Università
Ca'Foscari
Venezia

Master's Degree
in Global Development
and Entrepreneurship

Final Thesis

A systematic literature review of non-financial risk disclosure and an empirical analysis of its determinants

Supervisor
Ch. Prof. Silvia Panfilo

Graduand
Silvia Governo
Matriculation Number
876258

Academic Year
2019 / 2020

SUMMARY

INTRODUCTION...5

CHAPTER 1: INSTITUTIONAL BACKGROUND....................................7

1.1. Voluntary non-financial reporting and international standards 10

1.2. Towards the compulsoriness of the new paradigm: Directive 2014/95/EU 14

1.3. Sustainability and Integrated Reporting 18

1.3.1. Sustainability Reporting 19

1.3.2. Integrated Reporting 23

CHAPTER 2: THE INCREASING CALL FOR RISK DISCLOSURE.....30

2.1. What is Risk? 30

2.2. Relevance of Risk disclosure 32

2.3. Risk disclosure: Qualitative vs Quantitative 38

2.4. Historical vs Forward-Looking perspective 40

CHAPTER 3: A SYSTEMATIC LITERATURE REVIEW 42

3.1. Methodology 42

3.2. Results.. 45

3.2.1. How non-financial risk disclosure is developing in the academic research? 45

3.2.2. The main research streams investigated 51

3.2.2.1. Determinants of risk disclosure.. 51

3.2.2.2. Practice of risk disclosure 58

3.2.2.3. Adoption of risk disclosure's regulation.................................. 65

3.3. Discussion.. 72

CHAPTER 4: AN EMPIRICAL ANALYSIS OF NON-FINANCIAL RISKS' DETERMINANTS 81

4.1. Research Questions 81

4.2. States' Transposition of the EU Directive 83

4.3. Empirical literature and Hypothesis development 85

4.3.1. Level of risk 86

4.3.2. Size 87

4.3.3. Ownership 88

4.3.4. Gender diversity 89

4.4. Research Design 89

4.4.1. Sample and data collection 89

4.4.2. Definition of the variables and model specification 91

4.5. Results 93

4.5.1. Descriptive statistics 93

4.5.2. Univariate analysis 99

4.5.3. Multivariate analysis 101

CONCLUSIONS 110

BIBLIOGRAPHY 120

SITOGRAPHY 126

APPENDIX 128

INTRODUCTION

In the last decades, attention to non-financial aspects has deeply affected the business environment. Investors and other stakeholders call for greater transparency in the operations of organizations in order to increase the awareness of the effective features and status. The increasing tendency of reporting non-financial information is strictly correlated to the evolution of the concept of CSR, which implies the identification, the monitoring and the reporting of social, environmental and economic effects of the company's operations with its context. It also led to changes in the time gap considered in the company's evaluation, shelving the short run and highlighting the value created in long-term scenarios. In this context, the introduction of the Directive 2014/95/EU represents a fundamental shift from a voluntary to a mandatory regulation in terms of non-financial information, among which non-financial risks. For this reason, this study specifically focuses on the disclosure of non-financial risks that – as the current pandemics demonstrates – may even affect the company's survival.

The core of the thesis mainly focuses on two streams which regards a systematic literature review of previous academic studies and an empirical analysis of the European context. The purpose is to provide a complete picture of the academic publications to date and an evaluation of the non-financial risk disclosures made by European companies after the adoption of a mandatory regime.

The thesis is developed into four chapters: in the first one is provided the institutional background of the matter through an historical overview of sustainable business behaviours. It mainly focuses on the contrast between mandatory and voluntary regimes by studying the content of the EU Directive and, by contrast, the characteristics of

voluntary regimes and the reporting tools provided by several institutions to satisfy the stakeholders' requirements. The second chapter analyses the discussion about risk disclosure framework presenting the analysis of the notion and the characteristics of risk with the dilemma and the uncertainties that the concept incorporates itself. Then the text highlights the considerations regarding the importance of the non-financial risk disclosure, explaining purposes and benefits of achieving transparent structures. The third chapter focuses on the disclosure of non-financial risk information through a systematic review of previous literature with the aim to identify the main gaps. The principle gap emerged is related to the first stream of the analysis that regards the investigation of non-financial risks' determinants in the disclosure's practice. The last chapter conducts an empirical analysis of this investigation through a study of the information disclosed by the selected companies in their statements. Specifically, the analysis considers companies of one only industry: fashion. To achieve this result, 80 firms were selected, in accordance to the dimensional requirements stated by the EU Directive, and their reports were manually evaluated through a quantitative content analysis.

Finally, the thesis provides conclusions of the study which aim to summarize the results of the research and presenting future research avenues.

CHAPTER 1

INSTITUTIONAL BACKGROUND

The action of companies has significant impacts on the lives of citizens around the world. Not just by purchasing products and services, creating jobs and opportunities, but by following the law and sharing values of working and human rights, health, environment, innovation, education and training.[1] European Commission stated a definition of Corporate Social Responsibility (hereafter CSR) identifying the topic as "*the responsibility of enterprises for their impact on society and therefore, it should be company led*".[2] CSR represents the concept by which companies are called to integrate social and environmental information into their strategic and operational procedure, by communicating to their stakeholder on an annual basis. The focus of CSR concept changed a lot during the last 50 years, passing from a wide awareness of the relationship between companies and their social-environmental context to an identification of a set of rules and managerial tools.[3] CSR's origin states in the social and environmental information for internal communication in order to incentive the relationship between firms and trade unions.

Anglo-Saxon countries have a longer tradition in disclosing CSR information to satisfy and manage groups' external pressures. For several reasons, during the last decades CSR had responsibility in the increased awareness of social responsibility of companies' behaviour, and it passed from a marginal idea in corporates agenda to a

---

[1] https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en
[2] https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en
[3] PERRINI, F. (2005). Building a European Portrait of Corporate Social Responsibility *European Management Journal*, *23*(6), 611–627.

mainstream focus. The urgency and the attention on these issues exploded clearly and exponentially from the annual reports of the companies' reports.

