The Non-Financial Reporting Harmonization in Europe: Evolutionary Pathways Related to the Transposition of the Directive 95/2014/EU within the Italian Context

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Abstract: Since 2016, the European context has been characterised by the introduction of the Directive 95/2014/EU on mandatory non-financial reporting. The Directive has been transposed in the Italian context through the Legislative Decree 254/2016. However, following evidence previously collected from other jurisdictions, a high degree of scepticism by academics still characterises the debate on the effectiveness of this form of regulation. In fact, the literature highlights that the effects of a mandatory approach to non-financial reporting are limited to an increase in the annual quantity of information provided and not by an effective organizational change. Therefore, the contribution of our paper is twofold: a gap analysis between the overall degree of non-financial reporting quality between the years 2015 and 2017 and an empirical analysis, factors of which have impacted on the quality of non-financial reports prepared in 2017.

Keywords: Directive 95/2014/EU; non-financial reporting; Italy; mandatory disclosure

1. Introduction

The EU Directive 2014/95 has significantly raised and spread awareness of Corporate Social Responsibility issues within the European Community.

This directive was transposed into Italian law by Legislative Decree no. 254 on 30th December, 2016, obliging Public Interest Entities (PIE) with more than 500 employees to disclose non-financial and diversity information in their financial statements or in separate, independent documents. More specifically, this information dealt with environmental, social, personal, human rights and anti-corruption issues.

The aim of this study is to understand how Italy is responding to this regulatory directive and, thus, contributing to the specific literature on the impact of regulation on the quality of non-financial disclosure [1–6]. In order to understand the effect of the Directive on the quality of disclosure, the level of compliance with non-financial disclosure by companies subject to the Legislative Decree 254/16 was evaluated, and a comparative analysis of the information reported before and after the introduction of the decree was performed.

To this end, the application of a specific scoring system is proposed, based on the analysis of specific items including: materiality, the representation of a business model, the communication of sustainability policy, the main risk factors and indicator systems, as well as the more specific requirements of the decree pertaining to environmental, social, personal, human rights and anti-corruption activities.

These constitute the basic requirements of non-financial reporting as specified in the international reporting standards, e.g., in the GRI (Global Reporting Initiative) and the IIRC (International Integrated Reporting Council).

The analysis was performed on Italian PIE with more than 500 employees that responded to the requirements of the Directive 2014/95/EU and had made their non-financial reports for the year 2017 available at the time of this study. The decision to analyse the Italian context was related to the need to evaluate the transition from a voluntary to a mandatory form of non-financial reporting in a context characterised by a lack of regulation on CSR [2]. Therefore, 147 of the 223 companies corresponding in size to the requirements of Decree, and which were subject to the regulations, were included.

A two part analysis was performed, a qualitative one using content analysis and another using inferential statistics, to verify the factors that can affect the qualitative level of non-financial disclosure. The content analysis was performed by a single author after a discussion with the other co-authors. Furthermore, all the authors have discussed about the coding in order to exclude the risks of unreliability of the analysis. The comparative analysis between the non-financial disclosure reported in the financial statements for the years 2015 (prior to the issue of the Decree) and 2017 (the first year of application of the Decree), i.e., before and after the Decree, provides an initial assessment of the effects of the EU Directive on the quality of reporting. It also analyses the effects on what had, until then, been a purely voluntary action, particularly for those companies that had already undertaken voluntary disclosure prior to the Leg. Decree 254/16. This research, therefore, contributes to the debate in the literature on the contrast between voluntary and mandatory disclosure. It also confirms that regulation does not always generate greater improvements in terms of the quality of sustainability reporting, as shown in previous studies [7–12].

The paper is structured as follows: Section 2 contains a short initial description of the contents of the Directive and its implementation in the European context, with particular reference to the Italian Legislative Decree 254/2016; Section 3 analyses the debate in literature on mandatory versus voluntary non-financial disclosure and its effects on quality, to which this paper will contribute; Section 4 describes the sample and methodology; Section 5 contains the results and discussion.

