Gani, 2014). Categorized as a financial-based measure.	Control for performance	DataStream
Beta	Market Beta as of the fiscal year-end month. The Beta was calculated using the Capital Assets Pricing Model (CAPM). Categorized as a financial-based measure.	Control for risk	DataStream
Ln_Employees	Ln (natural logarithm) of the employees' number.	Control for size	DataStream
Financial	Dummy variable equal to 1 when the company belonged to the financial sector, or 0 otherwise.	Control for sector	DataStream

The research adopts the ordinary least square (OLS) regression model to determine whether the number of years of prior reporting on sustainability issues and the reporting format of the non-financial information disclosure presentation affect the level of compliance.

$NFI_disclosure_score_i = B_o + B_1(Reporting_format)_i + B_2\,(Reporting_year)_i + B_3(ROE)_i. + B_4(Leverage)_i. + B_5(Tobin)_i. + B_6(Beta)_i. + B_7(Ln_Employees)_i. + B_8(Financial)_i. + \varepsilon_i.$

Where:

- NFI_disclosure_score is the level of compliance with mandatory non-financial information disclosure calculated in a score from 0 to 100 by hand-collecting 88 items;
- Reporting_format is the dummy variable equal to 1 when non-financial information is presented in the Annual Report, 0 when non-financial information is presented in a stand-alone report (CSR Report or Integrated Report);
- Reporting_year is the number of years of prior reporting on non-financial information and sustainability issues;
- Return of Equity (ROE) is an accounting-based measure and controls for performance;
- Leverage is the ratio of total assets divided by total equity; it is an accounting-based measure and controls for risks;
- Tobin is a financial measure and controls for performance;
- Beta is a financial measure and controls for risks;
- Ln_Employees is the natural logarithm of the employees' number at the end of 2017;
- Financial is the dummy variable equal to 1 when the company belongs to the financial sector, 0 otherwise.

4.6. Descriptive statistics

This research shows the descriptive results of the level of compliance with non-financial information disclosure, the related results for each content dimension (Section 4.6.1), and the descriptive results linked with the GRI options, the reporting format, and the reporting years (Section 4.6.2).

4.6.1. *The level of compliance with non-financial information disclosure*

The level of compliance is equal to 84.39% in mean, which suggests that, on average, the sample under investigation has made an extensive disclosure on mandatory non-financial information in the first year of its implementation. The median NFI disclosure score is 84.21%, thus, the central tendency is not sensitive to outlying values as it is close to the mean, which means that there is a lower dispersion of values around the mean. In other words, the compliance levels are close to each other and this is even confirmed by the low value of standard deviation, which is equal to 0.09295. All the companies show a disclosure score that is higher than 50%; the minimum is 57.895%, whereas the maximum is 100%, with a range of values equal to 42.105.

Looking at quartiles, it is possible to notice that the lower quartile corresponding to the 25th percentile exhibits an NFI disclosure score that is lower than 78.94%; thus, 25% of companies get an NFI disclosure score to the left of 78.94%. On the other hand, the upper quartile representing the 75th percentile shows an NFI disclosure score higher than 89.60%, namely, 75% of groups mark NFI disclosure score to the right of 89.60%. Consequently, the interquartile range equals 0.10658, which means that, in this interval, 50% of the cases are displayed.

Looking the distribution of the non-financial information disclosure, only 1.33% of the sample (2 cases out of 150) provided a disclosure lower than 59.99%, 4.00% of the sample (6 cases out of 150) was between 60.00% and 69.99%, and 22.67% of the sample (22 cases out of 150) was grouped in the range of 70.00%-79.99%. Almost half of the sample, corresponding to 47.33% (71 cases out of 150), provided a non-financial information disclosure between 80.00% and 89.99%, and this confirms the central tendencies of the mean and the median. Finally, a considerable part of the sample, representing 24.67% (37 cases out of 150), achieved a score between 90.00% and 100%. This means that companies are compliant with high levels of non-financial information disclosure. Such high levels are even corroborated if looking at the cumulative frequencies. Only the 5.33% of the groups showed disclosure levels lower than 69.99%, 28% of the groups exhibited an NFI disclosure score lower than 79.99%, and 75.33% (half of the sample) achieved an NFI disclosure score lower than 89.99%.

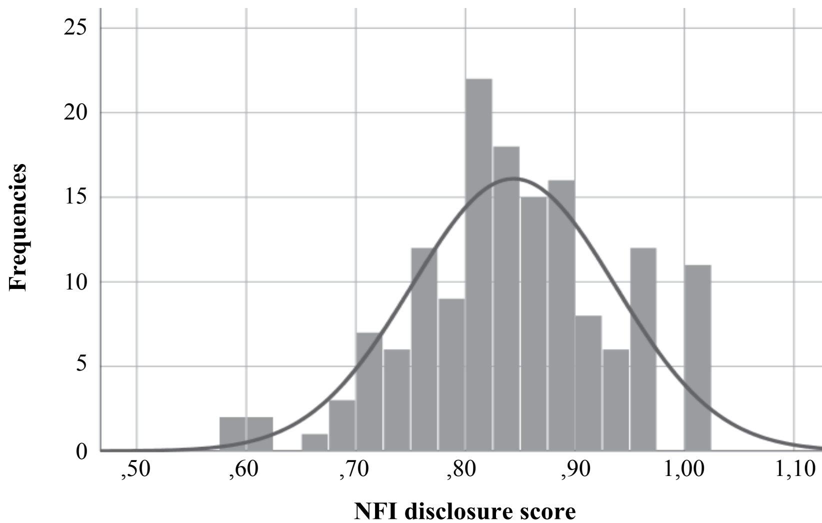
Table 4.4 provides the descriptive results of the NFI disclosure score. These descriptive findings show that the requirements were actively applied, suggesting promising avenues for further implementations. Figure 4.2 shows the distribution of the non-financial information mandatory disclosure; evidently, disclosure score data were normally distributed, confirmed by their skewness (equal to – 0.299) and Kurtosis (equal to 0.021). Specifically, the disclosure score distribution was skewed to the left and leptokurtic.

Table 4.4 – *The level of compliance of non-financial information with mandatory requirements*

N		150
Missing value		0
Mean		0.84393
Median		0.84211
St. Dev.		0.09295
Skewness		– 0.299
Kurtosis		0.021
Min		0.57895
Max		1.00000
Range		0.42105
Percentile	**25**	0.78947
	50	0.84211
	75	0.89605

Distribution	*N. of cases*	*Frequencies %*	*Cumulative frequencies*
0.5000-0.5999	2	1.33	1.33
0.6000-0.6999	6	4.00	5.33
0.7000-0.7999	34	22.67	28.00
0.8000-0.8999	71	47.33	75.33
0.9000-1.0000	37	24.67	100.00
Total	150	100.00	

Figure 4.2 – *Distribution of the NFI disclosure score*



To understand the non-financial information disclosure levels for subsets of the sample, the sample was grouped according to the basket the companies correspond to, namely, according to the listing index, and according to the activity sector, and split the companies into the non-financial sector or the financial sector.

Considering the sample by basket, there were 65 companies that belonged to the Small Cap, 53 companies that were listed under Mid Cap, and 32 companies that were listed under FTSE MIB. The mean of the NFI disclosure score increases depending on the listing index, since it was 82.03% for the Small Cap companies, 85.04% for the Mid Cap companies, and 88.11% for the FTSE MIB index companies. The median for those groups was 81.57% (Small Cap companies), 84.21% (Mid Cap companies), and 86.84% (FTSE MIB companies). Thus, it is possible to see that the median rose, as well as the mean, according to the listing index, which suggests that companies that belong to the FTSE Mid will, on average, provide a higher level of non-financial information disclosure than others. The dispersion of data around the mean represented by the standard deviation was higher for companies listed in the FTSE Small Cap (0.09658) when compared with the others, with 0.08586 for the FTSE Mid Cap and 0.08506 for the FTSE MIB. Overall, the variability of data was low and was highlighted with much emphasis on companies that belonged to the Small Cap basket. In all the subsets, there was at least one company that displayed an NFI disclosure score equal to 100%, as the maximum value was 100% for each listing index. The minimum values were 57. 895% for Small Cap companies, 68.421% for Mid Cap companies, and 71.052% for

FTSE MIB companies. Once again, companies listed under FTSE MIB presented a minimum value that was higher than the values of companies listed under the FTSE Small Cap index. The fact that companies listed under FTSE MIB achieved higher levels of compliance with the mandatory requirements than the other groups is visibly shown in the distribution of data, looking at quartiles. In more detail, the lower quartile (25th percentile) indicated that 25% of Small Cap companies had an NFI disclosure score lower than 75.71%, 25% of Mid Cap companies has an NFI disclosure score lower than 78.94%, and 25% of FTSE MIB companies got 81.63%, which was noticeably higher in comparison to the previous values. Similarly, the values of the NFI disclosure scores in the upper quartile (75th percentile) were 88.05% for Small Cap companies, 90.19% for Mid Cap companies, and 97.26% for FTSE MIB companies. Therefore, the research can conclude that the FTSE MIB companies achieved high NFI disclosure levels overall, and these results might have depended on the size and the structure of the companies, or, eventually, on the fact that those companies were used to disclose non-financial information before the regulatory adequacy of the Italian Legislative Decree.

Considering the sample by sector – namely, financial against non-financial companies – there were 25 companies in the financial sector (25 of 150) and 125 companies in the non-financial sector. Non-financial companies exhibited 84.44% of NFI disclosure scores in mean against financial companies, which achieved 84.13% of NFI disclosure scores in mean. The median was equal to 84.21% in both sub-sets; however, the non-financial sector had lower variability in NFI disclosure levels, as the standard deviation was equal to 0.09108 against the financial sector, with a standard deviation that was equal to 0.10376. This means that NFI disclosure scores were closer to mean in the non-financial sector compared to the financial sector. The shape of the distribution was normal, but with different symmetry and shape of tails; in fact, both the skewness – corresponding to the symmetry – and kurtosis – corresponding to the shape of tails – had different values. On the one hand, the distribution of data for non-financial companies was skewed to the left (– 0.443) and leptokurtic (0.360), with heavy tails, which means that there was a density of values at the extreme-right end of the curve of distribution. On the other hand, the distribution of data for financial companies was skewed to the right (0.242), and platykurtic (– 1.042) with light tails; thus, tails were thin compared to a normal distribution. The maximum value of NFI disclosure score was equal to 100% in both sectors, whereas the minimum was 57.89% for the non-financial sector and 65.67% for the financial sector.

Table 4.5 shows the descriptive statistics of the NFI disclosure score for the listed Italian companies, grouped by basket and industry sector.

Table 4.5 – *NFI disclosure score, grouped by basket and sector*

		FTSE Italia Small Cap	*Mid Cap Mid Cap*	*FTSE MIB*	*Non-Financial*	*Financial*
N		65	53	32	125	25
Mean		0.82033	0.85043	0.88111	0.84445	0.84135
Median		0.81579	0.84211	0.86842	0.84211	0.84211
St. Dev.		0.09658	0.08586	0.08506	0.09108	0.10376
Skewness		– 0.502	0.055	0.003	– 0.443	0.242
Kurtosis		0.223	– 0.785	– 1.010	0.360	– 1.042
Min		0.57895	0.68421	0.71052	0.57895	0.66667
Max		1.00000	1.00000	1.00000	1.00000	1.0000
	25	0.75717	0.78947	0.81638	0.78947	0.76037
Percentile	**50**	0.81579	0.84211	0.86842	0.84211	0.84211
	75	0.88057	0.90191	0.97267	0.89474	0.93938

Moving to the analysis of each content dimension, the study first determined the materiality for each topic (see Figure 4.3), then it defined the frequencies of the interrelated disclosures with the business model, policies, outcomes, risks, KPIs, and compared these results with the results from prior years.

Figure 4.3 shows that all topics were considered material by almost all the groups in the sample. For the environmental dimension, only 9.33% addressed the environment as not-material, and, similarly, for the social dimension, only three groups (2%) considered social matters to be not-material. Employees were seen as material, as all the 150 listed companies provided disclosure on that, whilst the category 'human rights' was addressed as the less-relevant topic (for 26.67% of the total sample, human-right was deemed not-material). Finally, anti-corruption was discussed quite extensively, as only 6% of the groups did not perceive it as a material topic.

In Table 4.6, the number of items disclosed (equal to 1), not-disclosed (equal to 0), and non-material (equal to NA) are displayed for each content topic interlinked with the business model, policies, outcomes, risks, KPIs, and prior year's comparisons. It is possible to notice that policies, results and identification of related risks are quite extensively addressed for each content topic. Business model has been provided unanimously by all the companies: some of them intended the business model as a comprehensive overview, others presented it for each content dimension. Not-disclosed items are displayed corresponding to prior year's comparisons, and KPIs especially for social issues, human-rights and anti-corruption topics.

Figure 4.3 – *Materiality of each content topic*

Table 4.6 – *Number of items of interrelated disclosures*

Content topic	*Business model*			*Policies*			*Results*			*Risks*			*KPIs*		*Prior year's comparison*		
	1	0	NA	1	0	NA	1	0	NA	1	0	NA	1	0	1	0	NA
Environment	138	1	11	144	0	6	144	0	6	127	12	11	136	14	126	17	7
Social	149	1	0	149	1	0	139	8	3	126	22	2	84	66	115	32	3
Employees	136	14	0	150	0	0	147	3	0	127	23	0	137	13	127	23	0
Human Rights	96	20	34	111	7	32	97	26	34	83	33	34	89	61	55	57	38
Anti-corruption	118	18	14	128	13	9	119	20	11	115	28	87	87	63	55	82	13

4.6.2. *The level of compliance of non-financial information disclosure interlinked with GRI reporting options, reporting format, and reporting year*

Different levels of NFI disclosure scores might depend on reporting options the regulator left as discretionary disclosure. Thus, in order to understand differences in disclosure compliance levels, this study is designed to investigate GRI options chosen by companies and reporting formats used to showcase non-financial information disclosure. Table 4.7 shows the frequencies of the GRI options, the reporting formats, and the reporting years.