The social responsibility idea of the 1970s as a mere tool to increase profits is inappropriate in the nowadays context. The 1980s were years of an exponential growth of the attention and concern of the role of business responsibility due to a series of social and environmental incidents, such as Bhopal, Chernobyl and Exxon Valdez.[4] Later there was an explosion of several treatises, conventions and reports that focused on the necessity of a real definition of the problem and tools suitable to operate with, such as: Brundtland Report (1987), Earth Summit in Rio de Janeiro (1992), Vienna Conference (1993)[5], AICPA (1994), OFR (1993). The paradigm of a continuous and infinite economic growth has failed and the roles and the responsibility of business in society progressively became a predominant discussion. The concept of sustainable development underlines the need of a present that does not compromise the future of next generations' opportunities and quality of life. Growth beyond economic performance includes inter- and intra- generational equity[6] and the need to measure results respecting values and social justice. One of the main figures that led to this point were stakeholders, whose pressure and demand has progressively gone beyond the wide and simple information that companies were used to communicate, overpassing the traditional idea of philanthropy that non-financial disclosure represented. They

[4] WARHURST, A. (2005). Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership. *Futures*, 37(2-3),151-168.
[5] WARHURST, A. (2005), Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership. *Futures*, 37(2-3),151-168.
[6] BERETTA, S., & BOZZOLAN, S. (2004). Reply to: Discussions of “A framework for the analysis of firm risk communication.” *The International Journal of Accounting*, *39*(3), 303–305.

represent a key figure with their emerging roles in designing responsibilities by reaching the same importance of the shareholders.[7]

The gradual process of the importance of CSR in companies reports, clarifies how non-financial communication was not a notion imposed by government or authorities, but born by a progress tendency and a continuous learning process. CSR reports become a permanent aspect in the business landscape. Reasons behind communication that do not belong to economic aspects, find their origin in a sum of needs and a lack of fundamental information: at first, the need of greater transparency in a business system where public trust decreases constantly. The implementation of transparency's attitude causes changes in operational processes and in the whole companies' vision itself, affecting the brand value, the reputation of customers and investors and the motivation of employees. Non-financial communication helps to clarify a company's identity not only in the economic and financial performance, but also in its capabilities in generating value. The increase of non-financial reporting is strictly connected to the evolution and the awareness of the concept of CSR. Evidences show how it also changes the time gap considered in the company's evaluation, shelving the short run and highlighting the value created in long-term scenarios. To conduct a sustainable business implies the identification, the monitoring and the reporting of all social, environmental and economic effects of the company's operation with its context. As previously said, companies are called to cover specific CSR issues, that were more connected to health or safety of the company or of the environment. During the evolution, the topic which companies must be referred to, moved from broad lines to operational and strategic problems, including

[7] WARHURST, A. (2005), Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership. *Futures*, 37(2-3),151-168.

this process also at the level of the companies' business plan. The increasing complexity of the company's business in strategies, operations or regulation, causes difficulties for investors to be satisfied with the financial information only, in fact expectation of investors requires clear and integrated explanations. Moreover, both stakeholders and shareholders ask for information disclosure regarding future prospects related to their performances, underlining the push to future indicators in the business narration. Disclosing historical data might be useful to understand the vision of the company, behaviours and choices of the management or the wealth of the structure, but in the last years the attention to the future and the capacity of value-generation attracted the attention of stakeholders and shareholders. Improving the communication of long-term capabilities implies also the disclosure of risks that a company may face and their impact on future performance and profits. Financial risks cannot be sufficient to provide a satisfactory explanation of the status and the well-being of the enterprise.

1.1. Voluntary non-financial reporting and international standards

For several years the decision of disclosing non-financial information was at the discretion of the company due to the slow process of the culture implementation and the lack of institutional regulations. In reality, the communication of environmental or social information was at first caused by the increasing pressure of economic agents as investors or shareholders rather than a citizenship belief of sustainability. As the literature developed, voluntary inclinations of disclosing non-financial information has arisen towards a strength concept of sustainability that evoke a responsible behaviour regardless the existence of particular obligations. Several decades of voluntary

inclination lead to a diffusion of several practices among which companies might choose, creating on the other side, issues in the comparative and control phases. In recent years, various business forum and institutional agencies implemented standards to create methods for comparability, an increased consistency by reducing company's discretion and finally for providing a greater credibility of the matters with the adoption of a global common tool. These include:

Global reporting initiative (GRI): GRI defined standards in 1997 for the first time with the support of the US non-profits Ceres and Tellus institute in accordance with the UN Environment Programme. GRI standards aim to comprehend and communicate the economic, environmental and social impact of companies to third parties and the supply chain. The initiative establishes a set of sustainability report standards that differ from financial measures in fixing six areas of responsibility centre to evaluate business performance in accordance with human rights, social development, labour standards, product responsibility, environmental protection and financial and ethical efficiency. With its multi-stakeholder approach, GRI obtained a leading position in the non-financial reporting by focusing on the informative harmonization of sustainable development with the aim of increasing the quality of standard indicators and using them to improve company's performance.

OECD Guidelines for Multinational Enterprises: OECD is an international organization composed primarily by sovereign states and intergovernmental organizations, founded in 1961 with the aim to promote economic development and world trade cooperation. OECD Guidelines for Multinational Enterprises, originally adopted in 1967, were published as an annex of the OECD Declaration on International

Investment and Multinational Enterprises and were reviewed several times with the last version dated 2011. Guidelines provide legally-nonbinding-recommendations to assist firms in meeting responsibilities and to encourage those implementations among adherents with new and stronger standards of corporate behaviour.[8] OECD presents standards to enterprises which operate in international contexts by adopting operations "in areas such as labour, environment, consumer protection and the fight against corruption".[9]

UN Global Compact: Global Compact of the United Nations is a strategic initiative to align strategies and operations in a global sustainable economy, in respect of human rights and the world's health. Guidelines aim to encourage enterprises and stakeholders in adopting sustainable policies and social responsibility in the company's business. The Global Compact, initially stated in 2000, established 9 guide principles which companies are called to share and apply in their influence's areas regarding Human Rights (1-2), Labour Standards (3-6) and the Environment (7-9). In 2004 the initiative added a 10th principle for the fight against corruption. The 10 principles are universally shared since they 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.[10]

---

[8]OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing. http://dx.doi.org/10.1787/9789264115415-en

[9]https://www.oecd.org/daf/inv/mne/anewagendaforthefuture-2011annualreportontheoecdguidelinesformultinationalenterprises.htm

[10]https://www.unglobalcompact.org/what-is-gc/mission/principles

ISO26000: In 2010, ISO (International Organization for Standardisation) developed ISO 26000, which represents a milestone in integrating responsible practises into management behaviour.[11] It can be considered as a guidance rather than a set of requirements whose aim relates to clarify the real meaning of social responsibility and to put in effective action the core principles. The standards born through a multi-stakeholder process, after a 5-years-negotiations with agents representative of governments, NGOs, industry, consumer groups and labour organizations around the world, trying to ensure an international consensus.[12] ISO 26000 provides guidance to companies, regardless activity, size or location, on: - backgrounds, trends, principles of social responsibility - integrating responsible behaviour through policies and practices - engaging with stakeholders - disclosing commitments and performances.