2. The Contents and Implementation of Directive 2014/95 EU in Europe

The national transposition of the Directive 2014/95/EU was characterised by heated debate, probably due to the fact that, until then, the European system had been rather disjointed as regards CSR. In some of the more virtuous countries, such as France, UK, Sweden, Denmark, Spain, the Low Countries and Finland, internal regulations were already in place whereas, in others, this was left to the discretion of individual businesses. Moreover, in Europe the debate was centred on the real effectiveness of a directive for larger businesses since they are usually more sensitive to the reporting of non-financial information.

The document Member State Implementation of Directive 2014/95/EU, published in November 2017 by GRI and the CSR Europe and Accountancy Europe networks, provided a summary of the transposition in the different contexts where it could be applied. More specifically, the differences can be summarised as follows:

1. The definition of company size was adopted verbatim in most countries (19/30 including Italy) and adapted to the reference context in others (including the UK).
2. The definition of a Public Interest Entity was adapted to the reference context in the majority of countries (24/30 including Italy).
3. Report topics and content were fully adopted from the norms of the Directive in most countries (22/30 including Italy).
4. Report framework was fully adopted in 22 of 30 countries, but not in Italy.
5. The placement of non-financial disclosure was adapted to context and not adopted verbatim in the majority of countries (23/30) including Italy..

6.　　Assurances of non-financial disclosure were adopted verbatim in most countries (20/30 including Italy).
7.　　Non-compliance penalties were adapted to the context in most European countries.
8.　　Diversity reporting was adopted verbatim in most countries (19/30).

This analysis shows how the Directive was changed and adapted to the country context both in Italy and elsewhere. In particular, as well as a clearly indicating the type of information to be disclosed, some sections of the Legislative Decree no. 254/2016 make specific reference to the principles of relevance or significance to the well-known Community principle of comply or explain and to the principle of data comparability.

The information to be disclosed is divided into topic (environmental, social and personal, human rights, active and passive anti-corruption and bribery matters), scope (business management and organisational model, company policies, results and indicators on non-financial loans) and type (use of energy and water resources, greenhouse gas and pollutant emissions, impact of risk factors on the environment, health and safety, social aspects of employee management, gender equality, fulfilment of international conventions and interaction with trade unions, respect for human rights and measures adopted to prevent their violation or discriminatory actions or attitudes, active and passive anti-corruption measures adopted). Regardless of the reporting standard adopted, article 3, comma 2 of the decree establishes the minimum content of non-financial disclosure. Based on this compulsory content, this study evaluated the qualitative level of non-financial disclosure available, and what determines the quality of the report.

3. The Quality of Non-Financial Reporting: Voluntary Versus Mandatory

Over the years the debate in the literature on non-financial disclosure has focussed on the possibility of introducing a voluntary and/or mandatory element [7–13].

With regard to mandatory reporting, the idea that regulation could improve the quality and comparability of non-financial reporting was initially confirmed in the literature [4]. Therefore, some believed that regulation would be preferable to voluntary disclosure which may be incomplete and lack accuracy, neutrality, objectivity and comparability [1,2]. To this end, over the years, some European countries (Spain, France, Portugal, Finland, Denmark and Sweden) have introduced mandatory reporting on environmental and social issues, as previously stated.

Some comparative studies have shown that in countries with regulation in place, such as France, there is a higher quality of disclosure compared to countries where there is no regulation, such as the United States of America [3].

Moreover, according to some studies, the imposition of specific rules and reporting models by governments could result in the short term standardization of practice and a consequent increase in the number of reports containing non-financial information [6], while providing benchmarking and best practices [5].

On the other hand, a quantitative increase would not necessarily be associated with a qualitative increase in information. According to some authors, adopting a standardised framework would penalise the use of sector specific indicators. Some empirical studies have shown that regulation does not always improve the quality of non-financial reporting in financial statements [7,8,10] or that this alone can guarantee a better level of disclosure [9,10,12]. Finally, other studies [14] showed contrasting results for China and South Africa.