With reference to the chosen GRI options, most companies prepared the non-financial statement "in accordance with GRI standards: Core option", as 98 companies out of 150 (65.30%) selected this option. The remaining companies chose "selected GRI Standards with GRI-Referenced claim" (45 out of 150) or to be compliant "in accordance with GRI standards: Comprehensive option" (7 cases of 150). This means that the comprehensive option is relatively less developed as the others, which may be due to the extensive specifications for Topic-Specific Standards required for the disclosure of non-financial information using this option. Conversely, the Core and Referenced options were chosen by most companies (143 of 150) because they require less disclosure with regard to the Topic-Specific Standards, and therefore, to some extent are easier to implement, especially for companies in their first year of this regulatory pursuit.

Reporting format options were presentation within an annual report or within a stand-alone document. Eighty percent of the sample opted to report within stand-alone documents, which were given different titles, such as CSR Report, Non-financial Statement, Sustainability Report, and Integrated Report (the latter presented in a separate report related to the traditional Annual Report). Comparatively, 20% of the sample presented disclosed non-financial information in the Annual Report, either within a distinctive section, or spread throughout the report, interlinked by cross-references, in the form of the integrated reporting.

With reference to the reporting year, half of the sample (53.33%) is in the first year of reporting non-financial information. When considering prior years of voluntary disclosure, the groups are almost equally distributed.

Table 4.7 – *Frequencies of GRI options, reporting formats, and reporting years*

GRI options	*Number of cases*	*Frequency %*
Comprehensive	7	4.70
Core	98	65.30
Referenced	45	30.00
Total	150	100.00
Reporting formats	*Number of cases*	*Frequency %*
Annual Report	30	20.00
Stand-alone report	120	80.00
Total	150	100.00
Reporting years	*Number of cases*	*Frequency %*
1	80	53.33
2-5	24	16.00
6-10	17	11.33
11-23	29	19.34
Total	150	100.00

Drawing on the above descriptive results, the study presents the non-financial information disclosure levels the companies achieved accordingly. Table 4.8 depicts the descriptive statistics of the NFI disclosure score corresponding to the subsets of each GRI option and reporting format.

Table 4.8 – *NFI disclosure score for GRI reporting options and reporting formats*

Reporting option		*GRI Reporting options*			*Reporting formats*	
		Comprehensive	*Core*	*Referenced*	*Stand-alone*	*Annual Report*
N		7	98	45	120	30
Mean		0.97304	0.82142	0.87288	0.83685	0.87227
Median		1.00000	0.82575	0.86842	0.84211	0.85526
St. Dev		0.04072	0.09014	0.08050	0.09365	0.085828
Asymmetry		– 1.483	– 0.381	0.057	– 0.347	0.084
Kurtosis		1.478	0.261	– 1.014	0.020	– 0.592
Min		0.89474	0.57895	0.71053	0.57895	0.71052
Max		1.00000	1.00000	1.00000	1.0000	1.0000
Percentile	**25**	0.94286	0.76176	0.81165	0.77136	0.81579
	50	1.00000	0.82575	0.86842	0.84211	0.85526
	75	1.00000	0.87879	0.95516	0.89474	0.95295

In view of GRI reporting, the mean of the NFI disclosure score is equal to 97.30% for reports in accordance with the Comprehensive option, 82.57% for reports in accordance with the Core option, and 87.28% for reports adopting the GRI Referenced-claim. Non-financial statements in accordance with the GRI Comprehensive option reflect the highest mean values. As this option requires extensive disclosures, it is possible that the few companies that used this option are familiar with the requirements from prior experience. As confirmatory data, the median is high and set at 1 for the Comprehensive option, with relatively low dispersion of data around the mean (st. dev. equal to 0.04), a minimum value equal to 89.47%, and a maximum value set at 100%. Furthermore, in the 25th percentile of the distribution, companies adopting the Comprehensive option exhibit an NFI disclosure score less than 94.29%, and the remaining companies showcase full compliance with mandatory requirements of non-financial information disclosure, as both the median and the 75th percentile are equal to 1. However, those companies represent a minimum part of the total sample under the regulatory requirements; in fact, most of the companies adopted the Core option (98 of 150) and the Referenced-claim (45 of 150). Results for those groups are similar. The median is 82.57% for the Core option, and 86.84% for the Referenced-claim, and in both cases, data are not spread with each other, as the standard deviations are 0.09 (Core option) and 0.08 (Referenced option).

When considering the reporting document, the level of compliance with non-financial information is higher in annual reports than in stand-alone reports. In more detail, the mean of the NFI disclosure score is equal to 83.68% when disclosure is presented in the stand-alone report, compared to 87.22% when disclosure is presented in the annual report. The minimum compliance levels for non-financial information disclosure are 57.89% and 71.05% for the stand-alone report and annual report, respectively. Even the distribution data shows lower NFI disclosure score levels when disclosure is presented in a stand-alone report compared to when presented in the annual report. The 25% of companies that chose the stand-alone report to exhibit NFI disclosure scored less than 77.13%, compared to a NFI disclosure score less than 81.57% when non-financial information is displayed in the annual report. One possible explanation could be that in the annual report, information is exhibited in a coherent manner, whilst extra non-financial information is included in the stand-alone report.

Table 4.9 shows the level of compliance for sub-classes of reporting year (1; 2-5; 6-10; 10-23). The mean level of compliance with non-financial information slightly increases with increases in the reporting years, set at 83.29%, 82.204%, 88.91%, and 86.59%, respectively. When looking at distribution,

levels of compliance are ordered similarly with progressive increases. Looking at the 25th percentile, companies that started to disclose non-financial information in 2017 achieved a level of compliance less than 77.28%, companies ranging between 2 and 5 years of voluntary disclosure achieved less than 74.99%, companies between 6 and 10 years of voluntary disclosure achieved less than 79.79%, and companies between 10 and 23 years achieved less than 80.78%. Comparatively, companies in the 75th percentile of the distribution present disclosure levels higher than 89.16% (companies in the first year of the mandatory disclosure), 86.84% (companies between 2 and 5 year of voluntary disclosure), 97.36% (companies between 6 and 10), and 95.85% (companies with more than 10 years of experience).

Therefore, the research concludes that the number of years of experience with the disclosure of non-financial information is a sign of achieving higher levels of non-financial information disclosure, meaning practice in the disclosure of non-financial information leads to higher level scores.

Table 4.9 – *NFI disclosure score for reporting year*

Reporting option		*Reporting year*			
		1	2-5	6-10	10-23
N		80	24	17	29
Mean		0.83293	0.82204	0.88914	0.86592
Median		0.83333	0.84210	0.89470	0.86842
St. Dev		0.08361	0.10679	0.09175	0.09785
Asymmetry		– 0.175	– 0.553	– 0.243	– 0.514
Kurtosis		0.072	0.439	– 1.463	0.434
Min		0.57895	0.57895	0.73684	0.61111
Max		1.00000	1.00000	1.00000	1.00000
Percentile	**25**	0.77286	0.74997	0.79796	0.80789
	50	0.83333	0.84211	0.89474	0.86842
	75	0.89164	0.86842	0.97368	0.95852

In the following paragraphs, the study presents the cross-tabulations to simultaneously summarize the number of cases while considering the following intersections: 1) interlink between GRI reporting options and the reporting documents; 2) interlink between GRI reporting options and the number of years (Table 4.10).

Disclosure in the stand-alone document was most often presented under the Core option (85 cases), then under the Referenced option (29 cases), and final-

ly under the Comprehensive option (6 cases). Comparatively, disclosure in the annual report follows the Referenced option in 16 cases, the Core option in 13 cases, and the Comprehensive option in 1 case.

Companies in the first year of the regulatory reporting most often adopted the Core option (48 cases), whereas the Reference option was present in 31 cases, and the Comprehensive in 1 case. For the other classes, subdivisions are almost equally distributed.

Table 4.11 exhibits the mean of the NFI disclosure score for the above-mentioned cross-tabulations. Disclosure is always higher when the Comprehensive option has been adopted; differences can be found in the core and reference options. When considering the interlink with the reporting format, disclosure is always higher when it has been presented in the Annual Report (88.31% with Core option and 88.04% with the Referenced option) compared to disclosure presented in the stand-alone report (81.81% with the Core option and 86.45% with the Referenced option). When considering the interlink with the reporting year, surprisingly, disclosure under the referenced option is consistently higher than disclosure under the Core option, for each subdivision of years' experience.

Table 4.10 – *Cross-tabulation of GRI options, reporting format, and reporting year – number of cases*

GRI options	*Reporting_format*		*Reporting_year*			
	Stand-alone	*Annual Report*	*1*	*2-5*	*6-10*	*10-23*
Comprehensive	6	1	1	3	0	3
Core	85	13	48	19	11	20
Referenced	29	16	31	2	6	6
Total	120	30	80	24	17	29

Table 4.11 – *Cross-tabulation of GRI options, reporting format, and reporting year – mean of the NFI disclosure score*

GRI options	*Reporting_format*		*Reporting_year*			
	Stand-alone	*Annual Report*	*1*	*2-5*	*6-10*	*10-23*
Comprehensive	0.96854	1.00000	0.94286	0.99122	–	0.96491
Core	0.81810	0.88315	0.81066	0.79309	0.87295	0.84582
Referenced	0.86457	0.88047	0.86386	0.84330	0.90259	0.88342

Next, the analysis of variance (ANOVA) test was conducted for the NFI

disclosure score to test whether there were any significant differences among the means of the NFI disclosure scores for the GRI reporting options, reporting documents and reporting years. Table 4.12 presents the results. The GRI option demonstrated a statistically significant difference with respect to NFI disclosure score because the F-test was equal to 10.062 with a p value < 0.01. For the reporting channels, the F-test, which equals 3.543 with p value < 0.10, indicated that there is a statistically significant difference between the mean of the NFI disclosure score from the stand-alone report and that of the annual report at a 90% confidence interval. Even for the variable reporting year, there is a statistically significant difference (sig. 0.011**).

Taken together, the descriptive results demonstrate that the GRI options, the reporting document, and reporting years are related to the level of compliance, holding constant with expectations. In the next section, the study verifies whether the hypotheses are still valid in the multiple regressions. The GRI options have not been considered in the model, because the NFI disclosure score has been constructed accordingly.

Table 4.12 – *ANOVA tests*

Variable	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
GRI Reporting options	0.221	3	0.074	10.062	0.000***
Reporting_format	0.030	1	0.030	3.543	0.062*
Reporting_year	0.057	1	0.057	6.6694	0.011**

4.7. Empirical findings: correlations and regression analyses

The following section presents the results of the empirical analysis starting from the descriptive statistics of all the independent variables taken into account (Table 4.13).

Table 4.13 – *Descriptive statistics of the independent variables*

Independent variables	*N. of obs*	*Mean*	*St. Dev.*
Reporting_format	150	0.20000	0.40134
Reporting_year	150	4.78000	5.33932
ROE	150	0.09310	0.17074
Leverage	150	4.88939	5.10712

Tobin	150	0.87629	1.10416
Beta	150	0.95293	0.28475
Ln_Employees	150	8.08810	1.32719
Financials	150	0.16667	0.37393

The presence of multicollinearity between the independent variables has been verified for first as it might negatively affect the OLS regression analysis. In fact, in the OLS regression analysis, the correlation between the independent variables is not admitted, as it distorts both the regression parameters and the standard errors. Therefore, the analysis tests the lack of perfect multicollinearity between the independent variables using Pearson correlation. The coefficients of the univariate Pearson correlation are presented in Table 4.14. Results indicate no relevant multicollinearity issues exist in the variables in our model, except in one case. The correlation between the dummy variable Financials and the variable Leverage is positive and statistically significant (*p* value < 0.01), equal to 0.697. Thus, in order to additionally check whether any multicollinearity concerns could affect our OLS regression analysis, the Variation Inflation Factor (VIF) has been performed. Results are displayed in Table 4.16 and show that the VIFs for each variable are lower than 2. This means that the OLS regression analysis is not likely to be affected by multicollinearity and that the multivariate results hold consistent regression parameters.

The multivariate analyses are presented in Table 4.15, which exhibits the relationship between the NFI disclosure score and the reporting format and the reporting year, with the progressive inclusion of control variables. The aim is to establish whether NFI disclosure scores are related to both the reporting format and reporting year in our predictions and to validate the estimates.

Model 1 predicts that reporting format and reporting year are related to non-financial information disclosure levels. Coefficients are statistically significant and positive. In more detail, the coefficient on Reporting_format is equal to 0.0344 with a *p* value < 0.1000, which means that the compliance within the Annual Report is higher than the compliance presented in a stand-alone report by 0.0344. In other words, the annual report format achieves a higher mean level of compliance with mandatory requirements of non-financial information disclosure than the stand-alone report document. This result may be due to the various topics that stand-alone reports address in addition to the regulatory requirements. Considering the variable Reporting_year, it appears that the relationship between the level of compliance and the number of years of prior non-financial information reporting is positive (beta coefficient = 0.00362) and significant (*p* value = 0.00101). An increase

of one-year experience with the reporting of sustainability issues leads to a higher level of compliance, which enjoys a 0.00362 percent increase. Thus, by holding all the other variables constant, the companies that have experience disclosing non-financial information in the past are more likely to achieve higher levels of compliance. Model 1 has an R-squared of 0.06650, which is an acceptable value when considering just two independent variables under analysis.

