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Directive 2014/95/EU: Are Italian Companies Already Compliant?

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Abstract: According to Directive 2014/95/EU on disclosure of non-financial information from 2017 onwards, large companies (exceeding 500 employees) headquartered in Member States will be required to provide a series of social, environmental, and governance statements. The Directive was transposed into Italian law by Legislative Decree 254 of 30 December 2016.The aim of this paper is to evaluate the information gap for Italian companies and, consequently, the adjustments required by the new Directive on non-financial information. In order to analyze the level of non-financial and diversity disclosure, we created an assessment model called "Non-financial information score", which records the required information as a percentage. We apply it to a sample of 223 large companies. The results (with an average NFI score of about 49%) show that, in spite of what has previously emerged in the European debate about the application of the Directive on the part of large companies, an information gap remains, although the implementation of the directive should help to fill it in the coming years. In this sense, the potential contribution of the EU directive to non-financial disclosure in Italy appears to be greater than we had expected. Thus, in accordance with the literature, this paper appears to confirm the role of regulation in improving the quality of disclosure of non-financial information.

Keywords: non-financial information; diversity information; EU non-financial reporting directive; Legislative Decree 254/2016; CSR reporting

1. Introduction

European legislation regarding the disclosure of "non-financial and diversity information" [1–4] by large companies was adopted by the Italian Legislature on 30 December 2016 by means of Legislative Decree 254, which entered into force on 25 January 2017 (to be applied starting from the fiscal year 2017).

It should be noted that, in a break with normal practice in Italy, this decree adopted a Community norm in a not entirely faithful way, introducing modifications and additions. Specifically, these include differentiation of the degree of detail required in reporting depending on the type of entity, a mechanism for imposing sanctions on non-compliant entities, and a voluntary certification scheme for those entities that are not covered by the decree but seek to enhance their reputation.

Regarding the scope of the information to be disclosed, it should be noted that points 1 and 2 of Article 1 of this Directive amend Articles 19 and 20 of Directive 2013/34/EU on financial statements and consolidated financial statements, respectively. Specifically, point 1 adds a new Article (19a), which governs the content of non-financial statements, while point 2 adds a requirement to provide information about the undertaking's diversity policy.

According to Directive 2014/95/EU, the non-financial information (NFI) to be included is essentially "information to the extent necessary for 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) a brief description of the undertaking's business model;
(b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
(c) the outcome of those policies;
(d) 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;
(e) non-financial key performance indicators relevant to the particular business".

Concerning diversity information, the Directive prescribes "...a description of the diversity policy applied 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. If no such policy is applied, the statement shall contain an explanation as to why this is the case".

This clarification serves to understand the logical path followed by the Italian legislature when drawing up Article 3 of Legislative Decree No. 254/16, where, apart from the explicit reference to the type of information to be disclosed, there are some very clear indications of the principle of relevance or significance (According to Article 3 of the Decree, subparagraph 1: "To the extent necessary to ensure the understanding of the business activity, its performance, its outcomes and impact, the individual non-financial statement must cover the issues ... considered relevant to the specific business"), the well-known Community principle of "comply or explain (According to Article 3 of the Decree, subparagraph 6: "Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a reasoned explanation for not doing so")", and the principle of comparability (According to Article 3 of the Decree, subparagraph 3: "The information referred to in subsection 1 and 2 must be accompanied by a comparison to the information provided in previous years").

The information to be disclosed, as explained in Figure 1, is broken down by topic, scope, and type. Regardless of the reporting standards adopted, paragraph 2 of Article 3 establishes the minimum content of the non-financial disclosure.

The choice of reporting standards to be adopted reflects the performance indicators used to monitor and evaluate the activities, which must be:

- specified by the reporting standard chosen,
- representative of the different fields,
- consistent with the activity being carried out and the impacts generated by it.

If the company chooses to adopt an independent reporting methodology or if the indicators provided by the standard adopted are not suitable or appropriate to represent the activities and impacts of the enterprise, it shall identify them appropriately, specifying clearly the reasons behind the choice.

In this context, this study focuses on assessing the quality of non-financial information disclosure in companies obliged to follow this decree.

In order to evaluate the state of the art of non-financial information disclosure by large Italian companies, we provide a score, based on specific items concerning the requirements of the decree.

The paper is structured as follows. In Section 2 we present the literature review. In Section 3 we describe the sample. Section 4 focuses on the research method and illustrates the assessment model. In Section 5 we present the results In Section 6 we present the main conclusions.

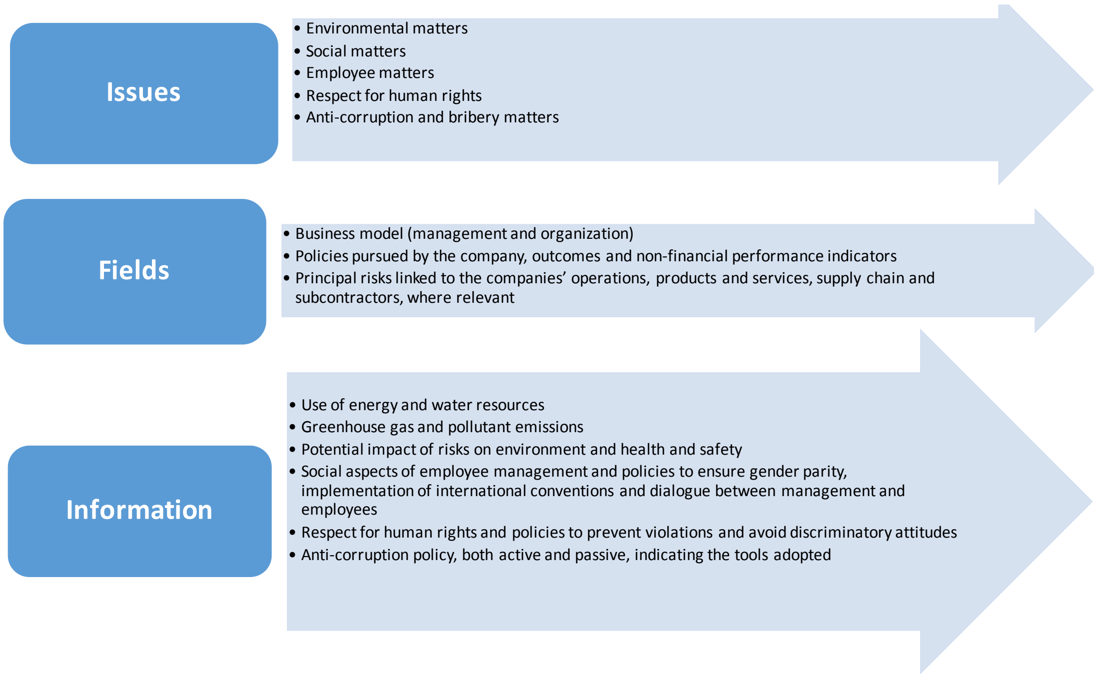

Figure 1. Information to be disclosed.