Advocates of voluntary reporting attach strong strategic value to the development of CSR, which spreads as a result of the value attributed to it by the company and managers, and where there is a positive relationship between non-financial reporting and company share value [15]. Therefore, the development of proactive CSR practices and the consequent (voluntary) non-financial reporting help to generate trust among investors [14,16] and improve company reputation [17]. However, the definitions of CSR in the literature [18,19] that clearly demonstrate its voluntary nature, as well as the spread of sustainable reporting at a global level in contexts with almost no normative provisions, are

testimony to the effectiveness of voluntary reporting. However, as with regulation, it would seem that scientific debate on the voluntary adoption of non-financial disclosure has not yet reached a consensus.

Therefore, in order to provide an initial analysis of the impact of normativity on the quality of reporting, this study compared the qualitative level of non-financial reporting (which is highly criticised by supporters of mandatory reporting as it is considered to be too random in a context with no regulations) in a voluntary context (i.e., Italy in 2015) with a successive mandatory stage (i.e., 2017, first time adoption of Legislative decree 254/2016 in Italy).

Furthermore, as with the debate on mandatory and/or voluntary disclosure as a determining factor in the quality of reporting, other variables, which, at various levels, can potentially influence the qualitative level of reporting, have been considered in the literature. As to the factors closely related to disclosure, the literature shows how the adoption of consolidated standard setters [20–22] the provision of sustainability statements or integrated reports [23,24], assurances by independent third parties [25,26] and the quantity of information reported [27,28] are all factors that can positively affect the quality of reporting. Moreover, within this category, it should be noted that company size, i.e., all economic and financial factors related to the company, can influence the quality of disclosure.

The second part of this study evaluates factors that may have influenced the qualitative level of disclosure in the study sample using an OLS regression analysis.

4. Sample and Methodology

The aim of the present study is to assess the degree of adherence to the Directive 95/2014/EU by Italian Public Interest Entities listed on the Milan stock exchange in 2015 and 2017. The decision to evaluate the qualitative level of disclosure in these two periods was based on the different legal contexts that characterised both years. In fact, it should be stressed that both years relate, respectively, to the year prior to the transposition of the Directive in Italy and to the first year of its coming into force.

The study sample included 223 companies that, on 31 December 2015, were considered as large undertakings as defined in the Legislative Decree 254/2016, and therefore, subject to disclosure. However, for the purposes of analysis, only 147 companies that, by the study date, had published their non-financial disclosure for 2017 were considered (Table 1). The ICB (Industry Classification Benchmark) was used for classification. Moreover, in order to better understand the study sample, it was divided by geography and experience.

Table 1. Sample description.

	Firms	Country	Firms	Experience	Firms
Bank	28	Italian firms	133	First time NFR adopter	95
Basic Materials	4	Multinational Firms	14	Firms with previous experience in NFR	52
Consumer Goods	12	Total	147	Total	147
Consumer Services	17				
Health Care	7				
Industrials	47				
Insurance	6				
Oil & Gas	13				
Telecommunications	13				
Total	147				

Two types of analysis were performed: a statistically descriptive one and an inferential one. The former is based on content analysis [29] of the company non-financial disclosure. More specifically, the disclosures conforming to Leg. Decree 254/2016 were analysed. To this end, it should be noted that the law permitted those companies that were within the requirements of the norms to submit their non-financial disclosure in a specific section of the Management Report or, alternatively, in independent documents such as the sustainability report or the integrated report. Content analysis was performed manually by researchers in order to understand the different aspects relating to the transposition of the

directive in Italy and to interpret the content of the information reported. This methodology was in line with that of previous studies on the effects of transposition and/or implementation of the directive within EU member states [30–33]. This approach is preferable in accounting studies, when compared to the research on indicators (e.g., the Global Reporting Indicator) results can be useful both for understanding the whole study sample and to contribute to the scientific debate [34,35]. According to previous studies [31], a content classification system that expresses Non-Financial Scores as percentages was used. Evaluation of Non-Financial Scores was performed by numerical quantification of the level of transparency of specific features of non-financial disclosures. These referred to all information related to the business model, policy, sustainability risk management, Key Performance Indicators (KPIs) and diversity policy. Each element was awarded a score from 0 to 1 where 0 = no element; 0.5 = partial adherence; 1 = all information produced. Finally, a weighted average of the scores was calculated.