Then, the study has progressively added control variables to refine our model and add validity to our NFI disclosure score estimates. Along this line, in Model 2 and Model 3, accounting-based measures have been introduced as controls: ROE and Leverage, respectively. Model 2 documents an improvement in both the R-squared (0.08443) and the adjusted R-squared (0.06562), which means that the model is reasonably more accurate than the previous one. Both variables Reporting_format and Reporting_year hold a positive sign and significance: Reporting_format has a beta coefficient equal to 0.03794 with a *p* value equal to 0.04168, whilst Reporting_year has a beta coefficient equal to 0.03794 with a *p* value equal to 0.00813. Moreover, ROE is positively and significantly associated with the NFI disclosure score, as the beta coefficient is 0.07343 with a *p* value less than 0.10 (equal to 0.09293). However, such a variable does not remain significant by adding the other accounting-based control variable Leverage (Model 3). As a matter of fact, in Model 3 neither control is significantly associated with NFI disclosure score. Despite this, Model 3 is slightly more proper than Model 2, as the R-squared and adjusted R-squared are higher, setting at 0.09420 and 0.06922, respectively.

In Model 4 and Model 5, financial-based measures have been addressed as controls: Tobin as financial measure and Beta as risk measure. In both the models our controls (Tobin and Beta) are not significant, but our main independent variables of interest hold significance and a positive sign. The use of the annual report, which has been represented in the variable Reporting_format = 1, is positively associated with NFI disclosure score, with a *p* value equal to 0.04167. Similarly, the variable Reporting_year is positively (beta coefficient = 0.00448) and significantly (*p* value = 0.00367) associated with the NFI disclosure score. The adjusted-R squared depicted in Model 4 is decreasing (0.06276) in comparison to Model 3 (adjusted R-square = 0.06922), which means that the variable the research has added does not increase the model specification. However, when Beta is added in Model 5, the adjusted R-square sets again at 0.06718, indicating the control variable the research computed better specifies the model. Still, in Model 5, both Reporting_format and Reporting_year are related to the level of compliance, as significance is maintained in both (*p* values less than 0.10 and less than 0.01, respectively).

In Model 6, the variable Ln_Employees has been addressed to control for size, as it is commonly used in empirical research. Interestingly, R-squared and adjusted R-squared increases in 1 point compared to the prior model: R-squared moves from 0.10475 to 0.11801, and adjusted R squared moves from 0.06718 to 0.07453. This demonstrates that controlling for size is necessary to better establish estimates of our main independent variables. In this regard, Reporting_format and Reporting_year are significant and positive related to our dependent variable, NFI disclosure score. (Beta coefficients are equal to 0.03232 and 0.00360 with *p* values less than 0.10 and 0.001, respectively).

In Model 7, ultimately, the control variable Financials has been added to check differences among sectors (financial sector against non-financial sector), as the study has hypothesized different disclosure levels for financial companies against the others. Results are depicted in the last column of Table 4.15, and even in Table 4.16, where, along with the beta coefficient and *p* values, the 95% confidence interval for beta and the VIFs for all variables are further detailed. Reporting_format remains significant with a *p* value less than 0.10. Considering the independent variable Reporting_format, when it is equal to 1 in cases where the annual report has been adopted as format, the NFI disclosure score is higher than 0.03231 in comparison with the stand-alone report document. This means that the level of compliance increases by 0.03231% accordingly. The variable Reporting_year influences the NFI disclosure score significantly (p value < 0.01) and positively (beta coefficient equal to 0.00358). Thus, an increase of one unit year of the reporting practice, namely experience in reporting, leads to an increase in the level of compliance of 0.00358. The R-squared is equal to 0.11802, whereas the adjusted R-squared is equal to 0.06798, which means that all the controls, which have been gradually added, greatly specify our analysis.

These findings indicate that our estimates of the NFI disclosure scores are valid and hold significance and a positive sign for each progressive control step; this corroborates the results. This study finds consistent evidence, thus it concludes that both the reporting format under which the non-financial information disclosure is presented and the number of years of CSR reporting determine the level of compliance in the first year of the regulatory adequacy. This leads us to discuss the results in comparison to prior research studies in the same stream of research and posit practical implications for both regulators and international standard setters.

Table 4.14 – *Correlation matrix*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Reporting_format (1)	1							
Reporting_year (2)	0.021 (0.802)	1						
ROE (3)	– 0.113 (0.167)	– 0.039 (0.634)	1					
Leverage (4)	0.023 (0.781)	0.414** (0.000)	– 0.121 (0.140)	1				
Tobin (5)	– 0.029 (0.725)	– 0.114 (0.164)	0.373** (0.000)	– 0.358** (0.000)	1			
Beta (6)	– 0.145 (0.076)	0.203* (0.013)	– 0.018 (0.827)	0.360** (0.000)	– 0.240** (0.003)	1		
Ln_Employees (7)	0.074 (0.368)	0.505** (0.000)	– 0.075 (0.363)	0.353** (0.000)	– 0.129 (0.115)	0.125 (0.128)	1	
Financials (8)	0.000 (1.000)	0.368** (0.000)	– 0.063 (0.441)	0.697** (0.000)	– 0.178* (0.029)	0.345** (0.000)	0.167* (0.041)	1

Sig. (2-tailed) in brackets

* *Correlation is significant at the 0.05 level (2-tailed).*

** *Correlation is significant at the 0.01 level (2-tailed).*

Table 4.15 – *OLS regression analyses*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Reporting_Format	0.03442*	0.03794**	0.03800**	0.03801**	0.03405*	0.03232*	0.03231*
	(0.06425)	(0.04168)	(0.04097)	(0.04167)	(0.07071)	(0.08547)	(0.08672)
Repoting_Year	0.00362**	0.00370***	0.00448***	0.00448***	0.00463***	0.00360***	0.00358***
	(0.01011)	(0.00813)	(0.00354)	(0.00367)	(0.00275)	(0.03271)	(0.03694)
ROE		0.07343*	0.06720	0.06755	0.07129	0.07328	0.07334
		(0.09293)	(0.12563)	(0.15133)	(0.12995)	(0.11838)	(0.11952)
Leverage			– 0.00199	– 0.00200	– 0.00142	– 0.00184	– 0.00191
			(0.21317)	(0.23814)	(0.41843)	(0.29763)	(0.40183)
Tobin				– 0.00016	– 0.0166	– 0.00153	– 0.00157
				(0.98325)	(0.83058)	(0.84318)	(0.84033)
Beta					– 0.03691	– 0.03600	– 0.03621
					(0.19658)	(0.20608)	(0.21011)
Ln_Employees						0.00954	0.00959
						(0.14616)	(0.15214)
Financials							0.00137
							(0.96199)
R^2	0.06650	0.08443	0.09420	0.09421	0.10475	0.11801	0.11802
R^2 *adj*	0.05380	0.06562	0.06922	0.06276	0.06718	0.07453	0.06798
N. of obs.	150	150	150	150	150	150	150

*Beta with * p-value <0.1; ** p-value <0.05; *** p-value <0.01 for the NFI_disclosure_score has been reported in each colum for each Model – from Model (1) to Model (7).*

Table 4.16 – *Multivariate regression analysis*

Model (7)	*Beta*	*Sign.*	*95% confidence interval for Beta*		*Statistical diagnostics*
			Lower bond	*Upper bond*	*VIF*
Constant	0.78090	0.00000	0.66815	0.89366	
Reporting_format	0.03231	0.08672	– 0.00472	0.06934	1.04571
Reporting_year	0.00358	0.03694	0.00022	0.00695	1.52675
ROE	0.07334	0.11952	– 0.01923	0.16590	1.18254
Leverage	– 0.00191	0.40183	– 0.00640	0.00258	2.48928
Tobin	– 0.00157	0.84033	– 0.01696	0.01382	1.36642
Beta	– 0.03621	0.21011	– 0.09306	0.02065	1.24076
Ln_Employees	0.00959	0.15214	– 0.00358	0.02277	1.44736
Financials	0.00137	0.96199	– 0.05517	0.05790	2.11567
R	.344[a]				
R^2	0.11802				
R^2 adj	0.06798				
N. of obs.	150				

4.8. Conclusion

The present research has defined the level of compliance with non-financial information mandatory disclosure, and it has investigated the relationship between management discretion and mandatory compliance. Thus, it has developed the NFI disclosure score, and it has tested whether management discretion affects higher levels of disclosure in Italy. The level of compliance is relatively high, (84.39% in mean), suggesting that companies react positively to the legal requirements enforced by regulators.

Based on insights from KPMG (2019) and Consob (2019), along with our empirical analysis of 150 Italian companies obliged to disclose non-financial information, the chapter provides the below conclusions.

Nearly all mandatory content topics (environmental, social, employees, human rights and anti-corruption) have been addressed as material by the companies in the sample. A few exceptions regarding environmental dimensions and human rights have not been considered material by 14 and 34 companies, respectively. Several mandatory issues (business model, policies and risks) have been unanimously discussed for each content topic. There are pos-

sibly some omissions for KPIs and results, especially regarding prior-year comparisons.

Non-financial information disclosures have been prepared according to the GRI's international standard framework. This confirms unanimous consensus regarding this international standard. The preferred GRI options for preparing the disclosure were the Core and Reference options, respectively. Interestingly, companies relying on the Core option achieve, on average, a lower level of compliance (82.14%) compared to companies following the Reference option (87.28%). Only seven cases chose the Comprehensive option, and the compliance level they achieved was 97.30%.

There were multiple reporting documents used when displaying the disclosure of non-financial information. Some companies decided to display the disclosure in a stand-alone report using names like CSR report, sustainability report, non-financial statement, etc. Others settled on the annual report, presenting the disclosure in the management report or in a separate distinctive section within the annual report. Integrated Reporting was addressed in both cases; some companies included it in the annual report, and others presented both documents side-by-side.

When considering the relationship between management discretion affected mandatory compliance, to test it, the research advanced two research hypotheses: the former considered the higher number of years of non-financial information voluntary disclosure as factor of higher level of compliance (HP1), the latter addressed the stand-alone report as the reporting document in which the level of compliance with mandatory requirements is higher (HP2).

With reference to HP1, the study confirmed the relationship between the number of years of voluntary disclosure of non-financial information and the level of compliance with mandatory requirement of non-financial information. As a matter of fact, the coefficient for Reporting_year was positive and statistically significant, suggesting that an increase of one year in reporting non-financial information under a voluntary basis lead to a higher level of compliance of 0.00358% (Model 7). In other words, experience in reporting sustainability issues played a crucial role. Out of all 150 companies, 80 were disclosing non-financial information for the first time. They achieved a compliance level of 83.29%. Comparatively, companies with more than 6 years of experience with these disclosures achieve a higher level of compliance of 88.91%.

With reference to HP2, the research rejected the hypothesis of higher compliance levels when disclosure of non-financial information was displayed in the stand-alone report. In fact, Reporting_format suggested that the compliance of non-financial information within the Annual Report was higher than the one presented in a stand-alone report by 0.003231% (Model 7), namely

compliance levels were higher in companies that opted for the annual report. This might be explained by the fact that stand-alone reports are longer and keen to disclose additionally sustainability issues along with the mandatory requirements (KPMG, 2018).

Overall, both reporting documents and reporting years were significantly related to and positively affected the level of compliance with non-financial mandatory disclosure. Furthermore, just a one-year increase in sustainability issue reporting experience led to higher level of compliance with non-financial information disclosure, which enjoyed a 0.00358% increase.

When considering the relationship between management discretion and mandatory compliance, the results shown that GRI options, reporting documents and reporting years affected the level of compliance with non-financial information. In other words, the harmonisation to mandatory requirements is partially undermined when companies are left to discretionary disclosure to apply on their own.

4.8.1. *Theoretical implications*

In discussing the results of this study under a theoretical lens, the following considerations can be acknowledged with respect to the mandatory context of this investigation. As demonstrated by the higher level of compliance with mandatory requirements, empirical research supports the regulative legitimacy of compliance with and adherence to regulations. This holds the theoretical grounds related to institutional legitimacy and compliance with established institutional logics (Chen and Roberts, 2010; Chelli *et al.*, 2018).

However, when disclosure is mandated by law, companies may be inclined to refer to it in a symbolic fashion for maintaining corporate legitimacy. In comparable situations, it may become likely that a company will decouple its communication about norm application from its actual implementation practices (cf. Meyer *et al.*, 1977; Suchman, 1995). In the context of *comply or explain*, it has been observed and argued that companies have reason to apply conformity, that they *tick the boxes* instead of disclosing their concrete actions (Arcot, Bruno and Faure-Grimaud, 2010). Depending on the approach to disclose non-financial information, companies can disclose sustainability policies for reputation reasons (Bansal and Roth, 2000) as a response to regulatory reforms by the ticking the box approach. In other words, as previously and extensively stated by various scholars, sustainability reports can be drawn in a positive vein, in pursuit of an *impression management* tactic, which occurs when information is displayed in a way that alters and deceives readers' perceptions of companies' accomplishments (Brennan, Guillamon-Saorin and

Pierce, 2009). In turn, and considering the mandatory context of this investigation, such decoupling is a potential hazard that can lead to a loose efficacy of the regulatory intervention to set the disclosure of sustainability issues and metrics.

Non-financial information disclosure needs to be linked and intended as one of the most prominent paradigms for corporate responsibility as a means to communicate the inner workings of the business in respecting rules and principles, relationships with stakeholders, and dealing with consequences and repercussions of the surrounding environment. Concurrently, corporate responsibility can be understood as communication (literally to respond) between entities within a mutual relationship of obligation and governance, as well as about caring and being accountable (Heidbrink and Seele, 2007; Lock and Seele, 2015; Seele and Lock, 2015). Therefore, there is the need for accountability, seen as the identification of what one is responsible for and then providing information about that responsibility to those who have rights to that information (Gray *et al.*, 1996). Vaccaro and Madsen (2009) and Madsen (2009) emphasised transforming disclosure from unilateral communication to an interactive process, referred to as *dynamic transparency*, in which information and communication technologies are used for sharing information, resulting in a continuous dialogue between companies and their stakeholders, with the potential of transforming stakeholder perceptions and business practices.