2. Literature Review

Over the years, the literature on non-financial disclosure has focused on the possibility of attributing a mandatory and/or voluntary character to these reporting processes. Moreover, the impact of this character on the quality of disclosure has been investigated.

The need to provide good quality non-financial information is important in order to overcome the main criticisms that have been directed at NFI, such as stakeholders' lack of trust in the information disclosed. This lack of trust arises first of all from the tendency of managers to disclose activities in progress and their claimed results [5,6], as well as the phenomenon of greenwashing. The latter, defined as the gap between the results obtained and the results presented [7], in reference to environmental policies in particular, appears to be able to alter market conditions and consumer preferences as a result of the opportunistic behavior displayed by companies [8]. In this regard, it is therefore possible to assess the effectiveness of the information disclosed with reference to the quality of information [9].

Regarding the issue of "mandatory vs. voluntary", it should be pointed out that most of the definitions of "Corporate Social Responsibility" (CSR) proposed by institutions and the literature are clearly based on a voluntary approach [10,11]. The assumption of voluntariness is also found throughout the analysis of the global spread of sustainability reporting over the years. This spread has occurred in the partial or total absence of regulatory provisions.

Several studies show that the development of CSR on a voluntary basis has been encouraged over time due to managers' recognition of its strategic value. Specifically, this recognition has arisen from the growing attention paid by managers to new topics considered useful for the development of corporate reputation, such as stakeholder engagement processes [12–14].

This issue takes on even greater importance for listed companies in that, as evidenced by Wang [15], the quality of the NFI is positively correlated with the equity value of the company. The analysis conducted by Godfrey et al. [16] of the importance of NFI in regulated markets shows that the adoption of CSR practices by listed companies contributes positively to the growth of shareholder value. The consolidation of shareholder value is considered a fundamental goal by listed companies, since they need trust from investors both to receive capital and to contain the effects of any financially adverse events [17]. The effect on investors of CSR practices arises from the intrinsic characteristics of

CSR, which, by adopting a proactive approach to non-financial issues, generates confidence among investors [18].

Concerning compulsory adoption, the idea that only regulation could improve the quality and comparability of non-financial information disclosure was initially widely accepted in the literature [19]. In this respect, according to a segment of the literature, regulation is preferable to voluntary disclosure, as the latter may lack completeness, accuracy, neutrality, objectivity, and comparability [20,21]. It is in this context that some European countries (Spain, France, Portugal, Finland, Sweden, and Denmark) have, over the years, introduced the obligation for companies to report on environmental and social issues.

Some cross-country studies have shown that in countries with regulation, such as France, disclosure is of higher quality than countries without regulation, such as the United States of America [22].

Further studies show that mandatory reporting, resulting from the imposition of specific rules by Member States, would result in the short-term standardization of practice because of its coercive nature [23]. As a consequence, there would be an increase in the number of reports produced, as well as best practices and benchmarking [24,25]. However, the quantitative increase would not be accompanied by a qualitative increase since the use of a standardized framework would penalize the use of company- and sector-specific indicators and information [26].

Indeed, other empirical studies show that regulation is not always associated with improvement in the quality of non-financial information [27–29], or at least that regulation alone cannot guarantee a better level of non-financial disclosure [2,30,31]. The study by Ioannou and Serafeim [32] of the Chinese and South African contexts produced controversial results.

As with regulation, the scientific debate has not led to a consensus regarding the voluntary adoption of non-financial disclosure. In order to overcome the criticisms of voluntary NFI disclosure, several studies have sought to identify the main aspects useful for measuring its degree of effectiveness. Studies have also responded by identifying solutions that can counteract the criticisms. Specifically, the literature cites the adoption of sustainability reports [33], guidelines [34], and third-party assurance [35].

Over time, the evolution of the concept of corporate social responsibility has fostered the emergence and subsequent spread of reporting models in which financial data is supplemented by other types of information to varying degrees [36,37]. The purpose of these reports is to explain to stakeholders the qualitative and quantitative aspects of specific sustainability practices implemented during the year by management [38,39]. The newer models have abandoned the classical approach, which separates financial information from non-financial aspects, in favor of integrated models (such as Integrated Reports) that contain both types of information in order to provide stakeholders with summary data on the various aspects of business performance [40].

Over time, the increasing attention paid by shareholders to non-financial KPIs has generated a need to make business performance measurable and comparable through the use of common standards [41]. An analysis of the literature also shows that, similar to studies of the application of international accounting standards, harmonization of non-financial reporting has a high strategic value as part of investors' decision-making processes [42,43]. In this regard, over the years, paradigms aimed at bringing such practices into the mainstream have been developed, including the standard Global Reporting Initiative (GRI). This standard has recently been modified in order to incorporate key aspects related to the various facets of sustainability and to make its coverage more complete [44]. The current version (GRI G-4) includes anti-corruption policies and gender policies and places great emphasis on materiality.

The issue of gender policies can be analyzed both internally, by introducing diversity policies, and externally, by analyzing relationships with communities [45–47]. As regards the internal aspect, the literature shows how the implementation of these practices is one of the most effective moves in terms of value creation thanks to the positive correlation between board heterogeneity and results [48,49].

Lastly, the literature emphasizes assurance procedures in sustainability reporting in order to grant credibility to non-financial disclosure. Indeed, it shows that assurance of sustainability reporting is comparable, in terms of its effects on stakeholders, to the financial statements certification process [50,51]. According to Bagnoli et al. [52], by means of the assurance process, managers determine ex ante their level of social responsibility, entrusting the assurer with the certification of the actual level achieved. Via these activities, managers aim to eliminate negative perceptions, for example arising from greenwashing, thus reinforcing the confidence and loyalty of shareholders [44,53].