AA1000: "AccountAbility is a global consulting and standards firm that works with businesses, investors, governments, and multi-lateral organizations" regarding ESG practices.[13] Specifically, AA1000 is a series of standards created in 1999 by the Institute of Social and Ethical AccountAbility to improve reporting operations, encouraging transparent behaviours and stakeholder engagement. The framework represents a standard of process that aims to guide companies in identifying, prioritizing and responding to sustainability challenges, for improvement's performances purposes.[14] The standard is articulated on 5 main phases: planning and goal definition, accounting, auditing and reporting, embedding and stakeholder engagement. The application of the AA1000 can state an integration or an enforcement of other standards chosen by the

[11]CAMILLERI, M. A. (2018). Theoretical insights on integrated reporting. *Corporate Communications: An International Journal*, *23*(4), 567–581.
[12] https://www.iso.org/iso-26000-social-responsibility.html
[13] https://www.accountability.org/
[14] https://www.accountability.org/standards/aa1000-accountability-principles/

company or can be adopted as an autonomous process to manage and communicate social and ethical performance.

1.2. Towards the compulsoriness of the new paradigm: Directive 2014/95/EU

Proponents of voluntary reporting believe voluntary adoption represents a tool to respond to stakeholder requirements by being accountable and transparent. In a business of self-regulation, the main advantage is the flexibility that helps any organization to disclose information with the most suitable practices for its structure, business plan and stakeholders interests.[15]Recently, relevant researches state that in some contexts mandatory approaches could better support sustainability compliance and mandatory non-financial disclosures regulations emerged as a central topic of States policies.[16] Regulation by governments aims to decrease asymmetry information among business and stakeholders by promoting an homogeneous context of transparency and trust. Recently, Europe adopted a new directive that mandate largest EU firms to disclose non-financial information with the aim to translate the directive into national legislations by 2016 and ensure a common pattern for increasing CSR activities and promoting stringency.[17]

The 2014/95 EU Directive was presented the 22 October 2014 “amending Directive 2013/34 as regards disclosure of non-financial and diversity information by certain large undertakings and groups”.[18]The Directive established new standards in the

[15]JACKSON, G., BARTOSCH, J., AVETISYAN, E., KINDERMAN, D., & KNUDSEN, J. S. (2019). Mandatory Non-financial Disclosure and Its Influence on CSR: An International Comparison. *Journal of Business Ethics*, *162*(2), 323–342.
[16]CAMILLERI, M. A. (2018). Theoretical insights on integrated reporting. *Corporate Communications: An International Journal*, *23*(4), 567–581.
[17]JACKSON, G., BARTOSCH, J., AVETISYAN, E., KINDERMAN, D., & KNUDSEN, J. S. (2019). Mandatory Non-financial Disclosure and Its Influence on CSR: An International Comparison. *Journal of Business Ethics*, *162*(2), 323–342.
[18] Directive 2014/95/EU of the European Parliament and of the Council.

management report including information to understand undertakings' performance and development related to "environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters".[19] Reasons behind Directive's emanation are due to a need for greater transparency and to identify sustainability risks and increasing investor and consumer trust. Indeed, disclosure of non-financial information is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection. In this context, disclosure of non-financial information helps the measuring, monitoring and managing of undertakings' performance and their impact on society.[20]

The Directive aims to harmonize the publication's modalities of non-financial information by undertakings, to ensure easy access and a suitable level of comparability. The choice of legislator allows Member States to adapt contents in the best way in each system, maintaining a comparable model in space and time.

The Directive defines clearly the subjects required to provide non-financial communication according to their size depending on: "the average number of employees, balance sheet total and net turnover".[21] The text states that "the obligation to disclose a non-financial statement should apply only to:

- those large undertakings which are public-interest entities and
- to those public-interest entities which are parent undertakings of a large group, in each case having an average number of employees in excess of 500, in the case of a group on a consolidated basis".[22]

[19] Directive 2014/95/EU, point 6 (p.2)
[20] Directive 2014/95/EU, point 3
[21] Directive 2014/95/EU, point 14 (p.3)
[22] Directive 2014/95/EU, point 14 (p.3)

Undertakings are considered as 'large' when at the date of statement's closing, "they fulfil at least two of the following criteria:

- its balance sheet exceeds 20 million
- its Net Turnover exceeds 40 million
- The average number of employees during the financial year to which the balance sheet relates exceeds 250." [23]

According to the 2013/34/EU Directive, EU establishes "public-interest entities means undertakings which are a) governed by the law of a Member State and whose transferable securities are admitted to trading on a regulated market of any Member State, b) credit institutions c) insurance undertakings d) designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees".[24]

To protect the interests of undertakings, shareholders and other stakeholders, coordination of national provisions is necessary in non-financial disclosure fields because most of those undertakings operate in more than one Member State.

It is also necessary to fix legal requirements for the extent of information that should be shared with the public by undertakings and authorities. Undertakings in compliance with criteria should provide a "fair and comprehensive view of their policies, outcomes, and risks."[25]

Undertakings have the chance to include the statement "in the management report of the undertaking concerned or draw a separate report up, provided it a) is published

[23] Directive 2013/34/UE, Article 3 (p.10)
[24] Directive 2013/34/UE, Article 2, point 1 (pp. 8-9)
[25] Directive 2014/95/EU, point 5 (p.2)

together with the management report or b) is made publicly available within a reasonable period of time, not exceeding six months after the balance sheet date, on the undertaking's website, and is referred to in the management report”.[26] Undertakings decide to apply national, Union-based or international frameworks according to their preferences. Member States should also provide all the necessary tools and procedures aimed at ensuring disclosure of non-financial information by undertakings in accordance with the Directive.

Statement establishes clearly the extent undertakings are aimed to provide by communicating 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 undertaker'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.

[26] Directive 2014/95/EU, Article 19a, point 4 (p.5)

Statutory auditors and audit firms should only check that the non-financial statement or the separate report has been provided. In addition, it should be possible for Member States to require that the information included in the non-financial statement or in the separate report be verified by an independent assurance services provider"[27] (e.g. KPMG, Deloitte).

Undertakings obliged to report non-financial information are called to adopt the comply-or-explain principle, according to which it's necessary to clarify the reasons behind informativeness omissions with an accurate explanation, as for example an economic disadvantage due to the information disclosure or the implication of excessive financial expenditure. This faculty may be employed in case omissions do not compromise a correct comprehension of the company' trend, "performance, position and impacts on its activities".[28]

The Directive permits state specific requirements to guarantee its adoption in national practices considering the national requirements in the field of non-financial disclosures. From the Directive, Member States acquire discretion in the adoption of the reporting framework between national and international frameworks (e.g. GRI, IIRC).

1.3. Sustainability and Integrated Reporting

This section aims to provide insights related to two standards of sustainability reporting: The Sustainability Reporting Guidelines of Global Reporting Initiatives (GRI) and the Integrated Reporting framework by International Integrated Reporting Council. The

[27] Directive 2014/95/EU, Article 19a, point 1 (p.4)
[28] Directive 2014/95/EU, Article 19a, point 1 (p.4)

selection of these standards derives from the leading position they have assumed during the past years over other guidelines, especially considering the EU Directive adoption as regards non-financial disclosures. These guidelines pursue different goals in terms of functionality and recipients of the report, although they aim to the common achievement of transparent and complete information in sustainability scenery. Moreover, it should be noted that from the beginning the two organizations have implemented a margin of collaboration to support each other and to promote complementary research and non-conflictual documentation.