4.8.2. *Practical implications and limitations of the study*

Practical implications for regulators, standard setters, and companies are forthcoming. First, regulators might set binding guidance involving specific details corresponding to the document formats for the disclosure of non-financial information. Second, standard setters can identify criteria to help companies judge the relevancy of non-financial information depending on their industry sector and stakeholders. Third, both regulators and standard setters can implement monitoring processes to verify the concrete implementation of sustainability issues, which need to transcend a ‘tick the box’ approach. Finally, these results can represent a learning process to help companies in shaping the disclosure of non-financial information.

This research is not without limitations, which leave room for future investigations. First, this study's time frame was only one year (2017), and it was the first-year adherence to the compulsory requirements. Further investigations can encompass a broader range of years to address the disclosure of non-financial information by comparing prior years (voluntary regime) and subse-

quent years (mandatory regime). Thus, research might determine the effectiveness of this law and whether the regulatory requirements constitute a value-enhancing factor corresponding to an increase of the level of non-financial information disclosure. Second, the study only considered the institutional context of Italy. Therefore, future research is highly encouraged to extend the investigation into other European countries. A comparative cross-analysis of the differences over the regulatory transposition of Directive 95/2014/EU into national law and the related levels of mandatory compliance can then be development on a wider scale.

Conclusions

This book has illustrated the evolutionary paths and the harmonisation of non-financial information disclosure in accordance with mandatory requirements. It has provided evidence of compliance related to the disclosure of non-financial information in the institutional context of Italy in the first year of regulatory implementation of the Italian Legislative Decree 254/2016.

This book started by describing the characterisations of non-financial information disclosure and the theoretical underpinnings behind the rationale of such disclosure (Chapter 1).

The literature review featured the multifaceted 'umbrella' construct of non-financial information, which academics have developed over the years. Scholars in the stream of sustainability accounting have discussed the multiple meanings of non-financial information and explored the boundaries governing the display of non-financial information. Recent research (Stolowy and Paugam, 2018b) has illustrated the lack of consistent definitions and interpretations, which are demonstrated by the list of titles used for the disclosure of non-financial information; e.g. non-financial statement, corporate social responsibility report, sustainability report, social and environmental report, stakeholder report, integrated annual report, among others. We have even encountered different methods of assessment, ranging from content and volume to mixed methods, thus allowing for evaluation under the qualitative criteria of conciseness, materiality and connectivity of information. In consequence, this assortment of different conceptualisations affects comparability of data.

Drawing on the theoretical backbone of the sustainability accounting stream, the scrutiny of the rationales has characterised as social pressures, social licences to operate, image enhancement, financial benefits of investor perception and/or eventual mandated regulations as the main motives behind support of non-financial information disclosure requirements (Burh *et al.*, 2013). There are still refinements to address in this direction, as some authors argue an overall weakness in the underlying premises used to justify these non-financial reports (Mitchell *et al.*, 2015). In this regard, "reporting at its core is intended to provide a means whereby the summarised information that pro-

duces accountability can be reported in such a way that the collaborating parties receiving the accounting reports can evaluate their risks and apportion rewards" (Freeman, 2017; p. 11).

The book then moved to the development of non-financial information disclosure, which has progressively gained interest and awareness as a voluntary approach (Chapter 2). These voluntary initiatives have witnessed — and been supported by — an explosion of international standards. In 2019, the International Trade Centre counted almost 250 standards, codes of conduct and audit protocols across 80 sectors and 180 countries, serving the disclosure of sustainability issues and practices. Within this context of variegated guidelines, companies have struggled to weave their sustainability reports into a fine picture to show their commitment to sustainability issues. This has led to concerns over un-sustainability levels, as the premise of comparability of data of non-financial information has been jeopardised. Even more troubling, some companies have adopted criteria designed specifically to confirm their claims regarding sustainability practices.

The analysis has revealed that there has been a conspicuous trend that has progressed from a voluntary disclosure approach under the murky framework of international standards to the recent mandatory regime of such disclosure (Chapter 3). In reviewing this new scenario, the research has noted the existence of mandatory requirements along with non-binding guidelines. In fact, the breakthrough in favour of non-financial mandatory disclosure of Directive 95/2014/EU mandated the disclosure of non-financial information related to environment, social and employee matters, anti-corruption and human rights issues by considering the related business model, practices, results, risks and KPIs. However, both European Parliament and state members allowed for a certain degree of discretionary disclosure "in terms of what to disclose, as it is left to the reporting companies to judge what information is relevant" (Schneider *et al.*, 2018; p. 284). Consequently, large publicly traded EU companies, obliged to achieve compliance by the 2017 financial year, had the option of selecting the international standards frameworks and choosing the reporting document voluntarily.

Drawing on these considerations, the evolutionary path and the emerging trend in favour of non-financial information have focused the goal of understanding the current scenario under this new mandatory environment (Chapter 4). Hence, the empirical analysis has addressed mandatory compliance and management discretion regarding non-financial information in Italy. The research objectives aimed to identify the level of compliance with non-financial mandatory disclosure and to determine a possible relationship between information mandatory compliance and management discretion.

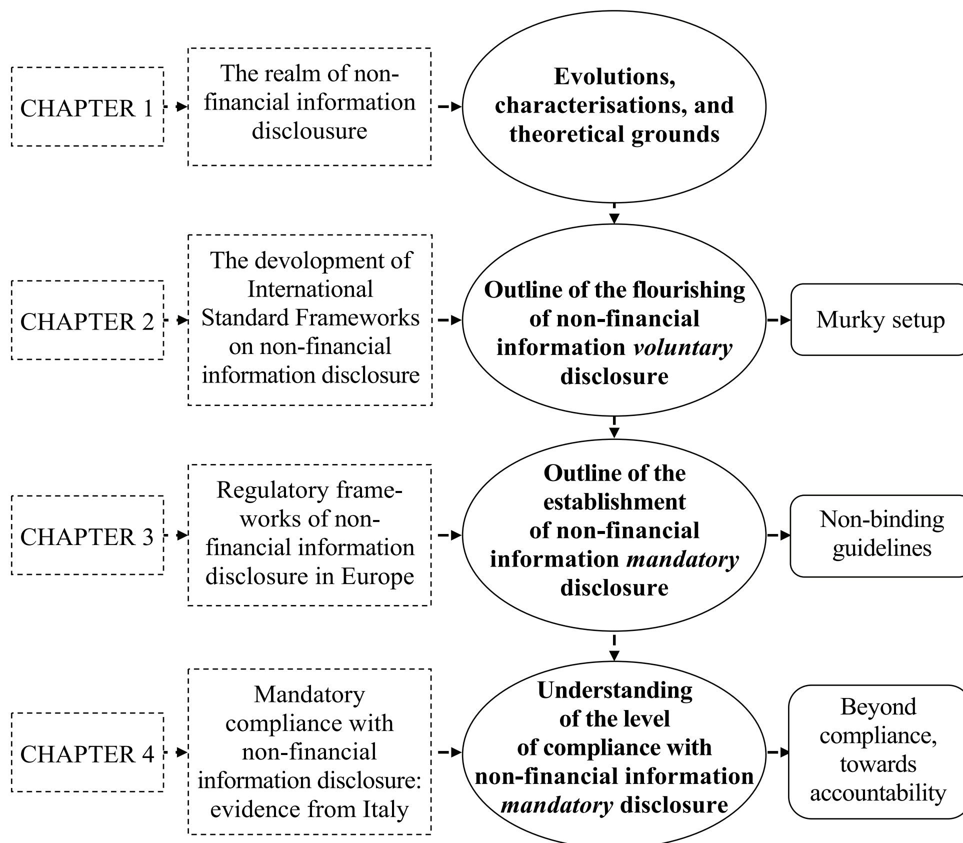
The sample used 150 Italian listed companies subject to these compulsory disclosures, and the findings have shown that a great level of compliance (84.39%) has been achieved. This holds the empirical research anchored to the theoretical ground of institutional legitimacy as conformity to the spirit of regulation. Moreover, the empirical analysis suggests that the discretionary disclosure corresponding to both the reporting documents and the reporting years affect the level of compliance, indicating a significant and positive relation. In more detail, the requirements of the disclosure of non-financial information has achieved greater levels of compliance when non-financial information has been illustrated in the annual report. In addition, the longer the company has voluntarily disclosed non-financial information, the higher the decree of compliance with mandatory requirements on non-financial information has been achieved.

This has led to possible recommendations on reframing mandates in terms of document formats for the disclosure of non-financial information. Moreover, standard setters could identify criteria to help companies judge the relevancy of non-financial information depending on their industry sector and stakeholders. This might alleviate misalignments deriving from the management discretion left to companies. Ultimately, both regulators and standard setters could implement monitoring processes to verify practical implementations of sustainability programs at the core of the businesses.

As we have seen, there is a remarkable rise in interest and practice around this stream of research, leading on the wave of further study. The path towards the disclosure of non-financial information is lined with both opportunities and challenges, especially for regulators and standard setters charged with monitoring the constant fulfilment of such disclosure. Companies are called to apply a diligent service in considering which non-financial information related to the core business is relevant and for whom it matters.

Figure C.1 illustrates the conclusions of this book, for which closing thoughts have been made on each chapter.

Figure C.1 – *Conclusions of the book*



Source: Author’s elaboration.

Appendix

Disclosure checklist

Content topic	*N.*	*Disclosure items in accordance with the Italian Legislative Decree 254/2016*
Environmental matters	1	The business model with reference to environmental issues (current period)
	2	Policies on environmental matters (current period)
	3	Results on environmental matters (current period)
	4	Results on environmental matters (prior period)
	5	Energy consumption within the organization
	6	Energy consumption outside of the organization
	7	Energy intensity
	8	Reduction of energy consumption
	9	Reductions in energy requirements of products and services
	10	Water withdrawal by source
	11	Water sources significantly affected by the withdrawal of water
	12	Water recycled and reused
	13	Direct (Scope1) GHG emissions
	14	Energy indirect (Scope 2) GHG emissions
	15	Other indirect (Scope 3) GHG emissions
	16	GHG emissions intensity
	17	Reduction of GHG emissions
	18	Emissions of ozone-depleting substances (ODS)
	19	Nitrogen oxides (Nox) sulfur oxides (Sox), and other significant air emissions
	20	Water discharge by quality and destination
	21	Waste by type and disposal method
	22	Significant spills

	23	Transport of hazardous waste
	24	Water bodies affected by water discharges and or runoff
	25	Identification of key risks and opportunities for environmental matters
	26	Identification of effects on environmental matters related to business relationships, products or services
	27	Undertaking actions to manage risks on environmental matters
Social matters	28	Business Model on social matters (current period)
	29	Policies on social matters (current period)
	30	Results on social matters (current period)
	31	Results on social matters (prior period)
	32	Identification of key risks and opportunities effects on social matters (current period)
	33	Actions to ensure gender diversity opportunity (actions in favor of childhood, families etc.)
	34	Operations with local community engagement, impact assessment, and development programs
	35	Operations with significant actual and potential negative impacts on local communities
	36	New suppliers that were screened using social criteria
	37	Negative social impacts in the supply chain and actions taken
	38	Political contributions
	39	Assessment of the health and safety impacts of product and service categories
	40	Incidents of non-compliance concerning the health and safety impacts of products and services
	41	Requirements for products and service information and labeling
	42	Incidents of non-compliance concerning product and service information and labeling
	43	Incidents of non-compliance concerning marketing communications
	44	Substantiated complaints concerning breaches of customer privacy and losses of customer data
Employee matters	45	Business Model with reference to employee matters (current period)
	46	Policies on employee matters (current period)
	47	Results on employee matters (current period)

	48	Results on employee matters for prior periods (prior period)
	49	New employee hires and employee turnover
	50	Benefits provided to full-time employees that are not provided to temporary or part-time employees.
	51	Parental leave
	52	Minimum notice periods regarding operational changes
	53	Workers representation in formal joint management-worker health and safety committees
	54	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities
	55	Workers with high incidence or high risk of diseases related to their occupation
	56	Health and safety topics covered in formal agreements with trade unions
	57	Average hours of training per year per employee
	58	Programs for upgrading employee skills and transition assistance programs
	59	Percentage of employees receiving regular performance and career development reviews
	60	Identification of key risks and opportunities on employee matters
Human rights	61	Business model on human rights matters (current period)
	62	Policies on human rights matters (current period)
	63	Results on human rights matters (current period)
	64	Results on human rights matters (prior period)
	65	Incidents of discrimination and corrective action are taken
	66	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
	67	Operations and suppliers at significant risk for incidents of child labor
	68	Operations and suppliers at significant risk for incidents forced or compulsory labor
	69	Security personnel trained in human rights policies or procedures
	70	Incidents of violations involving rights of indigenous peoples
	71	Operations that have been subject to human rights reviews or impact assessments
	72	Employee training on human rights policies or procedures

	73	Significant investment agreements and contracts that include human rights clauses or that underwent human right screening
	74	Identification of key risks and opportunities from human rights matters (current period)
Anti-corruption	75	Business Model with reference to anticorruption matters (current period)
	76	References to 231 related to anti-corruption
	77	Policies against corruption (current period) GRI 205-2 - G4-SO4
	78	Results on anti-corruption (current period) GRI 205-1 - G4-SO5
	79	Results on anti-corruption (prior period)
	80	Confirmed incidents of corruption and action taken
	81	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
	82	Identification of key risks and opportunities on anti-corruption matters (current period)
General disclosure	83	General description of the business model
	84	Identification of risks and opportunities related to any business activities
	85	References to the adopted International Standards Framework
	86	References to an own reporting guidance
	87	Analytical description of the own reporting guidance
	88	GRI in accordance option (Referenced – Core – Comprehensive)

References

AA1000 (2008a). *AA1000 Accountability Principles Standard 2008*, *AccountAbility*.

AA1000 (2008b). *AA1000 Assurance Standard 2008*, *AccountAbility*, available at: http://www.accountability.org/standards/aa1000as/index.html.