3. The Sample

The analysis was carried out on a sample of 223 large companies considered entities of public interest in accordance with Article 16 subparagraph 1 of Legislative decree 39/10, including listed companies, banks, and insurance companies with more than 500 employees. Specifically, there are 168 listed companies (source: www.borsaitaliana.it), 41 banks (source: bankscope) and 14 insurance companies (source: www.ania.it).

Our analysis is based on non-financial information disclosed in consolidated or individual financial statements on 31.12.2015 (the Decree stipulates that public-interest entities have to disclose non-financial information in an individual statement (or a consolidated statement in the case of a group)), or, where present, in social, sustainability, and integrated reports available on websites. The analysis did not consider other information on sustainability present on specific sections of company websites. For comparison, Table 1 presents the sample divided into national and multinational companies and by business sector as follows: basic materials, consumer goods, consumer services, financial, health care, industrial, oil and gas, and telecommunications.

Table 1. Sampling.

Sectors	**National**	**Multinational**	**National**	**Multinational**
	Number of Companies		**Average Number of Employees ***	
Basic materials	4	1	1372	155,407
Consumer goods	13	4	9658	89,628
Consumer services	22	4	1974	105,832
Health care	11	5	12,387	62,818
Industrial	52	16	7466	426,075
Oil & Gas	14	3	9929	92,331
Telecommunications	18	1	17,899	4880
Banks and Financial services	41	0	8560	0
Insurance	14	0	24,660	0
Total	**189**	**34**	**9821**	**133,839**

* date 31 December 2015.

The sampling distribution is not uniform in terms of national and multinational companies. Eighty-two percent of national companies in our sample have fewer than 10,000 employees, and about 76% have fewer than 5000, whereas multinational companies tend to be much larger. However, we decided to include multinational companies in our sample in order to better understand the effect on disclosure quality in companies belonging to different social and cultural contexts.

4. The Methodology Used: The Non-Financial Information Score

The present study focuses on the non-financial information disclosed in the mandatory and voluntary reports of the companies in the sample. The quality of NFI disclosure is assessed by means of content analysis, an established method used to analyze disclosure quality. However, the content analysis was performed manually, without the use of specific software, because of the need to interpret certain aspects of non-financial information. Indeed, the analysis was essentially of a qualitative nature, based on the interpretation of information presented in the reports. We decided not to use common content analysis tools since the information to be evaluated is highly heterogeneous and, as such, is not always present in the standard sections of the analyzed reports. In contrast, we performed an integral reading of the documents, with subsequent interpretation of the information present.

In order to analyze the level of non-financial and diversity disclosure, we created an assessment tool, called a "Non-financial score", which records fulfilment of the specific requirements set out in the guidelines of the CNDEC (the Italian National Institute of Accountants), published in June 2016, as a percentage. To this aim, five different assessment grids were developed for the following categories (or dimensions) of information:

- business model
- sustainability policies
- sustainability risks
- KPIs (key performance indicators)
- diversity.

Each grid specifies the content required by Legislative Decree 254/16. For each grid, a compliance percentage is calculated by evaluating the presence of specific items.

The Tables 2–6 below detail the content of the information grids used to determine each company's score.

Table 2. The business model

Disclosure
Clear identification of the key elements of the business model
Diagram highlighting key elements
Logical descriptive flow for specific aspects of the company
Identification of key stakeholders and factors influencing the internal and external contexts
Links between strategic aspects, risks, opportunities and performance
Management declaration on the sustainability of the company
Description of key impacts of the company regarding sustainability
Description of main processes adopted to achieve performance aims and relevant changes
Description of main risks and opportunities regarding sustainability issues and their trends
Hierarchy of key aspects regarding sustainability
Concise description of governance mechanism adopted by company to manage risks and opportunities
Principal brands, products and services of the company
Countries where the company operates or which are relevant to it in terms of sustainability
Markets served, including the kinds of clients and beneficiaries of the company
Description of the supply chain

Table 3. Sustainability policies and processes.

Disclosure
Description of sustainability policy (regarding economic, environmental, social and employee matters, respect for human rights, anti-corruption and bribery issues
List of all entities affected by sustainability policy
Identification of subjects/committees responsible for decision-making on sustainability policy
Reference to specific rules and standards concerning sustainability policy
First-time adoption or revision of sustainability policy
Qualitative and quantitative proxies able to represent specific targets in sustainability policy
Period within which the organization aims to meet its targets

Table 4. Sustainability risks.

Disclosure
Explanation of sustainability risks
Probability of risk situations occurring
Internal and external impacts
Policies and procedures required
Role of the board and other company bodies in risk management
Business risk appetite

Table 5. Performance indicators.

Disclosure
Environmental indicators
Social indicators
Personnel indicators
Human right indicators
Anti-corruption and bribery indicators

Table 6. Diversity.

Disclosure
Explanation of diversity policy
List of all entities involved in diversity policy
Identification of subjects/committees responsible for decision-making on diversity policy
Reference to specific rules and standards concerning diversity policy
First-time adoption or revision of diversity policy
Qualitative and quantitative proxies able to represent specific targets in diversity policy
Period within which the organization aims to meet its targets
Representation of diversity on the board
Representation of diversity in the organization as a whole

The disclosure level was verified for each section and points were assigned to reflect the degree of completeness of disclosure found in the related reports. A rating scale from 0 to 2 (where 0 indicates the absence of disclosure, 1 indicates incomplete disclosure, and 2 indicates full disclosure) was used to assign a specific score to each section and generate an overall completeness rating for the non-financial disclosure in each of the three types of report (annual report, sustainability report, and integrated report). The overall rating was calculated as a percentage by dividing the point score for each specific disclosure section by the maximum possible score for the section. This generated an overall compliance level based on five different dimensions of measurement (Figure 2).

The compliance level calculated for each dimension of disclosure (business model, policy, sustainability risks, KPIs, and diversity) is an aggregation of the scores assigned to each specific disclosure section listed above and is expressed as a percentage.