1.3.1. Sustainability Reporting

In the last decades, many companies and organizations started to include economic, environmental and social information to provide details that go beyond financial reporting, since financial statements are not sufficient to construct a complete prospect of a firm. The Global Reporting Initiative was one of the earliest tools introduced in the non-financial communication framework. In 1997 GRI was formed by two US NGOs with the support of the United Nations Environment Programme, and in 2000 presented its Sustainability Reporting Guidelines. Finally, in 2018 GRI Standards were selected in place of the G4 Guidelines, in line with the credence of being the most representative global practice in publicly reporting economic, environmental and social companies' impacts.[29]Responsible are called to inform auditors about companies' positive or negative contribution towards a goal of sustainable development and to report publicly on their economic, environmental and social impacts. GRI Standards created a common

[29]CAMILLERI, M. A. (2018). Theoretical insights on integrated reporting. *Corporate Communications: An International Journal*, *23*(4), 567–581.

language for companies and stakeholders enhancing an international comparability through a common quality of information about those impacts.[30] Sustainability reports should include a series of Universal standards, which define the general principle, and a set of other particular standards related to economy, environment and society. The GRI Universal standards are the 100 series: GRI 101,102,103.

GRI 101: The starting point to use the GRI Standards providing a high-quality report of sustainability. The principles define the guidelines for the editing of a conformity report by dividing the Principles into 2 groups: principles to identify report content and principles to define report quality. Principles regarding the report content aim to help companies to choose which content are suitable to be included in, which implies considerations about activities, impacts, expectations and stakeholders' interests. Firstly, According to *Stakeholder inclusiveness* the organization shall select its stakeholders and establish how it would comply with their expectations and interests. *Sustainability context* principle states that the report shall disclose the organization's results in the wider context of sustainability. *Materiality*- the report shall satisfy topics that have a significant organization's impacts on economy, environment and society which might concern stakeholders' interests. *Completeness*: the report shall include an exhaustive coverage of topics and boundaries necessary to enable stakeholders to assess organization's performances and impacts in the reporting period. Several are also the principles that guides the definition of the quality report: the *Accuracy* of information; the *Balance* between negative and positive disclosure that may affect organizations' performances; *Clarity* for understandable and accessible

[30] ABDULLAH, M., ABDUL SHUKOR, Z., MOHAMED, Z. M., & AHMAD, A. (2015). Risk management disclosure. *Journal of Applied Accounting Research*, *16*(3), 400–432.

comprehension; *Comparability* that aims stakeholder to evaluate changes in the performances over time; *Reliability* to establish quality and materiality of information; *Timeliness* of the informative communication to make stakeholders aware and updated.

GRI 102: contains information to report contextual evidence about the organization. The standard is structured in several sections to fulfil all the general information and disclose interested focus: *Organization's profile* that includes name, activities, location, supply chain, memberships; *Strategy* as key impacts, risks, opportunities; *Ethic and Integrity* for principles, norms of behaviours and mechanisms about ethics; *Governance* details about responsibilities, structure, concerns*; Stakeholder engagement* selecting stakeholder and identify approaches to engage them*; Reporting Practices.*

GRI 103: states general requirements and practices for reporting the procedures to manage the material topics. First at all, it includes guidelines and general requirements to report the management approach. Moreover, for each material topic organizations shall report: an explanation of the material topic, adding organization's involvement in case boundaries occurs, a description of the management approach and its topic, as policies, goals, targets, responsibilities, resources, grievance mechanism, specific actions or initiatives. Finally, organizations shall also report the evaluation of the management approach through the disclosure of evaluation's mechanisms and the results of that effectiveness operation.

The fulfilment of the Universal standards leads to the compliance of the topic-specific standards that include three blocks, each related to specific disclosure of material topics: Serie 200 Economic, 300 Environmental, 400 socials. GRI 201-206 include series of information about the organization's economic performances, market

presence, indirect economic impacts, procurement practices and disclosure of information about anti-corruption and anti-competitive behaviours. The block of GRI 300 is articulated in 8 specific standards that aims to the control and communication of materials, energy, water and effluents, biodiversity, emissions, effluents and waste, environmental compliance and supplier environmental assessment. Finally, the 400 Serie (401-419) is used to report information about organization's impacts for social topics, and respect to 200 and 300 series includes greater number of requirements to focus on: employment, labour management relations, occupational health and safety, training and education, diversity and equal opportunity, non-discrimination, freedom of association and collective bargaining, child labour, forced or compulsory labour, security practices, rights of Indigenous peoples, human rights assessment, local communities, supplier social assessment, public policy, customer health and safety, marketing and labelling, customer privacy and socioeconomic compliance. These standards are applicable to organizations of any types, sizes, geographic locations and could be used to report sustainability statements in accordance with the standards or that simply aims to extrapolate parts of their content to provide a specific communication to the auditors. In sustainability reporting, external assurance represents a fundamental topic: in fact, since the communication of environmental and social impacts on businesses develops, the need for a certification of truthfulness through international standards becomes fundamental to provide more credibility and transparency. Companies might also decide to adopt an internal assurance to certify the information's disclosures, if compared to external methods, auditors could give a different value to the report because of probable conflict of interests and lack of independence and impartiality provided by an internal part. Currently, GRI presents specific guidelines to comply with content of the

EU/95/2014 Directive on non-financial and diversity disclosures[31], specifying some of their common themes and areas of alignment with “linkage tables”.

1.3.2. Integrated Reporting

The IIRC framework is another solution that aims to link financial and ESG disclosure in a single report by trying to provide a true and a fair focus on financial and non-financial information. The International Integrated Reporting Council is an international not-for-profit organization that incorporates several agents such as companies, investors, regulations’ organisms, standard setters and ONGs and aims to provide expert guidelines of principles and contents that govern the overall structure. According to guidelines, IIRC defines the integrated report as a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term[32]. IIRC focuses on how industry and firm’s characteristics could affect the value creation, developing a framework for the accounting reaction of the promotion of disclosures to oppose the loss of trust in the accounting management.[33] In 2010, the IIRC has been established to define and support the adoption of an integrated framework that aims to improve the quality of information available, communicating a full range of disclosures and supporting a greater understanding of investors about the consequences of decision-making and reporting operations. IIRC also push the idea of interconnections among environmental, social,

---

[31] DUMAY, J., LA TORRE, M., & FARNETI, F. (2019). Developing trust through stewardship. *Journal of Intellectual Capital*, *20*(1), 11–39.

[32] INTEGRATED REPORTING (2020), Consultation Draft. International <IR> Framework. May 2020.