An inferential statistical analysis uses an ordinary least squares (OLS) regression analysis to evaluate the factors that, at various levels, can influence the qualitative level of disclosure. This methodology is in line with the previous literature on the impact of national and community normativity on the quality of reporting by companies [36,37]. Furthermore, to consider an adequate number of variables within our analysis, we have followed prior literature that suggests a minimum number of event-per-variable (EVP) equal to 10 [38]. The EVP consists of the ratio between the number of the variables considered within the study and the total number of observations. In this sense, we have considered a number of variables equal to 13 in order to describe the determinants of the NF_Score for the 147 observations.

The total NF_Score have been used as main dependent variable (Table 2). Furthermore, according to prior studies, we have performed separately the analysis of the five subitems that composed the NF_Score. In this sense, following the methodological approach proposed by Venturelli in 2017 [31], the six dependent variables (DV) tested in our analysis are: NF_Score, Business model, Policy, Sustainability risks, KPI and diversity.

The independent variables used were those from the previous literature [20–28], i.e., the third part independent assurance provided by the Big 4 accounting firms, the use of standalone reports, the number of pages, the adoption of integrated reports and the number of years since the first non-financial report. Moreover, in order to understand the impact of company structure on the willingness of management to produce non-financial reporting, some control variables relative to the economic-financial performance for the year 2017 were considered. In particular, the average number of employees, the total assets declared in the annual report, revenues, revenues per share and the debt to equity index. Finally, to understand the impact of external factors on the quality of reporting sectorial and country's effects were also considered.

According to this evidence, the general functional form of the OLS models tested in our analysis is the following:

$$\begin{aligned} DV = &\beta_1 BIG4 + \beta_2 SR + \beta_3 IIRC + \beta_4 EXP + \beta_5 PAGE + \beta_6 ASS + \beta_7 TURN + \beta_8 DE \\ &+ \beta_9 NP + \beta_{10} EPS + \beta_{11} EMP + \beta_{12} SEC + \beta_{13} COU + \epsilon \end{aligned} \tag{1}$$

Table 2. Description of variables.

Variable	Code	Description	Source
BIG4	BIG4	Assurance provider. 1 if it is a Big 4, 0 if not	Assurance Statement
STANDALONE REPORT	SR	Kind of report. 1 if it is a standalone report, 0 if not	Website
IIRC	IIRC	Integrated Report's adoption. 1 if it is an integrated report, 0 if not	Website
EXP	EXP	Years from the first CSR report	Website
PAGE	PAGE	Length of the report in number of pages	Non Financial Disclosure
LOG ASSET	ASS	Log of the total assets for 2017.	Aida BVD/Annual report
TURNOVER	TURN	Revenues for 2017	Aida BVD/Annual report
DEBT TO EQUITY	DE	Debt to equity index for 2017	Aida BVD/Annual report
NET PROFIT	NP	Profit or loss for 2017	Aida BVD/Annual report
EPS	EPS	Earnings per share for 2017	Aida BVD/Annual report
EMPLOYEES	EMP	Average number of employees	Aida BVD/Annual report
SECTOR	SEC	Sector of origin. 1 for a financial enterprise, 0 if not	Aida BVD/Annual report
COUNTRY	COU	Country of origin. 0 for an Italian based firm, 1 if not	Aida BVD/Annual report

5. Results and Discussion

The analysis of the non-financial declarations showed that, for 2017, businesses had a mixed approach to the first experience of non-financial reporting (Table 3). From some of the main factors analysed relating to the quality of reporting, it emerged that companies listed on the Milan stock exchange adopted, within legal limits, some significant regulations. While the legislator allowed different forms and standards of reporting to be used, the companies in the study sample mainly opted to integrate the information into the management report or, as with international companies, in the annual report. Moreover, as to the amount of detail included, most adopted the reporting standard of the Global Reporting Initiative according to the "In accordance-Core". The "comply or explain" system was also used, especially with regard to water resources and greenhouse gas emissions. The obvious difference in the number of pages demonstrates how companies adopted different ways to report information. Finally, the data on assurance highlights how the Italian market is mainly the prerogative of the Big 4.

Table 3. Descriptive analysis.