ABRAHAM, S. and SHRIVES, P.J. (2014). 'Improving the relevance of risk factor disclosure in corporate annual reports', *The British Accounting Review*, 46(1), pp. 91-107. doi: 10.1016/j.bar.2013.10.002.

ACCOUNTABILITY (2015). *AccountAbility AA1000 Stakeholder engagement standard 2015*. Available at: www.accountability.org.

ACCOUNTABILITY (2018). 'Accountability 2018 principles', *AccountAbility*.

ADELPHI *et al.* (2017). *Reinforcing Added Value for EMAS.*

ADHIKARI, A. *et al.* (2015). 'An examination of corporate social disclosures of multinational corporations: A cross-national investigation', *Advances in Accounting*, 31(1), pp. 100-106. doi: 10.1016/j.adiac.2015.03.010.

AKERLOF, G.A. (1970). 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism', *The Quarterly Journal of Economics*, 488, pp. 489-490.

ALI, W., FRYNAS, J.G. and MAHMOOD, Z. (2017). 'Determinants of Corporate Social Responsibility (CSR) Disclosure in Developed and Developing Countries: A Literature Review', *Corporate Social Responsibility and Environmental Management*, 24(4), pp. 273-294. doi: 10.1002/csr.1410.

ALLEGRINI, M. (2003). *L'informativa di periodo nella comunicazione economico finanziaria. Principi e contenuti*, Giuffrè, Milano.

AMADUZZI, A. (1936). *Aziende di erogazione. Primi problemi di organizzazione gestione e rilevazione*, Casa editrice Giuseppe Principato, Messina-Milano.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (1994). *Jenkins Committee. Improving business reporting: A customer focus*.

AMIR, E., LEV, B. and SOUGIANNIS, T. (2003). 'Do financial analysts get intangibles?', *European Accounting Review*, 12(4), pp. 635-659.

ANDREI, P. (2006). *L'adozione degli IAS/IFRS in Italia: impatti contabili e profili gestionali.* Giappichelli, Torino.

ANDRIKOPOULOS, A. and KRIKLANI, N. (2013). 'Environmental Disclosure and Financial Characteristics of the Firm: The Case of Denmark', *Corporate Social Responsibility and Environmental Management*, 20(1), pp. 55-64. doi: 10.1002/csr.1281.

ARCOT, S., BRUNO, V. and FAURE-GRIMAUD, A. (2010). 'Corporate governance in the UK: Is the comply or explain approach working?', *International Review of Law and Economics*, 30(2), pp. 193-201.

ARVIDSSON, S. (2011). 'Disclosure of non-financial information in the annual report: A management-team perspective', *Journal of Intellectual Capital*, 12(2), pp. 277-300. doi: 10.1108/MBE-09-2016-0047.

ASB (2006). *Reporting statement: operating and financial review*.

ASB (2014). *Financial reporting council's guidance on the strategic report*.

BABOUKARDOS, D. (2018). 'The valuation relevance of environmental performance revisited: The moderating role of environmental provisions', *British Accounting Review*, 50(1), pp. 32-47. doi: 10.1016/j.bar.2017.09.002.

BANSAL, P. and ROTH, K. (2000). 'Why Companies Go Green: A Model of Ecological Responsiveness', *The Academy of Management Journal*, Academy of Management, 43(4), pp. 717-736. doi: 10.2307/1556363.

BARKER, R. and IMAM, S. (2008). 'Analysts' perceptions of "earnings quality", *Accounting and Business Research*, 38(4), pp. 313-329.

BARTELS, W. *et al.* (2016). 'Carrots & Sticks - Global trends in sustainability reporting, regulations and policy', pp. 1-34. Available at: http://www.carrotsandsticks.net/%5Cnhttp://www.carrotsandsticks.net/wp-content/uploads/2016/05/Carrots-Sticks-2016.pdf.

BEBBINGTON, J. and UNERMAN, J. (2018). 'Achieving the United Nations Sustainable Development Goals: An enablign role for accounting research', *Accounting, Auditing & Accountability Journal*, 31(1), pp. 2-24. doi: 10.1108/AAAJ-05-2017-2929.

BECK, C., DUMAY, J. and FROST, G. (2017). 'In Pursuit of a "Single Source of Truth": from Threatened Legitimacy to Integrated Reporting', *Journal of Business Ethics*, 141(1), pp. 191-205. doi: 10.1007/s10551-014-2423-1.

BERETTA, S. and BOZZOLAN, S. (2004). 'A framework for the analysis of firm risk communication', *The International Journal of Accounting*, 39, pp. 265-288. doi: 10.1016/j.intacc.2004.06.006.

BINI, L., DAINELLI, F. and GIUNTA, F. (2017). 'Is a loosely specified regulatory intervention effective in disciplining management commentary? The case of performance indicator disclosure', *Journal of Management and Governance*, 21(1), pp. 63-91. doi: 10.1007/s10997-015-9334-0.

BOTOSAN, C.A. (1997). 'Disclosure level and the cost of equity capital', *Accounting review*, pp. 323-349.

BOTOSAN, C.A. and PLUMLEE, M.A. (2002). 'A re-examination of disclosure level and the expected cost of equity capital', *Journal of accounting research*, 40(1), pp. 21-40.

BOWEN, H.R. and JOHNSON, F.E. (1953). *Social responsibility of the businessman*. Harper.

BRAMMER, S. and PAVELIN, S. (2006). 'Voluntary environmental disclosures by large

UK companies', *Journal of Business Finance and Accounting*, 33(7-8), pp. 1168-1188. doi: 10.1111/j.1468-5957.2006.00598.x.

BRENNAN, N.M., GUILLAMON-SAORIN, E. and PIERCE, A. (2009). 'Methodological Insights: Impression management: developing and illustrating a scheme of analysis for narrative disclosures – a methodological note', *Accounting, Auditing & Accountability Journal*, 22(5), pp. 789-832.

BROCKETT, A. and REZAEE, Z. (2012a). *Corporate sustainability: integrating performance and reporting*, John Wiley & Sons.

BROCKETT, A. and REZAEE, Z. (2012b). *Corporate Sustainability. Integrating Performance and Reporting*, Wiley.

BROOKS, C. and OIKONOMOU, I. (2018). 'The effects of environmental, social and governance disclosures and performance on firm value: A review of the literature in accounting and finance', *British Accounting Review*, 50(1), pp. 1-15. doi: 10.1016/j.bar.2017.11.005.

BROWN, H.S., DE JONG, M. and LESSIDRENSKA, T. (2009). 'The rise of the Global Reporting Initiative: a case of institutional entrepreneurship', *Environmental politics*, 18(2), pp. 182-200.

BROWN, H.S., DE JONG, M. and LEVY, D.L. (2009). 'Building institutions based on information disclosure: lessons from GRI's sustainability reporting', *Journal of cleaner production*, 17(6), pp. 571-580.

BRUNDTLAND, G.H. (1987). *Report of the World Commission on environment and development: "our common future"*.

BUHR, N., GRAY, R. and MILNE, M. (2014). 'Histories, rationales, voluntary standards and future prospects for sustainability reporting: CSR, GRI, IIRC and beyond', in *Sustainability accounting and accountability*, Routledge, pp. 69-89.

CAHAN, STEVEN, F. *et al.* (2016). 'Are CSR disclosures value relevant? Cross-country evidence', *European Accounting Review*, 25(3), pp. 579-611.

CAMILLERI, M.A. (2015). 'Environmental, social and governance disclosures in Europe', *Sustainability Accounting, Management and Policy Journal*, 6(2), pp. 224-242. doi: 10.1108/SAMPJ-10-2014-0065.

CAMILLERI, M.A. (2017). *Corporate Sustainability, Social Responsibility and Environmental Management*. Springer International Publishing. doi: 10.1007/978-3-319-46849-5.

CAMPBELL, K. *et al.* (2007). 'Executive compensation and non-financial risk: An empirical examination', 26, pp. 436-462. doi: 10.1016/j.jaccpubpol.2007.05.001.

CANTINO, V. (2002). *Valore d'impresa e merito creditizio – Il rating*, Giuffrè, Milano.

CANTINO, V. (2005). *Management information systems*. McGraw Hill, Milano.

CANTINO, V. (2007). *Corporate governance, misurazione della performance e compliance del sistema di controllo interno*, Giuffrè, Milano.

CANTINO, V. and DEVALLE, A. (2005). *Impatto degli IAS/IFRS sui processi gestionali Adeguamento dei sistemi informativi, metodologie e casi aziendali*, Ipsoa, Milano.

CANTINO, V. and DEVALLE, A. (2011). 'Sistema informativo e sistema di controllo.

Riflessi gestionali, organizzativi e contabili', in *Sistemi Informativi ed Economia Aziendale*, pp. 108-135.

CARNEGIE, G.D. and NAPIER, C.J. (2002). 'Exploring comparative international accounting history', *Accounting, Auditing & Accountability Journal*, 15(5), pp. 689-718. doi: 10.1108/09513570210448966.

CARROLL, A.B. (1991). 'The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders', *Business horizons*, 34(4), pp. 39-48.

CHAUVEY, J.-N. *et al.* (2015). 'The normativity and legitimacy of CSR disclosure: Evidence from France', *Journal of Business Ethics*. Springer, 130(4), pp. 789-803.

CHELLI, M., DUROCHER, S. and FORTIN, A. (2018). 'Normativity in Environmental Reporting: A Comparison of Three Regimes', *Journal of Business Ethics*, 149(2), pp. 285-311. doi: 10.1007/s10551-016-3128-4.

CHEN, S. and BOUVAIN, P. (2009). 'Is corporate responsibility converging? A comparison of corporate responsibility reporting in the USA, UK, Australia, and Germany', *Journal of Business Ethics*, 87(1), pp. 299-317.

CHO, C.H. *et al.* (2015). 'Organized hypocrisy, organizational façades, and sustainability reporting', *Accounting, Organizations and Society*, 40, pp. 78-94. doi: 10.1016/j.aos.2014.12.003.

CHO, C.H. *et al.* (2018). 'The Frontstage and Backstage of Corporate Sustainability Reporting: Evidence from the Arctic National Wildlife Refuge Bill', *Journal of Business Ethics*, 152(3), pp. 865-886. doi: 10.1007/s10551-016-3375-4.

CHO, C.H. and PATTEN, D.M. (2013). 'Green accounting: Reflections from a CSR and environmental disclosure perspective', *Critical Perspectives on Accounting*, 24(6), pp. 443-447. doi: 10.1016/j.cpa.2013.04.003.

CINQUINI, L. *et al.* (2012). 'Analyzing intellectual capital information in sustainability reports: some empirical evidence', *Journal of Intellectual Capital*, 13(4), pp. 531-561.

CNDCEC (2008). *La relazione sulla gestione - Alcune considerazioni*.

CONSOB (2018). *Non-financial information as a driver of transformation. Evidence from Italy*. Available at: http://www.consob.it/documents/46180/46181/Sost2018.pdf/c87d3f84-2b68-45e9-a389-5b21f8cfef7f.

COOKE, T.E. (1989). 'Disclosure in the Corporate Annual Reports of Swedish Companies', *Accounting and Business Research*, 19(74), pp. 113-124. doi: 10.1080/00014788.1989.9728841.

CRIADO-JIMENÉZ, I. *et al.* (2008). 'Compliance with Mandatory Environmental Reporting in Financial Statements : The Case of Spain (2001 - 2003)', *Journal of Business Ethics*, pp. 245-262. doi: 10.1007/s10551-007-9375-7.

DEEGAN, C. (2002). 'Introduction: the legitimising effect of social and environmental disclosures – a theoretical foundation', *Accounting, Auditing & Accountability Journal*, 15(3), pp. 282-311. doi: 10.1108/09513570210435852.

DEEGAN, C. (2017). 'Twenty five years of social and environmental accounting research within Critical Perspectives of Accounting: Hits, misses and ways

forward', *Critical Perspectives on Accounting*, 43, pp. 65-87. doi: 10.1016/j.cpa.2016.06.005.

DE COLLE, S. and GONELLA, C. (2002). 'The social and ethical alchemy : an integrative approach to social and ethical accountability', 11(1), pp. 86-97.

DE COLLE, S., HENRIQUES, A. and SARASVATHY, S. (2014). 'The paradox of corporate social responsibility standards', *Journal of Business Ethics*, 125(2), pp. 177-191.

DEMARTINI, C. and TRUCCO, S. (2017a). 'Integrated Reporting and Audit Quality', in DEMARTINI, C. and TRUCCO, S. (eds), *Integrated Reporting and Audit Quality*. Springer International Publishing, pp. 9-35. doi: 10.1007/978-3-319-48826-4.

DEMARTINI, C. and TRUCCO, S. (2017b). 'Integrated Reporting and Audit Quality'. doi: 10.1007/978-3-319-48826-4.

DEVALLE, A. (2010). *Misurazione della performance nel bilancio IFRS. Comprehensive income, dibattito internazionale e value relevance*. Pearson.

DEVALLE, A., ONALI, E. and MAGARINI, R. (2010). 'Assessing the Value Relevance of Accounting Data After the Introduction of IFRS in Europe', *Journal of International Financial Management and Accounting*, (21), pp. 85-119. doi: 10.1111/j.1467-646X.2010.01037.x.

DEVALLE, A. and RIZZATO, F. (2013). 'The quality of disclosure in the annual report: analysis of different approaches', in. Cambridge Scholars Publishing-Global Science & Technology Forum (GSTF).

DEVALLE, A., RIZZATO, F. and BUSSO, D. (2016). 'Disclosure indexes and compliance with mandatory disclosure – The case of intangible assets in the Italian market', *Advances in Accounting*, 35, pp. 8-25. doi: 10.1016/j.adiac.2016.04.003.

DE VILLIERS, C. and ALEXandER, D. (2014). 'The institutionalisation of corporate social responsibility reporting', *British Accounting Review*, Elsevier Ltd, 46(2), pp. 198-212. doi: 10.1016/j.bar.2014.03.001.