[33] DUMAY, J., LA TORRE, M., & FARNETI, F. (2019). Developing trust through stewardship. *Journal of Intellectual Capital*, *20*(1), 11–39.

governance and financial aspects in planning actions that impact long-term performances, promoting a system that links sustainability and economic value.[34] IR states guidance principle used in the integrated reporting edition, explaining the content and the organization of the paper. An integrated report should include: *Strategic focus and future orientation*, focusing on how strategy impacts on organization capabilities and its uses and effects over capitals; *Connectivity of information* of different factors that affects the ability to provide a holistic picture of their business value-creating[35]; *Stakeholder relationships* with the organization in terms of nature and the quality of the relation, with details about the consideration and the management of their needs and interests; *Materiality* of the disclosed information that substantially impacts on the value creation of the organization; *Conciseness* of the text *; Reliability and completeness* of the disclosures by including both positive and negative matters; *Consistency and comparability* of information over times that allow organizations to compare their own ability in creating value.[36] An integrated report should provide information regarding the 8 Content Elements that are linked to each other and not appearing as a set of isolated sections: in fact information should be presented in a way that clearly explains the connections among contents. The content of an integrated report depends on the specific circumstances and request at which organizations are called to respond. Moreover, the fixed content elements are not stated as a checklist of specific information, but they are presented in a form of questions, always in accordance with the previous guidance principles. This includes:

---

[34] https://integratedreporting.org/
[35] CAMILLERI, M. A. (2018). Theoretical insights on integrated reporting. *Corporate Communications: An International Journal*, *23*(4), 567–581.
[36]INTEGRATED REPORTING (2020), Consultation Draft. International <IR> Framework. May 2020.

- Organization overview and external environment: *How and under which circumstances the organization operates*: mission, vision, values, principal activities and market positioning, key quantitative information and significant factors affecting the external environment in legal, political, environmental, social and commercial aspects.
- Governance. *How does governance structure support organization in creating value*: organization's leadership structure, strategic specific processes, responsibility, remunerations, and incentives.
- Business model. *What is the organization's business model*: activities, resources, partners, channels, customers' relationship, value proposition.
- Risks and opportunities. *What are the specific risks and opportunities that may affect the organization in its ability to create value and how does the organization manage them*: internal and external risks or opportunities, magnitude of their effects, specific scheme taken to mitigate or manage.
- Strategy and resources allocation. *Where does the organization want to go and how does it intend to get there*: planning and explanation of linkages between strategy and resources allocations, organization's competitive advantage, characteristics of stakeholder engagement.
- Performance. *To what extent organization performance match with the strategic objectives and what is the outcome in term of effects on capital*: key performance indicators related to financial measures or linked with other components.
- Outlook. *What are the challenges and uncertainties due to the pursuit of matching strategies and what are the possible implications*: expectations and

intention about external environment, impacts on organization, quality and availability of capitals used for potential implications.

- Basis of preparation and presentation. *What are the criteria to include matters in the integrated report and how do the evaluation and quantification frameworks work*: materiality determinants, reporting boundaries, method and systems used to evaluate and quantify materialities.

The overall process of integrated reporting is based on the concept of value creation by the organization for itself and for others, through interactions, activities and relationships. All organizations depend on several form of capitals, that represent stocks of value that may flow over time through the increasing, decreasing or a transformation of capital because of organization’s business activities and outputs. There’s a continuous connection and transformation among and within the different forms of capitals, demonstrating capital to be a not fixed variable over times.[37] The IR framework categorizes capitals as:

- Financial capital: funds linked to the organization’s use in the production and supply of products and services, acquired by financing or produced through operations or investments.
- Manufactured capital: physical objects (different from natural objects) directed at the production and supply chains, including buildings, equipment and infrastructure.
- Intellectual capital: organizational and intellectual property assets, such as patents, rights, procedures and tacit knowledge.

[37] INTEGRATED REPORTING (2020), Consultation Draft. International <IR> Framework. May 2020.

- Human capital: people's capabilities and experience implemented in the company's framework including alignment with ethical values, management approach, competencies in leading, collaborating and developing strategies.
- Social and relationship capital: capability to establish relationships within and between communities, creating a solid network with groups of individuals and stakeholders, and the capacity to share information as values, norms and behaviours. The engagement of key relationships develops trust and leads to an increasing company's position in terms of reputation and value.
- Natural capital: includes both renewable and non-renewable sources of energy used in the value creation process that enhance the well-being of the organizations: water, minerals, gas, air.

Not all capitals are relevant equally for all the organizations. All specific businesses have different connections among them and specific extent in the impact of the value created. For this reason, there's not a common pattern applicable for anyone, in fact according to the relevance, companies have the possibilities to include or not the different capitals in the integrated reports. The categories are itself a guideline that organizations may change to follow their own purposes. Guidelines are provided to avoid companies to ignore capitals that could be used and may affect their value. The procedure encourages the disclosure of both negative and positive aspects that may influence the capability to generate value over short and long term. Integrated report represents a useful tool especially for corporate decision making by underlying structures and assets that perform efficiently and on the other hand the ones that should be improved or cut down. The process which IR refers to is related to internal and external context.

As happened with all tools in the non-financial disclosure matter, also integrated report has several flaws in its contents, pattern and decisions. The main point that auditors criticize relates to favouritism of a specific category of individuals over other stakeholders. The focus of information disclosed are mainly demanded by capital providers and do not exhaustively help the decision making and accounting needs of other stakeholders[38].IR often assumes complex language and notion because of the competencies of the expert auditors which the document is mainly referred to. Critiques support a simplification process of the ambiguous meanings and notion which lead to complexities in order to reach a wider range of stakeholders also to increase the potential use of the documents. The preference for specific auditors' category also implies difficulties in the reduction of the asymmetry information with the external community, that is basically the reason for the document editing. In fact, assuming the capital providers as the target of the report, companies may discourage the negative disclosures of their business structure, in order to enhance greater chance to pick capitals and resources and set aside the transparency approach to corporate accountability. And if investors and creditors are more willing to assume financial aspects and information related to the companies' profitability, external stakeholders are also interested in wider information that go beyond corporate interests. As a "soft law", the matter incorporates a range of interpretation and flexibility that may lead to confusion. The 5th guidelines principle of "conciseness" may cause a dilemma for companies in choosing between a more complete or simple version of the provided information, highlighting the dilemma of the complexity that characterized the CSR

[38] INTEGRATED REPORTING (2020), Consultation Draft. International <IR> Framework. May 2020.

area.[39]

Another point to mention is the side that the integrated report refers to. In fact, it seems that IR concentrates its extents on the meticulous description of the supply side, excluding the demand side and consequently the need of stakeholders that belong to it, as market stakeholders.

Finally, one more difference between the two solutions, after the emanation of Directive 2014/95/EU GRI Standards provides guidelines and tools to adopt their model to the Directive requirements, while the IIRC institution does not specifically give references on how to comply with it.