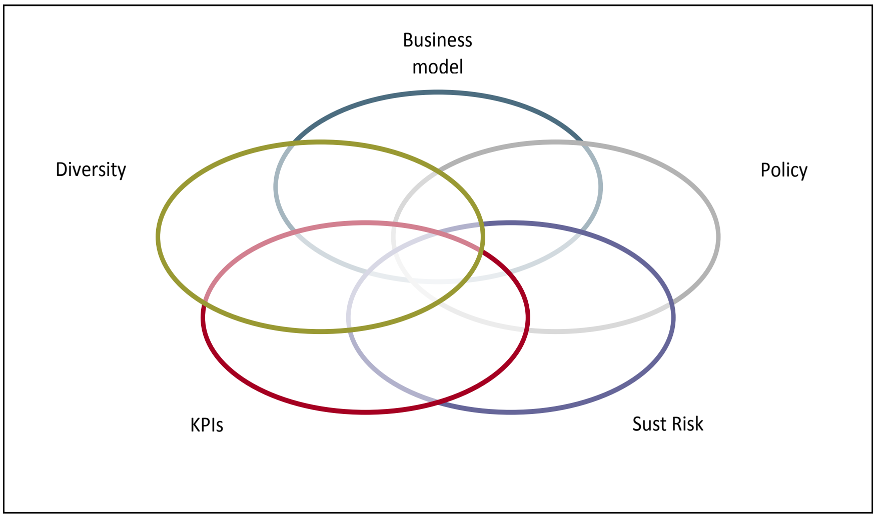

Figure 2. Compliance level in non-financial scores.

5. Results

In Appendix A we present the compliance levels of the Italian companies analyzed. Specifically, we present the NFI score, which is the result of compliance in the areas of business model, policy, sustainability risks, key performance indicators, and diversity.

The results show (Table 7) an average NFI score of about 49%. The highest scores were achieved with regard to the business model; this result confirms a market orientation towards the shareholder and rarely towards other stakeholders (as required by the IIRC framework).

Table 7. The non-financial score.

	Minimum	Maximum	Mean	Standard Dev.
Business Model	0.0000	1.0000	0.652916	0.2632303
Policy	0.0000	1.0000	0.516655	0.3374185
Sustainability risks	0.0000	0.9167	0.444699	0.3014955
Performance Indicators	0.0000	1.0000	0.437668	0.4605304
Diversity	0.0000	1.0000	0.401843	0.3884941
NFI SCORE	**0.0533**	**0.9667**	**0.491054**	**0.3199115**

The poor quality of information in the field of diversity is due to the reluctance of company management to engage with diversity, especially compared to other countries [54].

Similarly, the negative results for performance indicators are due to the lack, in most companies in the sample, of a *sustainability control system*.

The breakdown of disclosure compliance by sectors (financial vs. non-financial), by kinds of disclosure (mandatory vs. voluntary) and by the presence/absence of independent assurance is also interesting.

The data in Table 8 show a better score in the financial sector, where the diversity, risk, and KPI values are higher than those for the sample as a whole. The result is not surprising given the greater "risk culture" in banking companies and the greater confidence in financial risk assessment compared to non-financial risk.

Table 8. Financial sector vs. non-financial sector.

		Business Model	Policy	Sustainability Risks	Performance Indicators	Diversity	NFI SCORE
Non-financial	Mean	0.676589	0.541241	0.432546	0.427976	0.396825	0.495034
	N	168	168	168	168	168	168
	St Dev.	0.2404427	0.3226272	0.3020506	0.4676256	0.4043505	0.3162082
Financial	Mean	0.580606	0.441558	0.481818	0.467273	0.417172	0.478897
	N	55	55	55	55	55	55
	St Dev	0.3146421	0.3721937	0.2994727	0.4409815	0.3384168	0.3336526
Total	**Mean**	**0.652916**	**0.516655**	**0.444699**	**0.437668**	**0.401843**	**0.491054**
	N	**223**	**223**	**223**	**223**	**223**	**223**
	St Dev.	**0.2632303**	**0.3374185**	**0.3014955**	**0.4605304**	**0.3884941**	**0.3199115**

Table 11 highlights the higher degree of disclosure compliance in multinational companies than in national ones for all variables. This result seems to confirm the responsible approach of multinational companies to sustainability issues, probably because these companies are more likely to consider the effects of these aspects on their reputation.

The Student's *t*-test performed on the comparison of means shows significant differences for the data in Table 8 regarding the business model and diversity variables, for Table 9 regarding all variables except the business model and NFI score, for Table 10 regarding all variables except the business model and policy, and for Table 11 regarding all variables.

We analyzed the correlations between the five disclosure dimensions, NFI score and four independent variables: type of report (mandatory/voluntary), number of employees, assurance/non-assurance of non-financial information, and relative experience in sustainability reporting. The analysis shows a statistically significant positive correlation between all the independent variables except assurance and all five disclosure dimensions in addition to the NFI score itself.

The quality of voluntary information disclosure is much higher than the mandatory, while the quality of assured reporting is higher than non-assured. This is because companies that have not embraced the theme of sustainability reporting are at a disadvantage.

Table 9. Mandatory vs. voluntary reports.

		Business Model	Policy	Sustainability Risks	Performance Indicators	Diversity	NFI SCORE
Mandatory	Mean	0.439757	0.262777	0.205658	0.043119	0.078489	0.206573
	N	109	109	109	109	109	109
	St Dev.	0.1720434	0.2721470	0.2297883	0.1535789	0.1704314	0.1460331
Voluntary	Mean	0.856726	0.759398	0.673254	0.814912	0.711015	0.763058
	N	114	114	114	114	114	114
	St Dev.	0.1486732	0.1768267	0.1424695	0.3168519	0.2673227	0.1672621
Total	**Mean**	**0.652916**	**0.516655**	**0.444699**	**0.437668**	**0.401843**	**0.491054**
	N	**223**	**223**	**223**	**223**	**223**	**223**
	St Dev.	**0.2632303**	**0.3374185**	**0.3014955**	**0.4605304**	**0.3884941**	**0.3199115**

Table 10. Assured vs. non-assured reports.

		Business Model	Policy	Sustainability Risks	Performance Indicators	Diversity	NFI SCORE
Non-assured	Mean	0.555729	0.449777	0.449223	0.398438	0.356771	0.443029
	N	64	64	64	64	64	64
	St Dev	0.2733362	0.3482300	0.2456086	0.4180424	0.3242161	0.2862375
Assured	Mean	0.692035	0.543575	0.442877	0.453459	0.419985	0.510385
	N	159	159	159	159	159	159
	St Dev	0.2494007	0.3302652	0.3219548	0.4769072	0.4110906	0.3313904
Total	**Mean**	**0.652916**	**0.516655**	**0.444699**	**0.437668**	**0.401843**	**0.491054**
	N	**223**	**223**	**223**	**223**	**223**	**223**
	St Dev	**0.2632303**	**0.3374185**	**0.3014955**	**0.4605304**	**0.3884941**	**0.3199115**

Table 11. National vs. multinational companies.