DE VILLIERS, C., LOW, M. and SAMKIN, G. (2014). 'The institutionalisation of mining company sustainability disclosures', *Journal of Cleaner Production*. Elsevier Ltd, 84(1), pp. 51-58. doi: 10.1016/j.jclepro.2014.01.089.

DE VILLIERS, C. and MAROUN, W. (2018). *Sustainability accounting and integrated reporting*.

DE VILLIERS, C. and MARQUES, A. (2016). 'Corporate social responsibility, country-level predispositions, and the consequences of choosing a level of disclosure', *Accounting and Business Research*. Taylor & Francis, 46(2), pp. 167-195. doi: 10.1080/00014788.2015.1039476.

DHALIWAL, D.S. *et al.* (2011). 'Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting', *Accounting Review*, 86(1), pp. 59-100. doi: 10.2308/accr.00000005.

DHALIWAL, D.S. *et al.* (2012). 'Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure', *Accounting Review*, 87(3), pp. 723-759. doi: 10.2308/accr-10218.

DIAMOND, D.W. and VERRECCHIA, R.E. (1991). 'Disclosure, liquidity, and the cost of capital', *The Journal of Finance*, 46(4), pp. 1325-1359.

DIAS, A. (2017). 'Corporate Governance Effects on Social Responsibility Disclosures', *Australasian Accounting, Business and Finance Journal*, 11(2), pp. 3-22. doi: 10.14453/aabfj.v11i2.2.

DIMAGGIO, P.J. and POWELL, W.W. (1983). 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields', *American Sociological Review*, 48(2), pp. 147-160. doi: 10.2307/2095101.

DONALDSON, T. and PRESTON, L.E. (1995). 'The stakeholder theory of the corporation: Concepts, evidence, and implications', *Academy of Management Review*, 20(1), pp. 65-91. doi: 10.2307/258887.

DOWLING, J. and PFEFFER, J. (1975). 'Organizational legitimacy: Social values and organizational behavior', *The Pacific Sociological Review*, 18(1), pp. 122-136. doi: 10.2307/1388226.

DUMAY, J. *et al.* (2016). 'Integrated reporting: A structured literature review', *Accounting Forum*, 40(3), pp. 166-185. doi: 10.1016/j.accfor.2016.06.001.

DUMAY, J., FROST, G. and BECK, C. (2015). 'Material legitimacy. Blending organisational and stakehoder concerns through non-financial information disclosure', *Journal of Accounting and Organizational Change*, 11(1), pp. 2-23.

ECCJ EUROPEAN COALITION FOR CORPORATE JUSTICE (2014). 'Assessment of the EU Directive on the disclosure of non-financial information by certain large companies', *ECCJ Briefing*, (May), pp. 3-6. Available at: http://corporatejustice.org/documents/eccj-briefing---assessment-of-the-nfr-reform-short-public-version.pdf.

ECCLES, R.G. and KRZUS, M. (2010). *One Report: Integrated Reporting for a Sustainable Strategy*. Wiley.

ECCLES, R.G., KRZUS, M.P. and RIBOT, S. (2015). *The Integrated Reporting Movement: Meaning, Momentum, Motives, and Materiality*. Wiley.

EDGLEY, C.R., JONES, M.J. and SOLOMON, J.F. (2010). 'Stakeholder inclusivity in social and environmental report assurance', *Accounting, Auditing and Accountability Journal*, 23(4), pp. 532-557. doi: 10.1108/09513571011041615.

ELLIOTT, R.K. and JACOBSON, P.D. (1994). 'Costs and benefits of business information', *Accounting horizons*. Citeseer, 8(4), pp. 80-96.

ELLIOTT, W.B. *et al.* (2013). 'The unintended effect of corporate social responsibility performance on investors' estimates of fundamental value', *The Accounting Review*. American Accounting Association, 89(1), pp. 275-302.

ERKENS, M., PAUGAM, L. and STOLOWY, H. (2015). 'Non-financial information: State of the art and research perspectives based on a bibliometric study', *Comptabilité - Contrôle - Audit*, 21(3), p. 15. doi: 10.3917/cca.213.0015.

EUROPEAN COMMISSION (2001). Green Paper: Promoting a European framework for Corporate Social Responsibility.

EUROPEAN COMMISSION (2002). Communication from the Commission concerning corporate social responsibility: a business contribution to sustainable development.

EUROPEAN COMMISSION (2005). 'Working together for growth and jobs: a new start for the Lisbon Strategy. Communication from President Barroso in agreement with Vice-President Verheugen. Brussels, 2.2.2005. COM(2005) 24 final'.

Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005DC0024&from=EN.

EUROPEAN COMMISSION (2006). Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR, COM(2006)136 final.

EUROPEAN COMMISSION (2010). Lisbon Strategy evaluation document, Commission Staff Working Document.

EUROPEAN COMMISSION (2011a). A renewed EU strategy 2011-14 for Corporate Social Responsibility.

EUROPEAN COMMISSION (2011b). Single Market Act - Twelve levers to boost growth and strengthen confidence [COM(2011) 206 final].

EUROPEAN COMMISSION (2013). Proposal for a Directive of the European Parliament and of the Council.

EUROPEAN COMMISSION (2014). 'Memo: Disclosure of non-financial and diversity information by large companies and groups.

EUROPEAN COMMISSION (2016a). *Feedback statement on the public consultation on the non-binding guidelines for reporting on non-financial information by companies having taken place from 15 January to 15 April 2016).*

EUROPEAN COMMISSION (2016b). *Next Steps for a Sustainable European Future. European Action for Sustainability: European action for sustainability*.

EUROPEAN COMMISSION (2017). *Guidelines on non-financial reporting (methodology for reporting non-financial information)*. Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705(01)&from=EN.

EUROPEAN COMMISSION (2018a). 'Action Plan: Financing Sustainable Growth', *EUR-Lex*. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097.

EUROPEAN COMMISSION (2018b). In-depth analysis in support of the commission communication Com (2018). 773.

EUROPEAN COMMISSION (2018c). Our Vision for A Clean Planet for All. Available at: https://ec.europa.eu/clima/sites/clima/files/docs/pages/vision_1_emissions_en.pdf.

EUROPEAN COMMISSION (2019). Consultation document on the update of the non-binding guidelines on non-financial reporting.

EUROPEAN PARLIAMENT (2003). *Directive 2003/51/CE*, *Official Journal of the European Union*.

EUROPEAN PARLIAMENT (2013). Report on Corporate Social Responsibility: promoting society's interest and a route to sustainable and inclusive recovery.

EUROPEAN PARLIAMENT (2014a). 'Briefing Note Regarding the Exchange of Views on the Lisbon Strategy and the EU Cooperation in the Field of Social Inclusion', pp. 1-13.

EUROPEAN PARLIAMENT (2014b). 'Directive 2014/95/EU of the European Parliament and of the Council - of 22 October 2014 - amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups', *Official Journal of the European Union*, 2014 (September), pp. 1-9. doi: http://eur-lex.europa.eu/pri/en/oj/dat/2003/l_285/l_28520031101en00330037.pdf.

EUROPEAN PARLIAMENT and THE COUNCIL (2013). 'Directive 2013/34/EU amending Directive 2006/43/EC and repealing Council Directives 78/660/EEC and 83/349/EEC on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings', *Official Journal of the European Union*, 2013(June), p. L 182/19-75.

FAJARDO, C.L. (2016). 'Convergence of Accounting Standards World Wide - An Update', *Journal of Applied Business and Economics*, 18(6), pp. 148-161.

FAMA, E.F. and JENSEN, M.C. (1983). 'Separation of ownership and control', *Journal of Law and Economics*, XXVI, pp. 90-111. doi: 10.4324/9780203888711.

FEDERATION OF EUROPEAN ACCOUNTANTS (2015a). 'EU Directive on disclosure of non-financial and diversity information The role of practitioners in providing assurance', (December). Available at: http://www.fee.be/images/publications/1512_EU_Directive_on_NFI.pdf.

FEDERATION OF EUROPEAN ACCOUNTANTS (2015b). *The Future of Corporate Reporting – creating the dynamics for change*, *Cogito Series*. Available at: https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper_-_Future ofCorporateReporting.pdf.

FERRERO, G. (1987). 'Impresa e management', *Impresa e management*.

FINANCIAL TIMES LEXICON (2015). 'Definition of non-financial performance measures'.

FLÖSTRand, P. and STRÖM, N. (2006). 'The valuation relevance of non-financial information', *Management Research News*,29(9), pp. 580-597.

FREEMAN, R.E. (1984). *Strategic management: A stakeholder approach*, *Pitman Series in Business and Public Policy*. Pitman Publishing Inc.

FREEMAN, R.E., HARRISON, J.S., WICKS, ANDREW, C. *et al.* (2010). *Stakeholder Theory: The State Of The Art*, Cambridge University Press.

FREEMAN, R.E. (2017). 'Five Challenges to Stakeholder Theory: A Report on Research in Progress', in *Stakeholder Management Business and Society 360*. Emerald Publishing Limited, pp. 1-20. doi: 10.1108/S2514-175920170000001.

FREEMAN, R.E., KUJALA, J. and SACHS, S. (2017). *Stakeholder Engagement: Clinical Research Cases*. Springer. doi: 10.1007/978-3-319-62785-4.

FREEMAN, R.E. and PARMAR, B.L. (2017). *Managing for Stakeholders and the Purpose of Business*. Darden Case No. UVA-E-0415.

FREEMAN, R.E., VELAMURI, S.R. and MORIARTY, B. (2006). 'Company Stakeholder Responsibility: A New Approach to CSR', *Business Roundtable Institute for Corporate Ethics*. Available at: www.corporate-ethics.org.

GAO, F. *et al.* (2016). 'Determinants and Economic Consequences of Non-financial Disclosure Quality', *European Accounting Review*. Taylor & Francis, 25(2), pp. 287-317. doi: 10.1080/09638180.2015.1013049.

GARCÍA-SÁNCHEZ, I.-M. and NOGUERA-GÁMEZ, L. (2017). 'Integrated Reporting and Stakeholder Engagement: The Effect on Information Asymmetry', *Corporate Social Responsibility and Environmental Management*, 413(24), pp. 395-413. doi: 10.1002/csr.1415.

GLEESON-WHITE, J. (2014). *Six Capitals: The revolution capitalism has to have--or can accountants save the planet?* Allen & Unwin.

GLOBAL REPORTING INITIATIVE (2016a). *Consolidated set of GRI sustainability reporting standards*. Available at: https://www.globalreporting.org/standards/gri-standards-download-center/.

GLOBAL REPORTING INITIATIVE (2016b). *The Next Era of Corporate Disclosure. Digital, Responsible, Interactive*, *Sustainability and Reporting 2025 Project*.

GLOBAL REPORTING INITIATIVE (2017). *Member State Implementation of Directive 2014/95/EU - A comprehensive overview of how Member States are implementing the EU Directive on Non-financial and Diversity Information*.

GLOBAL SUSTAINABILITY STandARDS BOARD (GSSB) (2016a). 'GRI 101: Foundation'.

GLOBAL SUSTAINABILITY STandARDS BOARD (GSSB) (2016b). 'GRI102: General Disclosures', p. 44.

GLOBAL SUSTAINABILITY STandARDS BOARD (GSSB) (2016c). 'GRI 103: Management Approach', p. 13.

GRAHAM, J.R., HARVEY, C.R. and RAJGOPAL, S. (2005). 'The economic implications of corporate financial reporting', *Journal of accounting and economics*, 40(1-3), pp. 3-73.

GRAY, R. (2006). 'Social, environmental and sustainability reporting and organisationa value creation? Whose value? Whose creation?', *Accounting, Auditing & Accountability Journal*. doi: http://dx.doi.org/10.1108/MRR-09-2015-0216.

GRAY, R., ADAMS, C.A. and OWEN, D. (2014). *Accountability, Social Responsibility and Sustainability. Accounting for Society and the Environment*, Pearson. doi: 10.4337/9781781006733.00016.

GRAY, R., OWEN, D. and ADAMS, C. (1996). *Accounting & accountability: changes and challenges in corporate social and environmental reporting*, Prentice Hall, London.

GRAY, R., OWEN, D. and ADAMS, C. (2010). 'Some theories for social accounting?: A review essay and a tentative pedagogic categorisation of theorisations around social accounting', *Sustainability, Environmental Perforamance and Disclosures. Advances in Environmental Accounting and Management*. Emerald Group Publishing Limited, pp. 1-54. doi: 10.1108/S1479-3598(2010)0000004005.

GRAY, R., OWEN, D. and MAUNDERS, K. (1987). *Corporate social reporting: Accounting and accountability*, Prentice-Hall International.

GRECO, G. (2010). *La comunicazione economico-finanziaria nell'annual report. Modelli teorici e metodi di ricerca empirica*, Giappichelli, Torino.

GRI (2015). 'Sustainability and Reporting Trends in 2025', (May), pp. 1-19.

GRI (2019). 'A Closer Look at Water and GHG Emissions Disclosure: Mapping Reporting Practice to an Investor Perspective'. Available at: https://www.global reporting.org/resourcelibrary/A-Closer-Look-At-Water-and-GHG-Emissions-Di sclosure.pdf.

GRI IN COLLABORATION WITH SUSTAINABILITY (2017). 'Future Trends in Sustainability Reporting', (January), pp. 1-31. Available at: http://deres.org.uy/wp-content/uploads/gri-clg_report-futuretrends2025.pdf.

HACKSTON, D. and MILNE, M.J. (1996). 'Some determinants of social and environmental disclosures in New Zealand companies', *Accounting, Auditing & Accountability Journal*, 9(1), pp. 77-108. doi: 10.1108/09513579610109987.

HAHN, R. and KÜHNEN, M. (2013). 'Determinants of sustainability reporting: a review of results, trends, theory, and opportunities in an expanding field of research', *Journal of cleaner production*, 59, pp. 5-21.