[39] BARET, P., & HELFRICH, V. (2018). The "trilemma" of non-financial reporting and its pitfalls. *Journal of Management and Governance*, *23*(2), 485–511.

CHAPTER 2

THE INCREASING CALL FOR RISK DISCLOSURE

With the following section the thesis enters into the core topic of the research focusing on the discussion about the risk disclosure. At first it presents the analysis of the notion of *risk* with the dilemma and uncertainties that the concept incorporates itself. Previous literature was filtered and studied to provide a general framework that should explain characteristics associated with the matter, as the outlook and the time-based perspective of information disclosure or the different approach of qualitative or quantitative studies. After the notion part, the text highlights the considerations regarding the importance of the non-financial risk disclosure, explaining the purpose and the potential benefits of achieving a transparent structure.

2.1. What is Risk?

Literature focused on disclosures for a long time, but certainly in the latest years, especially due to all the new regulations, it tuned on a big issue. Talking about risk disclosure implies a notion of complexity. Linsley and Shrives (2006) assert that the complexity in conducting a risk disclosure analysis regards the definition of the term *risk* itself. The everyday usage has made the meaning broad, especially according to the matter and the context it has been inserted in. The complexity refers also to the subjectivity of the concept, depending also on the assumption and standards the auditor decides to adopt during the analysis.

The Oxford dictionary defines risk as *"the possibility of something bad happening at some time in the future; a situation that could be dangerous or have a bad result."* According to the definition, risk represents consequences to a future event, limiting the occurrence to bad events and excluding the mention to possible opportunities and gains. This perspective is still anchored in a Pre-modern idea where risks were related to the occurrence of natural events, as earthquakes or hurricanes (Lupton, 1999), so something far to human power and independent to its influence.[40] Today studies and textbooks commit to a modernist view, which include both negative and positive outcomes of events.[41] In reporting risk disclosure information, the identification of risk term becomes fundamental to be counted in the analysis. According to this, Abraham and Cox (2007) recognize some keywords to be considered as: risk, opportunity, potential, uncertainty, advantage, variation, unexpected, fluctuation, prospect. In guidelines provided by the audit company KPMG, risk is defined as "*a combination of the event likelihood and its impact, which may affect positively or negatively on the achievement of business goals and a business strategy execution"*. Following previous literature, a similar definition is provided by the version determined by Linsley and Shrives (2006), which include both upside and downside risks *in order to* compute an analysis of risk disclosure in companies' annual reports. They indeed code any sentences related to what authors refer to risk disclosure as:

"any opportunity or prospect, or of any hazard, danger, harm, threat or exposure, that has already impacted upon the company or may impact upon the company in the future

---

[40] LINSLEY, P. M., & SHRIVES, P. J. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *The British Accounting Review*, *38*(4), 387–404.
[41] LINSLEY, P. M., & SHRIVES, P. J. (2006), *op. cit.*

or of the management of any such opportunity, prospect, hazard, harm, threat or exposure"[42].

When companies face risks, they are called to share the information about the exposure to loss or the potential gain to the public, regulators and investors.

For sure negative perspective is the one that more attract the public attention. In fact, if in case of positive event, board is more willing in disclosing information of what the companies may benefit, for negative occurrence the tendency changes. Many managers still tend to avoid the reveal of bad event that could fade the image of the company and cause retortion in terms of reputation and operation.

Literature about risk disclosure developed, and also thanks to the new guideline of the 95/2014/EU Directive, companies increase their tendency to disclose even non-financial risks passing from a voluntary inclination to a mandatory regulation. Despite a common agreement on the need for effective patterns in terms of risk management and risk disclosure, there's a lack of concerns in how and to what extent risk is presented in financial statements or separate reports.

2.2. Relevance of Risk disclosure

In any organization, the main source of uncertainty is represented by risk. During the years, companies increased to focus their attention on risk's recognitions to anticipate the possible impact of the event before they occur. The capability of managing risks could help organizations to be more confident in future corporate decisions. Thus, the effort spent on risk identification and its managing, becomes fundamental for the future

[42] LINSLEY, P. M., & SHRIVES, P. J. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *The British Accounting Review*, *38*(4), 387–404. (p.3).

and the well-being of the organizations. In fact, without taking risks in considerations, companies cannot clearly define a solid plan for future objective and may lead to lose direction. The practice of risk disclosing tends to be wide and general, although it is considered potentially interesting and useful for a great range of users and agents. In case of broad and non-specific information or a merely description of management policy, its use is limited. During the last decades we assisted to an increasing interest and attentions on risk disclosures from organizations, regulators and investors. Kravet and Muslu (2013) stated that the growth of risk disclosures between 90s and 2000 has a trend of about +10% per years.[43]

Speaking of non-financial risks, generally disclosures aim to reveal information to complement the one that are already present in financial statements, integrating complementary explanations of risk exposures and the way to manage them. Principle of disclosure aimed to develop bases for more structured framework, and transparent and high-quality risk disclosure for future studies. Transparency does not represent just a theoretical idea, in fact increasing transparency in companies' practices may also lead to financial benefits as financial stability. The core of the information disclosure relates to the awareness of the firm's characteristics and state, according to which investors and other stakeholders are capable in making high-quality decisions. Stakeholders interested in information disclosure are not simply investors, but Governments, policymakers, tax authorities and employees might also be involved in, by using collected information for administrative, economic or policy decisions. The demand for transparency arises from a challenge that any economy must face: the scarcity of

[43]KRAVET, T., & MUSLU, V. (2013). Textual risk disclosures and investors' risk perceptions. *Review of Accounting Studies*, *18*(4), 1088–1122.

resources and the need to optimally allocate them in Investment decisions. This challenge is usually obstacled by the information gap that insiders have about the firm's effective conditions and profitability of the investments, and by the disincentive and conflict they face in case of disclosure. In recent years, companies were subjected to high pressure to provide more frequently information disclosure, regardless of mandatory directive introduced by international institutions. The new idea of sustainable business aspires to switch from a short-term results horizon to long-term investments and attitude. In fact, a short-term evaluation of performance or planning might lead to an underestimation or to a real error in long-term risks. Investors and other stakeholders do not look for financial risks only, but they manifest a need of explanation also in non-financial information such as with environmental, social and governance data. This information represents firm’s characteristics that better explain the entire framework and could help in investment decision making.

In sustainability reports or in the specific section dedicated to, evidences suggest that in recent years the amount of narrative disclosure has increased and even before the introduction of specific regulations, firms were progressively used to insert information that could be helpful in roughing out future prospective. But despite the long tradition of voluntary disclosures, evidences show that the quality of non-financial risk disclosure increase its value relevance in mandatory context, thus supporting the adoption of mandatory regulation of the matter.[44]

Another issue participates for managers, entrepreneurs involved in disclosure’s process: the extension of the disclosure and the possible consequences of the

[44] VELTRI, S., DE LUCA, F., & PHAN, H. -. T. -. P. (2020). Do investors value companies’ mandatory nonfinancial risk disclosure? An empirical analysis of the Italian context after the EU Directive. *Business Strategy and the Environment*, *29*(6), 2226–2237.

information communicated. In fact, as effect of the proprietary costs theory firms tend to disclose less related information when they perceive those information as commercially sensitive[45]. Avoiding disclosures, companies put into practice a protection for the companies' status that may suffer for a reveal of a competitive advantage and the lost confidentiality of private knowledge. Moreover, the risk disclosure implies firm-specific costs[46]also for the preparation and the reporting processes.