Number of Observations		147
Level of adherence to Global Reporting Initiative	**Number**	**%**
Referenced	45	30.61%
Core	95	64.63%
Comprehensive	7	4.76%
Assurance provider	**Number**	**%**
Other provider	15	10.20%
Big4	132	89.80%
Comply or explain	**Number**	**%**
Yes	39	26.53%
No	108	73.47%
NFD Position	*Number*	**%**
Annual Report	128	87.76%
Sustainability Report	12	8.16%
Integrated Report	7	4.76%
Pages		**Number**
Min		21
Max		385
Median		77
Mean		95.04
Standard Deviation		62.651

The NF_score for 2017 showed an average framework adherence of 69.43% (Table 4). This is higher compared to previous samples analysed using the same methodology [31]. The best performances were

in the Business Model, as shown by the minimum and median values. However, it should be noted that the study sample strictly adhered to the requirements of KPIs, despite having a lower minimum value. Finally, the standard deviation values are worth noting. The nature of this indicator demonstrates how the average qualitative level of reporting tends towards the same/average value. This implies that regulation strongly favoured the standardization of reporting produced by the companies. This is in line with previous studies on accounting standardization and, more specifically, with studies on the shift from voluntary to mandatory disclosure [19,20]. However, it should be reiterated that the standardization of documents does not necessarily lead to the standardisation of practices by companies. In fact, this would require an integration of legal norms, relating to the area in which a company operates, with the ethical and moral norms relating to the attitude of management [7].

Table 4. NF_Score analysis.

	Business Model	Policy	Sustainability Risk	KPIs	Diversity	Nf_Score
Min	20.00%	7.14%	33.33%	10.00%	11.11%	19.17%
Max	100.00%	100.00%	100.00%	100.00%	100.00%	96.00%
Median	86.67%	57.14%	66.67%	100.00%	44.44%	68.13%
Mean	81.86%	58.45%	68.37%	88.71%	49.77%	69.43%
St. Dev.	13.83%	22.35%	9.65%	17.91%	20.17%	12.09%

The comparative analysis of the years 2015 and 2017 (Table 5) shows a net improvement. This is due to the physiological increase in the number of reports that included non-financial information and to the more detailed and consolidated framework used by companies [39]. During the period studied, an average increase of 21.248% in the quality of reporting was observed. This was due to the increased awareness of companies in sectors that were hitherto less inclined towards corporate social responsibility. The greatest increase was noted in the "Basic Material" sector that includes companies operating in controversial environments that tend to be characterised by a lower willingness towards non-financial disclosure [39].

Table 5. Differences between 2015 and 2017.

	Nf_Score 2017	Nf_Score 2015	Var Nf_Score
Bank	69.755%	52.226%	17.529%
Basic Materials	71.032%	25.183%	45.849%
Consumer Goods	71.393%	47.069%	24.324%
Consumer Services	66.221%	46.697%	19.525%
Health Care	66.565%	43.619%	22.946%
Industrials	67.414%	39.676%	27.739%
Insurance	69.513%	60.307%	9.206%
Oil and Gas	81.481%	75.303%	6.178%
Telecommunications	67.389%	50.039%	17.350%
Total	*69.432%*	*48.184%*	*21.248%*

The lower increase in the quality of reporting with regard to Oil and Gas is due to the fact that, in the period prior to the introduction of the directive, these companies had already demonstrated a high level of reporting given that this sector was already strongly oriented towards CSR [40,41].

In the second stage of the study, a correlation analysis (Table 6) was performed to detect any possible collinearity between the variables analysed. However, none was found, and neither was there any causal relationship between variables. The analysis showed, however, that the IIRC variable was positively influenced by a company's previous experience in sustainability reporting and that, in the introductory phase of the directive, it was mainly adopted by these companies. It was also observed that the use of non-financial reporting was strongly correlated to the sector in which a company operates. In particular, the banking and insurance sectors mainly published disclosure separately from financial reporting. The correlation analysis showed no specific evidence related to the country in which the companies operate.

Table 6. Correlation analysis.