		Business Model	Policy	Sustainability Risks	Performance Indicators	Diversity	NFI SCORE
National	Mean	0.618520	0.465230	0.408736	0.379894	0.344503	0.443728
	N	189	189	189	189	189	189
	St Dev	0.2626337	0.3333746	0.3087331	0.4501985	0.3730832	0.3141655
Multinational	Mean	0.844118	0.802521	0.644608	0.758824	0.720588	0.754131
	N	34	34	34	34	34	34
	St Dev	0.1695152	0.1827932	0.1411068	0.3830639	0.3144141	0.2051018
Total	**Mean**	**0.652916**	**0.516655**	**0.444699**	**0.437668**	**0.401843**	**0.491054**
	N	**223**	**223**	**223**	**223**	**223**	**223**
	St Dev	**0.2632303**	**0.3374185**	**0.3014955**	**0.4605304**	**0.3884941**	**0.3199115**

In the light of these results, six different regression analyses were performed (Table 12), where the NFI score and the percentage data for the five disclosure dimensions (dependent variables) were correlated with the following independent variables:

- mandatory or voluntary reporting
- number of employees
- presence of independent assurance
- experience of ESG reporting.

In all regressions, the very low value of the first parameter of significance (attributed to the regression model) confirms the statistical significance of the results and is supported by the high R^2 values (*adjusted*), which specify the ability of a regression model to explain the variance of the results. Specifically, the results show that the significance of the voluntary reporting variable can be found in all six models, while the assurance variable affects all models except for sustainability risks. The data on experience seem to have no direct relation to the level of information: this result is not aligned with what is shown in Table 13. Lastly, the importance of business size (number of employees) is in line with the literature [55–58], according to which large companies have a higher quality of non-financial information disclosure than smaller ones.

Table 12. Regression analyses.

	Regr. 1		Regr. 2		Regr. 3		Regr. 4		Regr. 5		Regr. 6	
Dependent variable	NFI Score		Business model		Policy		Sustainability risks		KPIs		Diversity	
Adjusted R square	0.821		0.759		0.612		0.646		0.741		0.715	
Sign.	0.000		0.000		0.000		0.000		0.000		0.000	
Variables	Beta	Sign.	Beta	Sign.	Beta	Sign.	Beta	Sign.	Beta	Sign.	Beta	Sign.
Constant		0.000		0.000		0.000		0.000		0.000		0.000
Mandatory or voluntary reporting	0.026	0.493	−0.066	0.128	−0.111	0.042	0.087	0.980	0.081	0.070	0.077	0.104
Size (employees)	0.123	0.001	0.086	0.035	0.144	0.005	0.121	0.015	0.081	0.051	0.134	0.003
Assurance	0.162	0.000	0.265	0.000	0.101	0.050	0.070	0.160	0.157	0.000	0.163	0.000
Experience	0.002	0.966	−0.064	0.181	0.107	0.074	0.170	0.774	−0.053	0.281	0.007	0.891

Table 13. Correlation matrix.

		Business Model	Policy	SR	KPI	Diversity	NFI Score	Report Type	Size	Assurance	Experience
Business Model	Pearson's correlation	1	0.787 **	0.768 **	0.856 **	0.795 **	0.912 **	0.794 **	0.316 **	0.235 **	0.537 **
	Sign.		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Policy	Pearson's correlation	0.787 **	1	0.831 **	0.742 **	0.729 **	0.886 **	0.737 **	0.366 **	0.126 *	0.575 **
	Sign.	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.030	0.000
SR	Pearson's correlation	0.768 **	0.831 **	1	0.777 **	0.757 **	0.897 **	0.777 **	0.315 **	−0.010	0.559 **
	Sign.	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.444	0.000
KPI	Pearson's correlation	0.856 **	0.742 **	0.777 **	1	0.872 **	0.943 **	0.840 **	0.303 **	0.054	0.571 **
	Sign.	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.210	0.000
Diversity	Pearson's correlation	0.795 **	0.729 **	0.757 **	0.872 **	1	0.920 **	0.816 **	0.365 **	0.074	0.593 **
	Sign.	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.136	0.000
NFI score	Pearson's correlation	0.912 **	0.886 **	0.897 **	0.943 **	0.920 **	1	0.871 **	0.364 **	0.095	0.623 **
	Sign.	0.000	0.000	0.000	0.000	0.000		0.000	0.000	0.078	0.000
Report type	Pearson's correlation	0.794 **	0.737 **	0.777 **	0.840 **	0.816 **	0.871 **	1	0.287 **	−0.105	0.681 **
	Sign.	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.059	0.000
Size	Pearson's correlation	0.316 **	0.366 **	0.315 **	0.303 **	0.365 **	0.364 **	0.287 **	1	0.109	0.268 **
	Sign.	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.052	0.000
Assurance	Pearson's correlation	0.235 **	0.126 *	−0.010	0.054	0.074	0.095	−0.105	0.109	1	0.048
	Sign.	0.000	0.030	0.444	0.210	0.136	0.078	0.059	0.052		0.238
Experience	Pearson's correlation	0.537 **	0.575 **	0.559 **	0.571 **	0.593 **	0.623 **	0.681 **	0.268 **	0.048	1
	Sign.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.238	

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

6. Conclusions

This research represents a preliminary critical analysis of the impact of the EU Directive in Italy. European debate has highlighted the limited utility of the directive if applied only to large companies [59], which are already considered sensitive to the issue of non-financial information. However, the results of this study show that there is still an important information gap to fill even among large entities, with the exception of multinational companies. From this perspective, the potential contribution of the EU directive to non-financial disclosure in Italy appears to be greater than we had expected.

This allows us to assume, in contrast to part of the literature, that regulation could improve the quality of information disclosure by large companies, which at this time stands at unsatisfactory levels.

The Public Interest Entities' pathway towards ESG reporting needs action in the field of governance, specifically policy, risk assessment, and diversity, and in the field of social and environmental accounting, specifically KPIs. These actions need to be combined with best practices in CSR.