A variety of risks may impact the economic results of a firm, diversified according to their nature. Companies might face different risks such as financial and non-financial risks. Business risks refers to changing in customer habits, competitors or other specific characteristics of the business model. In financial risks are usually included solvency or bankruptcy risks, credit, liquidity, market and macroeconomic risks. Non-financial risks represent a category of risks which companies usually are called to face during their life and the real focus of the following analysis. According to what it was previously said, the term non-financial used to be underestimated, in fact despite the term itself, non-financial risks may impact on financial performance and the limitation or the destruction of the operation. Non-financial categorizations are many. The main ones regard:

- Operational risks: changes in the operational capacity, logistic, market segmentation, competitors, key activities, key resources, strategies or other issue related to the supply chain;
- Environmental risks: climate-change events, weather condition, air, water, land, gas emissions, renewable and un-renewable energy uses;

[45] MOUMEN, N., BEN OTHMAN, H., & HUSSAINEY, K. (2015). The value relevance of risk disclosure in annual reports: Evidence from MENA emerging markets. *Research in International Business and Finance*, *34*, 177–204.
[46]GRECO, G. (2012). The management's reaction to new mandatory risk disclosure. *Corporate Communications: An International Journal*, *17*(2), 113–137.

- Social risks: deriving from labour law, employees' rights of health, safety and well-being, respect for diversity and dialogues with minorities, reputational risks due to unacceptable social practices put in action by the company;
- Political risks*:* due to changes in policies and regulations adopted by government*;*
- Governance risks: cause by leaderships failures or not compliance in employees' activities or behaviours with interest of capital providers, as fraudulent, corruption activities;

Investors may interpret that a greater disclosure could imply greater risks, that is actually the reason why many companies decide to do or do not disclose some risks, especially financial risks where the disclosure of a liquidity risks could lead the stakeholders to avoid any relationships, as investment or partnership, with those companies. In the evaluation of opportunities and risks, investors are increasing the attention to non-financial factors, but they reveal concern for the lack of standards and comparability tools, especially for a matter whose estimation is so difficult. Another potential difficulty for investors or other stakeholders interested in the disclosure regards the complexity of the financial statement or separate reports in which readers must extrapolate the information they are searching for. In fact, without having a clear line to follow, managers have the faculty to decide the location of the information and this often leads to a disincentive because of the difficulty in analysing such technical text without having a standard section to look at. Disclosure information should be entity-related, clear, direct on relevant matters and integrated with information already presented in financial statements. According to Veltri et al. (2020), disclosures of non-financial risks represent one of the most valuable tools used by investors. Veltri and De Luca state the

usefulness of both financial and non-financial disclosures and the consideration by shareholders of those disclosure to be critical in investments decision-making processes. The study also underlines the significance of non-financial risk information in maximizing the companies value, and may help to face the trade-off between transparent and secretive practices by influencing not mandated entity to proceed and better "understand the relevance of disclosing and managing this kind of information".[47]
The reasons behind the key role of risk disclosure for investors and other stakeholders are several. Miihkinen (2013) stated that disclosures provide information related to the risk profile of the organizations, that directly affects the discount rate.
Thus, when companies edit a high-quality risk information a transparent system causes a lower risk of adverse selection. Gradually, the implementation of a transparent system and a high-quality risk information lead to a decrease of adverse selection risk and to a decrease of asymmetry information. However, the advantage and the usefulness of risk disclosures depends on the presence of contingency factors such as needs and interests of investors or the riskiness itself of the firm.[48]
One of the main point regards the credibility of the information provided by organizations from the public. According to the study of Mazzotta e Bronzetti (2020), in mandatory Italian context, non-financial disclosures represent a tool in constructing trust between a firm and its stakeholder, considering the truth, appropriateness, and understandability of the information.[49] Contrary to the previous evidence, Dumay(2019) states that

[47] VELTRI, S., DE LUCA, F., & PHAN, H. -. T. -. P. (2020). Do investors value companies' mandatory nonfinancial risk disclosure? An empirical analysis of the Italian context after the EU Directive. *Business Strategy and the Environment*, *29*(6), 2226–2237. (p.10)
[48] MIIHKINEN, A. (2013). The usefulness of firm risk disclosures under different firm riskiness, investor - interest, and market conditions: New evidence from Finland. *Advances in Accounting*, *29*(2), 312–331.
[49] MAZZOTTA, R., BRONZETTI, G., & VELTRI, S. (2020). Are mandatory non-financial disclosures credible? Evidence from Italian listed companies. *Corporate Social Responsibility and Environmental Management*, *27*(4), 1900–1913.

extending and renewing the disclosed information is not sufficient to instil trust in corporations, as evidence of society distrust and uncertainties about companies behaviours.

The newness and the complexity of the matters has attracted many interests and studies. A systematic review of the main literatures will be presented in the following chapter, underling the main tendencies and flaws to date.

2.3. Risk disclosure: Qualitative vs Quantitative

The investigation of risk disclosures subject implies the awareness and the comprehension of the different aspects emerged from past analysis, as research approach. Research approaches are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation.[50] The overall choice involves the appropriate approach that should be selected to study a topic. Research approaches are mainly divided in: (i) qualitative (ii) quantitative, and (iii) mixed methods. Qualitative and quantitative methods should not be considered as rigid and opposite categories, instead they evidence different ends on a continuum (Newman & Benz, 1998).

Both approaches present an evolution, although historical evidences show that the majority of the studies selected to operate a quantitative analysis. Despite this, in the history of risk disclosure, several are the examples implementing qualitative studies (e.g. Beretta & Bozzolan, 2004, 2008; Jia et al., 2016). In fact, in many cases, quantitative information could be not exhaustive or be not representative at all,

[50] CRESWEL, J. W., & CRESWELL, D. J. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (5th ed.). SAGE Publications, Inc.

highlighting how greater quantity of information in reports doesn't necessarily imply a greater disclosure. In case of quantitative study, methods and units of measurement are several: it could be implemented a simple dummy analysis, or an actual counting of the information by selecting appropriate unit of measurement, as words or sentences. At the end, the level of risk disclosures is calculated through the number of that unit of measurement containing risk information.