Code	Variables	(1)	(2)	(3)	(4)	(5)	6	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1)	BIG4	1	−0.071	−0.030	0.135	0.176 *	0.088	−0.028	0.028	0.071	0.069	−0.061	0.025	−0.12
(2)	STANDALONE REPORT		1	0.580 **	0.336 **	0.171 *	0.414 **	0.04	−0.073	0.171 *	−0.068	0.037	0.510 **	0.013
(3)	IIRC			1	0.253 **	0.258 **	0.313 **	0.136	−0.054	0.166 *	−0.033	0.079	0.105	0.036
(4)	EXP				1	0.372 **	0.329 **	0.07	−0.095	0.179 *	0.049	0.122	0.167 *	0.033
(5)	PAGE					1	0.203 *	0.002	−0.127	0.059	−0.001	0.016	0.044	−0.057
(6)	LOG ASSET						1	0.430 **	0.004	0.485 **	0.082	0.425 **	0.518 **	0.292 **
(7)	TURNOVER							1	−0.005	0.812 **	0.588 **	0.869 **	−0.101	0.572 **
(8)	DEBT TO EQUITY								1	−0.021	−0.024	−0.01	−0.051	−0.03
(9)	NET PROFIT									1	0.483 **	0.664 **	0.028	0.399 **
(10)	EPS										1	0.579 **	−0.106	0.250 **
(11)	EMPLOYEES											1	−0.008	0.607 **
(12)	SECTOR												1	−0.068
(13)	COUNTRY													1

*: 0.05 significant correlation; **: 0.01 significant correlation.

The OLS analysis (Table 7) performed on the NF_Score highlighted the different factors that impacted on the qualitative performance of the study sample. The variables for the quality of non-financial reporting showed that IIRC, EXP and PAGE influenced compliance. The results for IIRC confirmed the existing literature and showed it to be a factor that can influence the pursuit of greater transparency in disclosure [42]. In fact, contrary to the GRI Standards, the IIRC consists in a set of principles inspired by the need to disclose the different relationship between types of capital [42]. Furthermore, the results related to the central role played by prior experience highlight how the adaption to the new legal requirement for these firms has been less complex due to the existence of prior reporting systems. The causality relationship between PAGE and NF_Score is particularly relevant to our study as it is linked to the quality and quantity of information reported and is dealt with separately in the literature [43,44]. Specifically, managers could disclose a large quantity of information without an effective orientation to sustainable paradigms through the adoption of greenwashing mechanisms. As to the size of companies, the variables LOG ASSET, TURNOVER and EMPLOYEES all positively influence the quality of disclosure. This confirms the findings in previous studies that willingness to non-financial disclosure tends to be positively correlated to firm size [45,46]. In fact, despite having a set of common rules about non-financial reporting, firms characterised by a high degree of financial resources could be more able to disclose their non-financial contribution through more sophisticated reports. Finally, the SECTOR variable negatively influenced the NF_Score. It seems that non-financial disclosure is more effective in companies that are not involved in banking and insurance, thus confirming the previous studies on CSR in the financial sector [47]. It has been suggested in the literature that non-financial firms are more interested in disclosing their contribution to society because they are perceived as being more controversial than financial firms.

The 4 OLS analysis performed on the subitems, revealed that IIRC was the most common variable and positively influenced the business model, sustainability risk and diversity. The EXP variable, which is important for policy and diversity, was also significant. However, it should be noted that dedicated reporting negatively influences the disclosure of sustainability risks. This could be related to the possibility for managers to exclude from their non-financial declarations part of the required information in according to the comply-or-explain principle. Finally, the COUNTRY variable was not statistically significant in this analysis, demonstrating that the social and cultural variables for the areas in which a company operates do not impact on non-financial disclosure. In this sense, the adaptation to the Decree by MNEs has not been more difficult than for firms that operate only on the Italian market.

The results show a significant standardization and similarity in company reporting. This supports the hypothesis that the regulatory role of the legislator could reduce the qualitative gap between the non-financial reports prepared by the European PIEs [2].

Table 7. Regression analysis.