Indeed, the best results in terms of NFI score and all dimensions of this study were achieved by companies already involved in CSR practices, such as assured and voluntary sustainability reports.

Indeed, these approaches to CSR explain the results of multinational companies, whose large size and weight in international markets encourage them to pay more attention to their global reputation deriving from the quality of their non-financial information.

Future studies should on the one hand investigate the evolutionary path of non-financial information from the 2016 to the 2017 reports, when Public Interest Entities will be called upon to adhere strictly to Legislative Decree 254/16, and on the other hand determine the qualitative differences in terms of information disclosure between Italy and other Member States that have adopted Directive 2014/95.

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Conflicts of Interest: The authors declare no conflict of interest.

Appendix A

Table A1. The non-financial score: composition.

Firm	Business Model	Policy	Sust. Risks	KPIs	Diversity	NFI Score
1	0.8333	0.8571	0.8333	0.1000	0.5000	0.6248
2	0.9000	0.9286	0.6667	1.0000	0.7778	0.8546
3	0.6000	0.5714	0.6667	0.2000	0.0000	0.4076
4	0.3333	0.1429	0.0000	0.0000	0.0000	0.0952
5	0.7667	0.8571	0.6667	0.4000	0.0000	0.5381
6	0.7000	0.6429	0.6667	0.1000	0.0000	0.4219
7	0.7667	0.6429	0.8333	1.0000	0.7778	0.8041
8	0.2667	0.0000	0.3333	0.0000	0.2222	0.1644
9	0.9667	0.8571	0.7500	1.0000	0.8333	0.8814
10	0.9333	0.8571	0.7500	1.0000	0.8333	0.8748
11	0.2000	0.2857	0.0833	0.0000	0.0000	0.1138
12	0.2667	0.2857	0.0833	0.0000	0.0000	0.1271
13	0.6333	0.5000	0.6667	0.6000	0.4444	0.5689
14	0.3333	0.3571	0.3333	0.0000	0.0000	0.2048
15	0.4000	0.0714	0.0000	0.0000	0.0000	0.0943
16	0.5000	0.0714	0.1667	0.0000	0.0000	0.1476
17	0.4667	0.0714	0.0000	0.0000	0.0000	0.1076
18	0.4000	0.1429	0.0000	0.0000	0.0000	0.1086

Table A1. *Cont.*

Firm	Business Model	Policy	Sust. Risks	KPIs	Diversity	NFI Score
19	1.0000	0.4286	0.6667	0.6000	0.5556	0.6502
20	0.5333	0.0714	0.0000	0.0000	0.0000	0.1210
21	0.4000	0.0000	0.6667	0.0000	0.0000	0.2133
22	0.6667	0.0000	0.0000	0.0000	0.0000	0.1333
23	0.7000	0.5714	0.6667	0.2000	0.6667	0.5610
24	0.3333	0.5714	0.3333	0.0000	0.0000	0.2476
25	0.3333	0.0714	0.3333	0.0000	0.0000	0.1476
26	0.8000	0.5714	0.6667	0.6000	0.0000	0.5276
27	0.2667	0.0714	0.0833	0.0000	0.0000	0.0843
28	0.2667	0.0714	0.0833	0.2000	0.2222	0.1687
29	0.9667	0.7143	0.6667	1.0000	0.6667	0.8029
30	0.5667	0.0000	0.0000	0.0000	0.0000	0.1133
31	1.0000	0.8571	0.7500	1.0000	0.9444	0.9103
32	0.9333	0.7143	0.7500	0.8000	0.7778	0.7951
33	0.5333	0.7143	0.4167	0.0000	0.0000	0.3329
34	0.3667	0.7143	0.4167	0.0000	0.2222	0.3440
35	0.3667	0.5714	0.5833	0.0000	0.0000	0.3043
36	0.3667	0.5714	0.5833	0.2000	0.0000	0.3443
37	0.4667	0.0000	0.0000	0.0000	0.0000	0.0933
38	0.8667	0.0000	0.4167	0.0000	0.0000	0.2567
39	0.8667	0.5714	0.4167	0.6000	0.4444	0.5798
40	1.0000	0.8571	0.7500	1.0000	0.8889	0.8992
41	0.5333	0.0714	0.0000	0.0000	0.0000	0.1210
42	0.5333	0.4286	0.2500	0.0000	0.0000	0.2424
43	0.4667	0.1429	0.0000	0.0000	0.0000	0.1219
44	0.9333	0.8571	0.6667	1.0000	1.0000	0.8914
45	0.7333	0.7143	0.6667	0.5000	1.0000	0.7229
46	0.9333	0.9286	0.6667	1.0000	1.0000	0.9057
47	1.0000	1.0000	0.8333	1.0000	0.9444	0.9556
48	0.9333	0.6429	0.6667	1.0000	0.7778	0.8041
49	0.6333	0.6429	0.5833	0.2000	0.7778	0.5675
50	0.5667	0.0000	0.0000	0.0000	0.0000	0.1133
51	0.5667	0.5714	0.6667	0.0000	0.0000	0.3610
52	0.5333	0.0000	0.0000	0.0000	0.0000	0.1067
53	0.4667	0.0000	0.0000	0.0000	0.0000	0.0933
54	0.8000	0.6429	0.6667	1.0000	0.5556	0.7330
55	0.5667	0.4286	0.0000	0.0000	0.0000	0.1990
56	0.6333	1.0000	0.6667	0.0000	0.0000	0.4600
57	0.4667	0.0000	0.0000	0.0000	0.0000	0.0933
58	0.6333	0.7143	0.1667	0.0000	0.0000	0.3029
59	0.6667	0.2857	0.1667	0.0000	0.0000	0.2238
60	0.6000	0.2143	0.0000	0.0000	0.0000	0.1629
61	0.8333	0.7143	0.6667	0.0000	0.2222	0.4873
62	0.8667	0.7143	0.6667	1.0000	0.7778	0.8051
63	0.8667	0.7143	0.6667	1.0000	0.9444	0.8384
64	0.8333	0.7143	0.6667	1.0000	0.8889	0.8206
65	0.6667	0.6429	0.5000	0.0000	0.2222	0.4063
66	0.8667	0.8571	0.6667	1.0000	0.6111	0.8003
67	0.3333	0.0714	0.0000	0.0000	0.0000	0.0810
68	1.0000	0.7857	0.6667	1.0000	0.7778	0.8460
69	0.5333	0.0000	0.0000	0.0000	0.0000	0.1067
70	0.5333	0.5714	0.0000	0.0000	0.0000	0.2210
71	0.9333	0.5714	0.6667	1.0000	1.0000	0.8343
72	0.5667	0.7143	0.3333	0.0000	0.0000	0.3229
73	0.8000	0.7143	0.5833	1.0000	0.0000	0.6195
74	0.4333	0.1429	0.0000	0.0000	0.2222	0.1597
75	1.0000	0.9286	0.7500	1.0000	1.0000	0.9357