HALKOS, G. and SKOULOUDIS, A. (2016). 'Exploring the current status and key determinants of corporate disclosure on climate change: Evidence from the Greek business sector', *Environmental Science & Policy*, 56, pp. 22-31. doi: 10.1016/j.envsci.2015.10.011.

HALLER, A., LINK, M. and GROß, T. (2017). 'The Term "Non-financial Information" – A Semantic Analysis of a Key Feature of Current and Future Corporate Reporting', *Accounting in Europe*, 9480, pp. 1-23. doi: 10.1080/17449480.2017.1374548.

HANIFFA, R.M. and COOKE, T.E. (2005). 'The impact of culture and governance on corporate social reporting', *Journal of Accounting and Public Policy*, 24(5), pp. 391-430.

HASLAM, C. *et al.* (2015). 'Accounting for Business Models and Increasing the Visibility of Stakeholders.', *Journal of Business Models*, 3(1), pp. 62-80.

HEALY, P.M. and PALEPU, K.G. (2001). 'Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature', *Journal of Accounting and Economics*, 31(1-3), pp. 405-440. doi: 10.1016/S0165-4101(01)00018-0.

HEIDBRINK, L. and SEELE, P. (2007). *Who responds to whom? Corporate Culture and the question of communicating Responsibility.*

HELLSTRÖM, K. (2006). 'The Value Relevance of Financial Accounting Information in a Transition Economy: The Case of the Czech Republic', *European Accounting Review*, Routledge, 15(3), pp. 325-349. doi: 10.1080/09638180600916242.

HESS, D. (2001). 'Regulating corporate social performance: a new look at social accounting,auditing and reporting', *Business Ethics Quarterly*, 11(2), pp. 307-330.

HESS, D. (2008a). 'The three pillars of corporate social reporting as new governance regulation: disclosure, dialogue, and development', *Business Ethics Quarterly*, 18(4), pp. 447-482.

HESS, D. (2019). 'The transparency trap: Non-financial disclosure and the responsibility of business to respect human rights', *American Business Law Journal*, 56(1), pp. 5-53. doi: 10.1111/ablj.12134.

HIGGINS, C., STUBBS, W. and MILNE, M. (2015). 'Is Sustainability Reporting Becoming Institutionalised? The Role of an Issues-Based Field', *Journal of Business Ethics*, pp. 309-326. doi: 10.1007/s10551-015-2931-7.

HOLGAARD, J.E. and JØRGENSEN, T.H. (2005). 'A Decade of Mandatory Environmental Reporting in Denmark', *European Environment*, 373, pp. 362-373.

HUANG, X.B. and WATSON, L. (2015). 'Corporate social responsibility research in accounting', *Journal of Accounting Literature*, 34, pp. 1-16. doi: 10.1016/j.acclit.2015.03.001.

HUMMEL, K. and SCHLICK, C. (2016). 'The relationship between sustainability

performance and sustainability disclosure – Reconciling voluntary disclosure theory and legitimacy theory', *Journal of Accounting and Public Policy*, 35(5), pp. 455-476. doi: 10.1016/j.jaccpubpol.2016.06.001.

HUNG-YUAN, L. (2014). 'Does Disclosure of Non-Financial Statement Information Reduce Firms' Propensity to Under-Invest?', *Quarterly Journal of Finance and Accounting*, 51(3), pp. 1-44. Available at: http://papers.ssrn.com/abstract=1465096%5Cnfiles/1459/SSRN-id1465096.pdf.

ILO and UN GLOBAL COMPACT (2010). *The Labour Principles of the UN Global Compact – A Guide for Business*. Available at: http://www.unglobalcompact.org/docs/issues_doc/labour/the_labour_principles_a_guide_for_business.pdf.

INSTITUTE OF DIRECTORS IN SOUTHERN AFRICA (2009). *King Report on Governance for South Africa 2009*. Available at: https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/king_iii/King_Report_on_Governance_fo.pdf.

INTERNATIONAL ACCOUNTING STandARDS BOARD (2010). *Conceptual Framework for Financial Reporting 2010*, *IFRS Foundation*.

INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) (2011). 'Communicating Value in the 21st Century', *Integrated Reporting*, (September), p. 17. Available at: www.theiirc.org.

INTERNATIONAL ORGANIZATION FOR STandARDIZATION (2014). *ISO 26000. Guidance on social responsibility*.

INTERNATIONAL ORGANIZATION FOR STandARDIZATION (2018). *SDGs Contributing to the UN Sustainable Development Goals with ISO standards*. doi: ISBN 978-92-67-10790-5.

IOANNOU, I. and SERAFEIM, G. (2014). *The consequences of mandatory corporate sustainability reporting*. Harvard Business School research working paper, pp. 11-100.

JEFFERY, C. (2017). *Comparing the Implementation of the EU Non-Financial Reporting Directive*.

JENSEN, M.C. and MECKLING, W.H. (1976). 'Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure, *Journal of Financial Economics*, 3(4), pp. 305-360.

JORGENSEN, T.H. and HOLGAARD, J.E. (2004). *Environmental reporting: experiences from Denmark*, *Technology, Environment and Society*. Working Paper 6.

KANSAL, M., JOSHI, M. and BATRA, G.S. (2014). 'Determinants of corporate social responsibility disclosures: Evidence from India', *Advances in Accounting*, 30(1), pp. 217-229. doi: 10.1016/j.adiac.2014.03.009.

KING, A. *et al.* (2016). *Carrots & Sticks. Global trends in sustainability reporting regulation and policy*.

KING, A. and BARTELS, W. (2015). 'Currents of change - KPMG Survey of Corporate Responsibility'. Available at: https://home.kpmg.com/au/en/home/insights/2015/11/corporate-responsibility-reporting-survey-2015.html.

KNOPF, J. *et al.* (2010). *Corporate Social Responsibility: National Public Policies in the European Union*.

KPMG (2017a). 'Edge of Page – The KPMG survey of corporate responsibility reporting 2017', *The road ahead – The KPMG Survey of Corporate Responsibility Reporting 2017*, (10), pp. 1-58.

KPMG (2017b). *Transitioning to Global Reporting Initiative (GRI) Standards*.

KPMG (2018). *Informativa extra finanziaria : da compliance a governance strategica dei rischi e delle opportunità*.

KRIPPENDORFF, K. (2004). *Content Analysis: An Introduction to Its Methodology*. (2nd ed.), Sage Publications, London. doi: 10.2307/2288384.

LAI, A., MELLONI, G. and STACCHEZZINI, R. (2016). 'Corporate Sustainable Development: Is "Integrated Reporting" a Legitimation Strategy?', *Business Strategy and the Environment*, 25(3), pp. 165-177. doi: 10.1002/bse.1863.

LAINE, M. (2009). 'Ensuring legitimacy through rhetorical changes?: A longitudinal interpretation of the environmental disclosures of a leading Finnish chemical company', *Accounting, Auditing and Accountability Journal*. doi: 10.1108/0951 3570910987367.

LAINE, M. *et al.* (2017). 'Ambiguity of financial environmental information', *Accounting, Auditing & Accountability Journal*, 30(3), pp. 593-619. doi: 10.1108/aaaj-02-2015-1961.

LAPOINTE-ANTUNES, D.C.P. (2015). 'Does corporate governance enhance the appreciation of mandatory environmental disclosure by financial markets?', *Journal of Management & Governance*, 19(4), pp. 897-925. doi: 10.1007/s10997-014-9299-4.

LEV, B. (2000). *Intangibles: Management, measurement, and reporting*, Brookings Institution Press, Washington, DC.

LI, Y. *et al.* (2018). 'The impact of environmental, social, and governance disclosure on firm value: The role of CEO power', *British Accounting Review*, 50(1), pp. 60-75. doi: 10.1016/j.bar.2017.09.007.

LINDBLOM, C. K. (1993). 'The implications of organizational legitimacy for corporate social performance and disclosure', *Critical Perspectives on Accounting Conference*, New York, 1994.

LOCK, I. and SEELE, P. (2015). 'Quantitative content analysis as a method for business ethics research', *Business Ethics: A European Review*, 24(S1), pp. S24-S40. doi: 10.1111/beer.12095.

LU, Y. and ABEYSEKERA, I. (2014). 'Stakeholders' power, corporate characteristics, and social and environmental disclosure: Evidence from China', *Journal of Cleaner Production*, 64, pp. 426-436. doi: 10.1016/j.jclepro.2013.10.005.

LU, Y. and ABEYSEKERA, I. (2017). 'What Do Stakeholders Care About? Investigating Corporate Social and Environmental Disclosure in China', *Journal of Business Ethics*, 144(1), pp. 169-184. doi: 10.1007/s10551-015-2844-5.

MAHONEY, S.C. *et al.* (2013). 'A research note on standalone corporate social

responsibility reports: Signaling or greenwashing?', *Critical Perspectives on Accounting*, 24(4-5), pp. 350-359. doi: 10.1016/j.cpa.2012.09.008.

MALIK, M. (2015). 'Value-Enhancing Capabilities of CSR: A Brief Review of Contemporary Literature', *Journal of Business Ethics*, 127(2), pp. 419-438. doi: 10.1007/s10551-014-2051-9.

MALLIN, C., MICHELON, G. and RAGGI, D. (2013). 'Monitoring Intensity and Stakeholders' Orientation: How Does Governance Affect Social and Environmental Disclosure?', *Journal of Business Ethics*, 114(1), pp. 29-43. doi: 10.1007/s10551-012-1324-4.

MALSCH, B. (2013). 'Politicizing the expertise of the accounting industry in the realm of corporate social responsibility', *Accounting, Organizations and Society*, 38(2), pp. 149-168. doi: 10.1016/j.aos.2012.09.003.

MANGENA, M., LI, J. and TAURINGANA, V. (2016). 'Disentangling the Effects of Corporate Disclosure on the Cost of Equity Capital', *Journal of Accounting, Auditing & Finance*, 31(1), pp. 3-27. doi: 10.1177/0148558X14541443.

MANIORA, J. (2017). 'Is Integrated Reporting Really the Superior Mechanism for the Integration of Ethics into the Core Business Model? An Empirical Analysis', *Journal of Business Ethics*, 140(4), pp. 755-786. doi: 10.1007/s10551-015-2874-z.

MARCHI, L., PAOLINI, A. and CASTELLANO, N. (2008). *Principi contabili internazionali e sistemi di controllo interno*, Franco Angeli, Milano.

MARLIN, ALICE and MARLIN, J.T. (2003). 'A brief history of social reporting. Business Respect, 51', *Business Respect*, 51.

MARTÍNEZ-FERRERO, J., GARCIA-SANCHEZ, I.M. and CUADRADO-BALLESTEROS, B. (2015). 'Effect of financial reporting quality on sustainability information disclosure', *Corporate Social Responsibility and Environmental Management*, 22(1), pp. 45-64. doi: 10.1002/csr.1330.

MARTÍNEZ-FERRERO, J., RUIZ-CANO, D. and GARCÍA-SÁNCHEZ, I.M. (2016). 'The Causal Link between Sustainable Disclosure and Information Asymmetry: The Moderating Role of the Stakeholder Protection Context', *Corporate Social Responsibility and Environmental Management*, 23(5), pp. 319-332. doi: 10.1002/csr.1379.

MATHEWS, M.R. (1993). *Socially responsible accounting*. CRC Press.

MEEK, G.K., ROBERTS, C.B. and GRAY, S.J. (1995). 'Factors influencing voluntary annual report disclosures by US, UK and continental European multinational corporations', *Journal of international business studies*, 26(3), pp. 555-572.

MELLONI, G., CAGLIO, A. and PEREGO, P. (2017). 'Saying more with less? Disclosure conciseness, completeness and balance in Integrated Reports', *Journal of Accounting and Public Policy*, 36(3), pp. 220-238. doi: 10.1016/j.jaccpubpol.2017.03.001.

MELLONI, G., STACCHEZZINI, R. and LAI, A. (2016). 'The tone of business model disclosure: an impression management analysis of the integrated reports', *Journal of Management and Governance*, 20(2), pp. 295-320. doi: 10.1007/s10997-015-9319-z.

MEYER, J.W. *et al.* (1977). 'Institutionalized Organizations: Formal Structure as Myth and Ceremony', *American Journal of Sociology*, 83(2), pp. 340-363. Available at: https://security.ufpb.br/gets/contents/documentos/meyer_rowan_teoria_institucional.pdf.

MICHELON, G., PILONATO, S. and RICCERI, F. (2015). 'CSR reporting practices and the quality of disclosure: An empirical analysis', *Critical Perspectives on Accounting*, 33, pp. 59-78. doi: 10.1016/j.cpa.2014.10.003.

MILNE, M.J. and GRAY, R. (2013). 'W(h)ither Ecology? The Triple Bottom Line, the Global Reporting Initiative, and Corporate Sustainability Reporting', *Journal of Business Ethics*, 118(1), pp. 13-29. doi: 10.1007/s10551-012-1543-8.

MINISTRY FOR ECONOMIC and BUSINESS AFFAIRS (2013). 'Corporate Social Responsibility and Reporting in Denmark', *Government of Denmark*. Available at: https://samfundsansvar.dk/sites/default/files/corporate_social_responsibility_and_reporting_in_denmark_september_2010.pdf.

MIO, C. and VENTURELLI, A. (2013). 'Non-financial Information About Sustainable Development and Environmental Policy in the Annual Reports of Listed Companies: Evidence from Italy and the UK', *Corporate Social Responsibility and Environmental Management*, 20(6), pp. 340-358. doi: 10.1002/csr.1296.

MITCHELL, R.K. *et al.* (2015). 'Stakeholder Inclusion and Accounting for Stakeholders' *Journal of Management Studies*, pp. 851-877. doi: 10.1111/joms.12151.

MITCHELL, R.K., AGLE, B.R. and WOOD, D.J. (1997). 'Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts', *Academy of Management Review*, 22(4), pp. 853-886.