	Business Model		Policy		Sustainability Risks		KPI		Diversity		NF_Score	
	B	*p*-Value	B	*p*-Value	B	*p*-Value	B	*p*-Value	B	Sign.	B	*p*-Value
CONST	69,645	0.000	7329	0.706	56,018	0.000	53,937	0.006	−4408	0.804	365,043	0.001
BIG4	5501	0.109	−0.679	0.889	2696	0.301	5330	0.265	0.506	0.909	26,708	0.310
STANDALONE REPORT	−7393	0.115	9805	0.140	−6731	0.060	−5049	0.439	−2871	0.635	−24,479	0.496
IIRC	13,078	0.036	5825	0.507	14,519	0.002	8830	0.308	14,868	0.066	114,239	0.018
EXP	0.281	0.219	0.747	0.022	0.146	0.399	0.119	0.708	0.780	0.009	0.4147	0.019
PAGE	0.072	0.000	0.128	0.000	0.008	0.545	0.059	0.019	0.080	0.001	0.0694	0.000
LOG ASSET	0.034	0.960	1555	0.109	0.329	0.526	1269	0.184	1944	0.029	10,261	0.052
TURNOVER	0.000	0.436	0.000	0.159	0.000	0.456	0.000	0.894	0.000	0.067	00000	0.125
DEBT TO EQUITY	−0.005	0.727	0.002	0.938	0.000	0.993	0.012	0.557	−0.011	0.545	−0.0006	0.959
NET PROFIT	0.000	0.017	0.000	0.251	0.000	0.608	0.000	0.387	0000	0.181	00000	0.198
EPS	0.241	0.272	−0.103	0.740	−0.034	0.840	0.107	0.728	0.073	0.797	0.0568	0.736
EMPLOYEES	0.000	0.660	0.000	0.011	0.000	0.455	0.000	0.300	0.0001	0.001	0.0001	0.015
SECTOR	−5537	0.119	−4072	0.417	6,370	0.019	−14,759	0.003	−6118	0.183	−48,231	0.078
COUNTRY	−3260	0.453	2872	0.640	−1363	0.680	−6353	0.295	1509	0.788	−13,191	0.693
R-Square	0.344		0.501		0.199		0.216		0.488		0.5	
Adjusted R-Squared	0.277		0.45		0.119		0.137		0.437		0.45	

6. Conclusions

The European context has been characterised by the increased attention of regulators to sustainable development. The Directive 95/2014/EU covered a central role within this debate due to its potential role in supporting the adoption of more sustainable business models by the PIEs. Our results highlight that the overall degree of NF_Score has been equal to 69,432%. In this sense, our results confirm the existence of a qualitative increase of the non-financial declarations prepared in according to the Legislative Decree 254/2016. However, similarly to other contexts such as South Africa, the approach of some of these firms could be based on a "tick-box" method in order to be compliant with the law [48].

The analysis of the determinants of the NF_Score has provided some insights about the role covered by the firms' characteristics. The main insight is related to the negative effects connected to the sector of activity. In this sense, the provisions of a set of common rules for firms that operate in different sectors could represents a physiological limit for an effective harmonization due to their different non-financial impacts. Furthermore, the central role covered by the IIRC could represent a possible development for the policy makers to increase the overall quality of the non-financial declarations. Finally, the result related to the prior experience suggests that the early adopters have been abler to adapt their non-financial declarations to the new legal requirement. The theoretical implications of our paper are represented by the opportunity for accounting scholars to provide further details about the shift from voluntary to mandatory non-financial reporting. In fact, our results suggest how the adaption of the early adopter to the legal requirements of the Directive 95/2014/EU has been simpler than for late adopters. Furthermore, the data related to the IIRC confirms how adopting this tool is an effective sign of orientation to CSR.

The managerial implication of our paper is represented by the opportunity for managers to use our data in order to identify possible reporting strategies in order to engage in a more effective way with their stakeholders. In fact, our results have highlighted the existence of some factors that impact positively on the quality of the non-financial declarations prepared in according to the Directive 95/2014/EU.

The political implication of our paper is that insights are provided on the difficulty for first adopters to disclose their non-financial information. In fact, our results highlight how early adopters are more oriented to disclose their non-financial information than the late adopters. The limitation of our paper is represented by the short period of analysis. In this sense, the absence of data has excluded the possibility to perform more sophisticated research methods, such as the panel data analysis. Furthermore, the adoption of cross-country analyses could favour greater understanding of the non-financial reporting dynamics at a country level.

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