Table A1. *Cont.*

Firm	Business Model	Policy	Sust. Risks	KPIs	Diversity	NFI Score
76	0.9667	0.8571	0.6667	1.0000	0.8333	0.8648
77	0.5333	0.2143	0.0000	0.0000	0.2222	0.1940
78	0.5000	0.2143	0.0000	0.0000	0.2222	0.1873
79	0.5000	0.6429	0.3333	0.2000	0.2222	0.3797
80	0.2667	0.0714	0.0000	0.0000	0.0000	0.0676
81	0.4667	0.0714	0.0000	0.0000	0.0000	0.1076
82	0.6000	0.7143	0.6667	0.2000	0.4444	0.5251
83	0.6000	0.7857	0.6667	1.0000	1.0000	0.8105
84	0.6000	0.7143	0.6667	0.0000	0.0000	0.3962
85	0.9667	0.7143	0.6667	1.0000	0.7778	0.8251
86	0.9667	0.7143	0.6667	1.0000	0.7222	0.8140
87	0.4333	0.0000	0.0000	0.0000	0.0000	0.0867
88	0.5000	0.0000	0.0000	0.0000	0.1667	0.1333
89	0.5000	0.0000	0.0000	0.0000	0.3889	0.1778
90	0.2667	0.0000	0.0000	0.0000	0.0000	0.0533
91	0.6000	0.2143	0.5000	0.2000	0.4444	0.3917
92	1.0000	1.0000	0.6667	1.0000	0.8889	0.9111
93	0.5333	0.3571	0.3333	0.0000	0.0000	0.2448
94	0.4667	0.0000	0.0000	0.0000	0.0000	0.0933
95	0.6667	0.7143	0.6667	0.0000	0.0000	0.4095
96	0.6667	0.0000	0.0000	0.0000	0.0000	0.1333
97	0.9333	0.6429	0.6667	1.0000	0.7778	0.8041
98	0.7000	0.6429	0.0000	0.0000	0.0000	0.2686
99	0.4000	0.2857	0.0000	0.0000	0.0000	0.1371
100	0.4667	0.5714	0.6667	0.0000	0.0000	0.3410
101	0.4000	0.5714	0.6667	0.0000	0.0000	0.3276
102	0.4000	0.4286	0.0000	0.0000	0.0000	0.1657
103	0.6000	0.5714	0.4167	0.0000	0.0000	0.3176
104	1.0000	0.7143	0.6667	1.0000	0.6667	0.8095
105	0.5000	0.5714	0.3333	0.0000	0.0000	0.2810
106	0.9000	0.7143	0.6667	1.0000	0.7778	0.8117
107	0.9667	0.5714	0.6667	1.0000	0.7778	0.7965
108	0.9667	0.7143	0.6667	1.0000	0.8889	0.8473
109	1.0000	0.7143	0.6667	1.0000	0.7778	0.8317
110	0.5333	0.7143	0.3333	0.0000	0.0000	0.3162
111	0.9667	0.7143	0.6667	1.0000	0.5556	0.7806
112	0.9667	0.7143	0.6667	1.0000	0.8889	0.8473
113	0.3667	0.2857	0.3333	0.0000	0.0000	0.1971
114	0.7333	0.5714	0.6667	1.0000	0.7778	0.7498
115	0.8000	0.7143	0.6667	1.0000	0.8889	0.8140
116	0.6000	0.7143	0.0000	0.0000	0.0000	0.2629
117	0.8667	0.5714	0.6667	1.0000	0.7778	0.7765
118	0.5000	0.0714	0.0000	0.0000	0.0000	0.1143
119	0.9667	1.0000	0.6667	1.0000	1.0000	0.9267
120	0.4333	0.1429	0.0000	0.0000	0.1111	0.1375
121	0.4333	0.4286	0.0000	0.0000	0.0000	0.1724
122	0.3333	0.7143	0.1667	0.0000	0.0000	0.2429
123	1.0000	1.0000	0.6667	1.0000	1.0000	0.9333
124	0.9667	0.9286	0.7500	1.0000	1.0000	0.9290
125	0.4333	0.2857	0.0000	0.0000	0.2222	0.1883
126	0.3667	0.1429	0.0000	0.0000	0.0000	0.1019
127	0.6000	0.5714	0.0833	0.2000	0.1111	0.3132
128	0.3000	0.0714	0.0000	0.0000	0.0000	0.0743
129	0.3333	0.5714	0.3333	0.0000	0.1111	0.2698
130	0.3333	0.1429	0.0000	0.0000	0.0000	0.0952
131	1.0000	0.8571	0.7500	1.0000	0.9444	0.9103
132	0.5000	0.7143	0.5000	0.0000	0.2778	0.3984