MULLERAT, R. (2013). 'Corporate Social Responsibility: A European Perspective', *Miami-Florida European Union Center of Excellence*, 13(6), pp. 1-22.

MUTTAKIN, M.B. and KHAN, A. (2014). 'Determinants of corporate social disclosure: Empirical evidence from Bangladesh', *Advances in Accounting*, 30(1), pp. 168-175. doi: 10.1016/j.adiac.2014.03.005.

NIELSEN, C. and MADSEN, M.T. (2009). 'Discourses of transparency in the intellectual capital reporting debate: Moving from generic reporting models to management defined information', *Critical Perspectives on Accounting*, 20(7), pp. 847-854. doi: 10.1016/j.cpa.2008.09.007.

NILSSON, M. *et al.* (2017). *Introduction: A framework for understanding Sustainable Development Goal Interactions*.

NIVRA (2008). *Non-financial information in progress. A guide to the reporting and assurance of non-financial information in the public sector*.

ONIDA, P. (1961). 'Economicità, socialità ed efficienza nell'amministrazione d'impresa', *Rivista dei Dottori Commercialisti*, 1, pp. 1-22.

OVERLAND, J. (2007). 'Corporate social responsibility in context: The case for compulsory sustainability disclosure for listed public companies in Australia', *Macquarie J. Int'l & Comp. Envtl. L.* HeinOnline, 4, p. 1.

PATTEN, D.M. (2002). 'The relation between environmental performance and environmental disclosure : a research note', 27, pp. 763-773. doi: 10.1016/S0361-3682(02)00028-4.

PATTEN, D.M., REN, Y. and ZHAO, N. (2015). 'Standalone Corporate Social Responsibility Reporting in China: An Exploratory Analysis of its Relation to Legitimation', *Social and Environmental Accountability Journal*, 35(1), pp. 17-31. doi: 10.1080/0969160X.2015.1007467.

PAVLOPOULOS, A., MAGNIS, C. and IATRIDIS, G.E. (2017). 'Integrated reporting: Is it the last piece of the accounting disclosure puzzle?', *Journal of Multinational Financial Management*, 41, pp. 23-46. doi: 10.1016/j.mulfin.2017.05.001.

PEREGO, P., KENNEDY, S. and WHITEMAN, G. (2016). 'A lot of icing but little cake? Taking integrated reporting forward', *Journal of Cleaner Production*, 136(July 2014), pp. 53-64. doi: 10.1016/j.jclepro.2016.01.106.

PETERS, G.F. and ROMI, A.M. (2013). 'Discretionary compliance with mandatory environmental disclosures : Evidence from SEC filings', *Journal of Accounting and Public Policy*, 32(4), pp. 213-236. doi: 10.1016/j.jaccpubpol.2013.04.004.

PURUSHOTHAMAN, M. *et al.* (2000). 'Determinants of corporate social reporting practices of listed Singapore companies', *Pacific Accounting Review*, 12(2), p. 101.

PWC (2015). *Integrated Reporting. Where to next?*

QIU, Y., SHAUKAT, A. and THARYAN, R. (2016). 'Environmental and social disclosures: Link with corporate financial performance', *British Accounting Review*, 48(1), pp. 102-116. doi: 10.1016/j.bar.2014.10.007.

RASCHE, A. (2009). 'Toward a model to compare and analyze accountability standards – The case of the UN Global Compact', *Corporate Social Responsibility and Environmental Management*, 16(4), pp. 192-205.

RASCHE, A. (2010). 'The limits of corporate responsibility standards', *Business Ethics: A European Review*, 19(3), pp. 280-291.

REVERTE, C. (2009). 'Determinants of Corporate Social Responsibility Disclosure Ratings by Spanish Listed Firms', *Journal of Business Ethics*, 88(2), pp. 351-366. doi: 10.1007/s10551-008-9968-9.

REZAEE, Z. and TUO, L. (2017a). 'Are the Quantity and Quality of Sustainability Disclosures Associated with the Innate and Discretionary Earnings Quality?', *Journal of Business Ethics*, pp. 1-24. doi: 10.1007/s10551-017-3546-y.

REZAEE, Z. and TUO, L. (2017b). 'Voluntary disclosure of non-financial information and its association with sustainability performance', *Advances in Accounting*, 39 (May 2016), pp. 47-59. doi: 10.1016/j.adiac.2017.08.001.

RIFFE, D., LACY, S. and FICO, F.G. (1998). *Analyzing media messages: Using quantitative content analysis in research*. Routledge.

ROBB, S.W.G. and ZARZESKI, L.E.S.T. (2001). 'Nonfinancial disclosures across Anglo-American countries', *Journal of International Accounting, Auditing and Taxation*, 10(1), pp. 71-83.

ROBERTS, R.W. (1992). 'Determinants of corporate social responsibility disclosure: an application of stakeholder theory', *Accounting, Organizations and Society*, 17(6), pp. 595-612. doi: 10.1016/0361-3682(92)90015-K.

RODRIGUE, M., CHO, C.H. and LAINE, M. (2015). 'Volume and Tone of Environmental Disclosure: A Comparative Analysis of a Corporation and its Stakeholders', *Social and Environmental Accountability Journa,* 35(1), pp. 1-16. doi: 10.1080/0969160X.2015.1007465.

SACHS, S. and EDWIN, R. (2011). *Stakeholders Matter. A New Paradigm for Strategy in Society*. Cambridge Scholars Publishing-Global Science & Technology Forum (GSTF).

SCHACHT, K. *et al.* (2007). *A Comprehensive Business Reporting Model. Financial Reporting for investors*, *CFA Institute Centre for Financial Market Integrity*.

SCHNEIDER, T., MICHELON, G. and PAANANEN, M. (2018). 'Environmental and Social Matters in Mandatory Corporate Reporting : An Academic Note *', 17(2), pp. 275-305. doi: 10.1111/1911-3838.12173.

SCOTT, W.R. (1991). 'Unpacking institutional arguments. WW Powell, PJ DiMaggio, eds. The New Institutionalism in Organizational Analysis'. University of Chicago Press, Chicago.

SCOTT, W.R. (1995). 'Institutions and organizations. Foundations for organizational science', *London: A Sage Publication Series*.

SCOTT, W.R. (2014). *Institutions and Organizations. Ideas, Interest, and Identities*. Fourth ed. SAGE Publications Inc.

SEELE, P. and LOCK, I. (2015). 'Instrumental and/or deliberative? A typology of CSR communication tools', *Journal of Business Ethics*, 131(2), pp. 401-414.

SHOCKER, A.D. and SETHI, S.P. (1973). 'An Approach to Incorporating Societal Preferences in Developing Corporate Action Strategies', *California Management Review*, 15(4), pp. 97-105. doi: 10.2307/41164466.

SIGNORI, S. and RUSCONI, G. (2009). 'Ethical thinking in traditional italian economia aziendale and the stakeholder management theory: The search for possible interactions', *Journal of Business Ethics*, 89, pp. 303-318. doi: 10.1007/s10551-010-0391-7.

SKOULOUDIS, A. *et al.* (2014). 'Trends and determinants of corporate non-financial disclosure in Greece', *Journal of Cleaner Production*, 68, pp. 174-188. doi: 10.1016/j.jclepro.2013.12.048.

SPENCE, C., HUSILLOS, J. and CORREA-RUIZ, C. (2010). 'Cargo cult science and the death of politics: A critical review of social and environmental accounting research', *Critical Perspectives on Accounting*, 21(1), pp. 76-89. doi: 10.1016/j.cpa.2008.09.008.

STOLOWY, H. and PAUGAM, L. (2018b). 'The expansion of non-financial reporting: an exploratory study', *Accounting and Business Research*, 48(5), pp. 525-548. doi: 10.1080/00014788.2018.1470141.

STUBBS, W. and HIGGINS, C. (2018). 'Stakeholders' Perspectives on the Role of Regulatory Reform in Integrated Reporting', *Journal of Business Ethics*, 147(3), pp. 489-508. doi: 10.1007/s10551-015-2954-0.

SUCHMAN, M.C. (1995). 'Managing legitimacy: Strategic and institutional approaches', *Academy of Management Review*, 20(3), pp. 571-610.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (2017). *SASB Conceptual Framework*. Available at: https://www.sasb.org/wp-content/uploads/2017/02/SASB-Conceptual-Framework.pdf.

THE FEDERAL GOVERNMENT (2008). *Progress Report 2008 on the National Strategy for Sustainable Development for a Sustainable Germany*, *German Strategy for Sustainable Development*.

THE INSTITUTE OF SOCIAL AND ETHICAL ACCOUNTABILITY (1999). *Accountability 1000 (AA1000) framework*. doi: 10.1080/0969160X.1999.9651618.

THE INTERNATIONAL INTEGRATED REPORTING COUNCIL (2013). *The International Integrated Reporting framework*, *The International <IR> framework*. doi: 10.2139/ssrn.2378899.

THIJSSENS, T., BOLLEN, L. and HASSINK, H. (2015). 'Secondary Stakeholder Influence on CSR Disclosure: An Application of Stakeholder Salience Theory', *Journal of Business Ethics*, 132(4), pp. 873-891. doi: 10.1007/s10551-015-2623-3.

THY, C. (2003). 'The Danish Green Accounts: Experiences and Internal Effects', in *Environmental Management Accounting –Purpose and Progress*, pp. 115-127.

TINKER, A.M., MERINO, B.D. and NEIMARK, M.D. (1982). 'The normative origins of positive theories: ideology and accounting thought', *Accounting, Organizations and Society*. 7(2), pp. 167-200.

TRUCCO, S. (2015). *Financial Accounting: development paths and alignment to management accouting in the Italian context*. Springer. doi: 10.1016/0890-8389(88)90123-0.

TSCHOPP, D. and HUEFNER, R.J. (2015). 'Comparing the Evolution of CSR Reporting to that of Financial Reporting', *Journal of Business Ethics*, 127(3), Springer, pp. 565-577.

TSCHOPP, D. and NASTANSKI, M. (2014). 'The Harmonization and Convergence of Corporate Social Responsibility Reporting Standards', *Journal of Business Ethics*, 125(1), pp. 147-162. doi: 10.1007/s10551-013-1906-9.

UNITED NATIONS HUMAN RIGHTS (2011). *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework*, Unite Nations, New York and Geneva. doi: U.N. Doc. E/CN.4/2006/97.

UPTON, W.S. (2001). 'Business and financial reporting. Challenges from the new economy', *Financial accounting series (FASB). Special report (219-A), [Online], Available: Http://www. fasb. org/articles&reports/new_economy. shtml [18*. Citeseer.

VAN DER LINDEN, B. and EDWARD FREEMAN, R. (2017). 'Profit and Other Values: Thick Evaluation in Decision Making', *Business Ethics Quarterly*, 27(3), pp. 353-379. doi: 10.1017/beq.2017.1.

VENTURELLI, A. *et al.* (2017). 'Directive 2014/95/EU: Are Italian companies already compliant?', *Sustainability (Switzerland)*, 9(8). doi: 10.3390/su9081385.

WADDOCK, S. (2008). 'Building a new institutional infrastructure for corporate responsibility', *Academy of Management perspectives*. Academy of Management Briarcliff Manor, NY, 22(3), pp. 87-108.

WADDOCK, S. (2011). 'Building a New Institutional Infrastructure for Corporate Responsibility', *Academy of Management Perspectives*, 22(3), pp. 87-108. doi: 10.5465/amp.2008.34587997.

WALDEN, W.D. and STAGLIANO, A.J. (2003). 'An assessment of the quality of environmental disclosure themes', *Advances in Environmental Accounting & Management*, Emerald Group Publishing Limited, pp. 137-165.

WICKS, A.C. and HARRISON, J.S. (2017). 'Toward a More Productive Dialogue between Stakeholder Theory and Strategic Management', *Stakeholder Management Business and Society 360*. Emerald Publishing Limited, pp. 249-273. doi: 10.1108/S2514-175920170000012.

WILLIAMSON, N., STAMPE-KNIPPEL, A. and WEBER, T. (2014). *CSR Compendium 2014. Corporate Social Responsability - National Public Policies in the European Union*, *European Commission*. doi: 10.2767/29577.

ZADEK, S. (1998). 'Balancing Performance, Ethics, and Accountability', *Journal of Business Ethics*, 17(13), pp. 1421-1442. doi: 10.1023/A:1006095614267.

ZADEK, S. (2004). 'The Path to Corporate Resposibility', *Harvard Business Review*, pp. 125-132.

ZAPPA, G. (1927). 'Tendenze Nuove negli studi di Ragioneria', Istituto Editoriale Scientifico, Milano.

ZAPPA, G. (1950). *Il reddito di impresa: scritture doppie, conti e bilanci di aziende commerciali*, Giuffrè, Milano.

ZARB, B.J. (2006). 'The Quest for Transparency in Financial Reporting.', *CPA Journal*, New York State Society of Certified Public Accountants, 76(9), pp. 30-33. Available at: http://search.ebscohost.com/login.aspx?direct=true&db=bsu&AN=22351738&site=ehost-live.

Printed by Stampatre s.r.l.
Turin - Italy
July 2019

BUSINESS ADMINISTRATION AND ACCOUNTING STUDIES

Volumi pubblicati

1. E. GIACOSA-A. MAZZOLENI, *I modelli di previsione dell'insolvenza aziendale. Efficacia predittiva, limiti e prospettive di utilizzo*, pp. X-174, 2018.
2. D. BUSSO, *L'introduzione del* fair value *per la valutazione dei derivati. Analisi teorica ed empirica degli effetti sul modello di bilancio italiano*, pp. XII-204, 2019.
3. E. TRUANT, *The Business Model of organic companies. Sustainability approaches through districts*, pp. XIV-162, 2019.
4. S. FIANDRINO, *Disclosure of Non-Financial Information: Evolutionary Paths and Harmonisation to Mandatory Requirements*, pp. XII-164, 2019.