Table A1. *Cont.*

Firm	Business Model	Policy	Sust. Risks	KPIs	Diversity	NFI Score
133	0.4333	0.2143	0.0000	0.0000	0.0000	0.1295
134	0.2333	0.0714	0.0000	0.0000	0.0000	0.0610
135	1.0000	0.9286	0.9167	1.0000	0.9444	0.9579
136	1.0000	0.8571	0.9167	1.0000	1.0000	0.9548
137	1.0000	0.8571	0.9167	1.0000	0.8889	0.9325
138	1.0000	0.8571	0.8333	1.0000	0.9444	0.9270
139	1.0000	0.8571	0.8333	1.0000	0.8889	0.9159
140	1.0000	0.8571	0.9167	1.0000	0.6667	0.8881
141	1.0000	0.8571	0.8333	1.0000	0.6111	0.8603
142	0.9667	0.7857	0.8333	1.0000	0.8333	0.8838
143	0.9333	0.9286	0.7500	1.0000	0.7222	0.8668
144	0.9333	0.7143	0.6667	0.8000	0.6667	0.7562
145	0.9000	0.7143	0.8333	1.0000	0.5556	0.8006
146	0.9000	0.5714	0.2500	1.0000	0.3889	0.6221
147	0.8667	0.7857	0.6667	0.8000	0.6667	0.7571
148	0.8333	0.8571	0.6667	0.7000	0.9444	0.8003
149	0.7667	0.9286	0.8333	1.0000	0.5000	0.8057
150	0.7333	1.0000	0.8333	1.0000	0.4444	0.8022
151	0.7000	0.2857	0.5833	0.6000	0.2222	0.4783
152	0.6667	0.8571	0.6667	0.8000	0.8889	0.7759
153	0.6000	0.2857	0.1667	0.6000	0.5556	0.4416
154	0.5000	0.2857	0.5000	0.4000	0.2778	0.3927
155	0.3667	0.5714	0.3333	0.0000	0.6667	0.3876
156	0.3333	0.1429	0.1667	0.0000	0.4444	0.2175
157	0.3333	0.0000	0.1667	0.1000	0.0000	0.1200
158	0.3333	0.0000	0.1667	0.0000	0.0000	0.1000
159	0.3000	0.3571	0.5833	0.0000	0.1111	0.2703
160	0.3000	0.0000	0.1667	0.0000	0.2222	0.1378
161	0.3000	0.0000	0.1667	0.0000	0.0000	0.0933
162	0.2667	0.1429	0.1667	0.2000	0.3333	0.2219
163	0.2667	0.2857	0.1667	0.0000	0.3333	0.2105
164	0.2667	0.2857	0.1667	0.0000	0.0000	0.1438
165	0.2667	0.0000	0.1667	0.0000	0.2222	0.1311
166	0.2667	0.0000	0.1667	0.0000	0.0000	0.0867
167	0.2667	0.0000	0.1667	0.0000	0.0000	0.0867
168	0.2333	0.0714	0.1667	0.0000	0.0000	0.0943
169	0.2333	0.0000	0.1667	0.0000	0.0000	0.0800
170	0.2000	0.0000	0.1667	0.0000	0.3333	0.1400
171	0.2000	0.0000	0.1667	0.0000	0.2222	0.1178
172	0.2000	0.0000	0.1667	0.0000	0.0000	0.0733
173	0.2000	0.0000	0.1667	0.0000	0.0000	0.0733
174	0.0000	0.0000	0.1667	0.0000	0.1111	0.1222
175	0.6333	0.4286	0.3333	0.8000	0.2222	0.4835
176	0.8667	0.8571	0.8333	0.9000	0.9444	0.8803
177	0.8000	1.0000	0.8333	0.8000	0.9444	0.8756
178	1.0000	0.7143	0.8333	1.0000	0.7778	0.8651
179	0.9667	0.7143	0.6667	1.0000	0.7222	0.8140
180	0.9000	0.7143	0.8333	1.0000	0.5556	0.8006
181	0.7333	0.7143	0.8333	0.4000	0.5556	0.6473
182	0.6000	0.7143	0.3333	0.6000	0.5000	0.5495
183	0.6667	0.4286	0.6667	0.4000	0.5556	0.5435
184	0.8000	0.6429	0.6667	0.2000	0.3333	0.5286
185	0.4667	0.4286	0.3333	0.6000	0.2222	0.4102
186	0.3667	0.0000	0.3333	0.0000	0.0000	0.1400
187	0.2667	0.0000	0.3333	0.0000	0.0000	0.1200
188	0.2667	0.0000	0.1667	0.0000	0.0000	0.0867
189	0.1667	0.0000	0.1667	0.0000	0.0000	0.0667

Table A1. *Cont.*

Firm	Business Model	Policy	Sust. Risks	KPIs	Diversity	NFI Score
190	0.8000	0.9286	0.6667	0.8000	0.5556	0.7502
191	0.9333	0.9286	0.7500	1.0000	0.8333	0.8890
192	0.7000	0.7857	0.6667	0.8000	0.0000	0.5905
193	1.0000	0.9286	0.6667	1.0000	0.8889	0.8968
194	1.0000	1.0000	0.7500	1.0000	0.8333	0.9167
195	0.9667	1.0000	0.7500	1.0000	0.9444	0.9322
196	0.8667	0.7857	0.7500	0.8000	0.7778	0.7960
197	0.8667	0.8571	0.6667	1.0000	1.0000	0.8781
198	0.7667	0.7143	0.3333	0.0000	0.1111	0.3851
199	0.9000	0.8571	0.6667	1.0000	1.0000	0.8848
200	0.7333	0.6429	0.6667	0.1000	0.5556	0.5397
201	0.9333	1.0000	0.6667	0.8000	1.0000	0.8800
202	0.8000	0.7143	0.6667	1.0000	0.7778	0.7917
203	0.9667	0.7143	0.6667	1.0000	0.6667	0.8029
204	0.5667	0.1429	0.0833	0.0000	0.0000	0.1586
205	0.8000	0.7143	0.5833	1.0000	1.0000	0.8195
206	0.6667	0.7143	0.5000	0.2000	0.7778	0.5717
207	1.0000	1.0000	0.6667	1.0000	1.0000	0.9333
208	0.9667	0.8571	0.6667	1.0000	0.7778	0.8537
209	0.6333	0.8571	0.6667	0.6000	0.2222	0.5959
210	0.9667	0.7857	0.6667	0.9000	0.7778	0.8194
211	0.6000	1.0000	0.6667	1.0000	1.0000	0.8533
212	0.9333	0.7143	0.6667	1.0000	0.7778	0.8184
213	1.0000	1.0000	0.7500	1.0000	0.9444	0.9389
214	0.9667	0.7143	0.6667	1.0000	0.7778	0.8251
215	0.5000	0.5714	0.6667	0.0000	0.4444	0.4365
216	0.9667	0.5714	0.6667	1.0000	0.7778	0.7965
217	1.0000	1.0000	0.7500	1.0000	1.0000	0.9500
218	0.9000	0.7857	0.6667	0.8000	0.5556	0.7416
219	0.9333	0.7143	0.6667	1.0000	1.0000	0.8629
220	0.3333	0.5714	0.3333	0.0000	0.0000	0.2476
221	1.0000	1.0000	0.7500	1.0000	0.8889	0.9278
222	1.0000	1.0000	0.8333	1.0000	1.0000	0.9667
223	0.7333	0.7143	0.6667	0.0000	0.8333	0.5895

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