According to Beretta & Bozzolan (2008), "assumed that the quantity of information has an implication in determining its quality, quantity measures are often used as proxy for disclosure quality"[51]. Quality for sure would be a more valuable approach to detect and verify the companies' behaviour in disclosing information, but even in that case, as happened with the *risk* concept, the main issue is due to the complexity of the term itself. Talking about quality has not a universal meaning applicable to every situation or which provides clear guidelines to be implemented in all the contexts. Beretta and Bozzolan built a model to identify that could explain the concept of quality, or better *richness* of the disclosed information. They defined the quality as a function of two variables: the width and the depth of the disclosure. The *width* of the disclosure represents the function regarding the extension of information about firm's business topics and value creation strategy, while depth synthesizes several factors as the outlook profile, the type of measure and the economic sign of the impact on the performance. The attempts to define a standard of quality in the information disclosures are several, but the complexity and the margin of subjectivity that the matter provides, makes difficult to establish a common pattern for any cases.

[51]BERETTA, S., & BOZZOLAN, S. (2008). Quality versus Quantity: The Case of Forward-Looking Disclosure. *Journal of Accounting, Auditing & Finance*, *23*(3), 333–376. (p.1)

2.4. Historical vs Forward-Looking perspective

The disclosure of risk information in companies' reports can be related to an historical or a forward-looking perspective, according to the timeframe at which information is referred to. Disclosing risk information is an important tool to assist investors in accurate forecasting analysis for future cash flows favouring a greater awareness in Investments decisions. On the other side, historical information provides a storytelling of company's life and development during its existence, but they lack in the prediction of future scenarios.

However, forward-looking disclosure of risk information includes an additional element of uncertainty and subjectivity which are already part of the risk by itself. Staff involved in drafting financial or separate reports could be influenced by the advantage that disclosing information may have on competitors. The analysis of the literature shows how the factors that influence the timeframe of a disclosing process can be several, such as the industry or the country of origin. About that in Elgamal Hussanei Ahmed (2018) argued that the type of industry is relevant in the typology of risk time-frame disclosure demonstrating that financial companies tend to disclose less forward-looking information.

Exploring previous literature, Linsley and Shrives (2006) show that UK companies, on average, have a greater tendency to disclose forward-looking rather than historical information. On the other hand, according to Beretta e Bozzolan (2004), Leopizzi (2019) studies, in Italian companies the disclosure of risk information is greater in past and present perspective instead of forward-looking ones. The studies by Leopizzi (2019), in accordance with the previous by Beretta, underline that the outlook orientation is still

anchored in Italian companies, finding “that information is mostly oriented to past and/or present (96%) and rarely to future (4%)”.[52]

[52] LEOPIZZI, R., IAZZI, A., VENTURELLI, A., & PRINCIPALE, S. (2019). Nonfinancial risk disclosure: The “state of the art” of Italian companies. *Corporate Social Responsibility and Environmental Management*, *27*(1), 358–368. (p.7)

CHAPTER 3

A SYSTEMATIC LITERATURE REVIEW

Provided the main definitions of the topic, the study examines the previous literature of risk disclosure through a detailed analysis of the nature and the content of the selected documents. According to the previous paragraph, the increasing call for transparency makes this topic's examination relevant. The main focus of the systematic process of literature review aims to identify the development of research level about non-financial risk, the main research streams and the potential avenues for future studies.

3.1. Methodology

This study chose the systematic literature review as the most suitable method to comply the questions of the research. Systematic literature review represents an organized and transparent analysis, that could be useful in identifying the research fields and providing (i) literatures gaps and proposals for future studies and trends (ii) a wide framework of the past and actual academic leanings about non-financial risk disclosure. The implementation of the method is divided in three parts. The first stage regards the planning of the process, highlighting the objective and the development of the research. The second stage incorporates several processes, as the literature's identification, evaluation and recaps of the research matter. Finally, the last phase presents the results and the discussion of the themes emerged in the mapping of the selected articles. [53]

[53] PANFILO, S., 2020. *La gestione del rischio e la sua comunicazione*. Roma: Aracne.

In the first stage, the study applies a protocol and for being considered in the analysis a series of requirements needs to be satisfied.

1) *Scopus* database is considered a trustworthy source for conducting analysis, providing a list of documents related to this specific matter.
2) To increase the reporting quality of the academic debate, the study selects all the journal articles published and excludes associate publications as conferences, books and chapters' books.
3) The study includes all the research published in journal articles as it is reported in the database at the collection date.[54]
4) Considering the study's focus in economic area, the research applied a filter in Scopus, by selecting only articles that belongs to the "Business, Management and Accounting" section and published in English.
5) To comply the qualification of the articles, the study verifies the presence of key words in the title, in the abstracts or in the key words of the publications. Specifically, words considered in the research are *"non-financial risk disclosure"*, *"risk disclosure"*, *"risk reporting"*, *"non-financial disclosure".*
6) The research considers both empirical and more theoretical/conceptual studies.
7) At last, the qualification of the articles is estimated by an entire reading of all the texts in order to clearly identify the effective vison of the articles. This last step is used to meet the objective of the study with the selected articles.[55]

The second stage of the research followed a structured process. First at all, in *Scopus* database were inserted the key words according to the 2), 3) and 4) requirements and

[54] 12th June 2020
[55] PANFILO, S., 2020. *La gestione del rischio e la sua comunicazione*. Roma: Aracne.

title and abstracts were analysed to match the 5) and 6) conditions. After this first stage, Scopus database generated an amount of 159 articles. Finally, according to point 7), the appropriateness of the articles was examined by an integral reading, that provided a final sample of 44 articles. A content analysis was manually conducted over the articles to create a dataset and to map the emerging results.

The third stage operates as the presentation of the literature review's results. For each article, the study maps the following information: year of publication, authors, titles and journal title of the publication. A further analysis of investigation is related to the geographical focus of the study according to three criteria: the journal location, location of the first author's affiliation and the location of the studies' context. To guarantee a higher-quality level of studies, the research considers only articles of journals that belongs to the ABS 2018 ranking[56], and in the dataset a specific area is used to show the score and, consequently, the reliability of the scientific source. In the spirit of reliability, the analysis also provides evidences of the citations' number according to Scopus and the SCIMAGO H-index. Relying on Panfilo (2020) and related to the academic debates, the study also maps specific details about: the main focus, theories or theoretical framework, the methodological approach (quantitative, qualitative or mixed) and the regulatory regime of the disclosure (voluntary or mandatory). Finally, the analysis identifies the risk's categories for each paper, highlighting the presence of financial or non-financial risk, and in case of non-financial risk, a description of the classes used.

[56] The Academic Journal Guide (AJG) is a guide to the range, subject matter and relative quality of journals in which business and management academics publish their research. The Guide is based upon peer review, editorial and expert judgements following the evaluation of many hundreds of publications and is informed by statistical information relating to citation. The Guide should classify journals into four categories (grades 1 to 4) plus a new category of 4*which recognises the quality of journals ranked as the 'top' class journal at least seven ten international listing consulted

3.2. Results

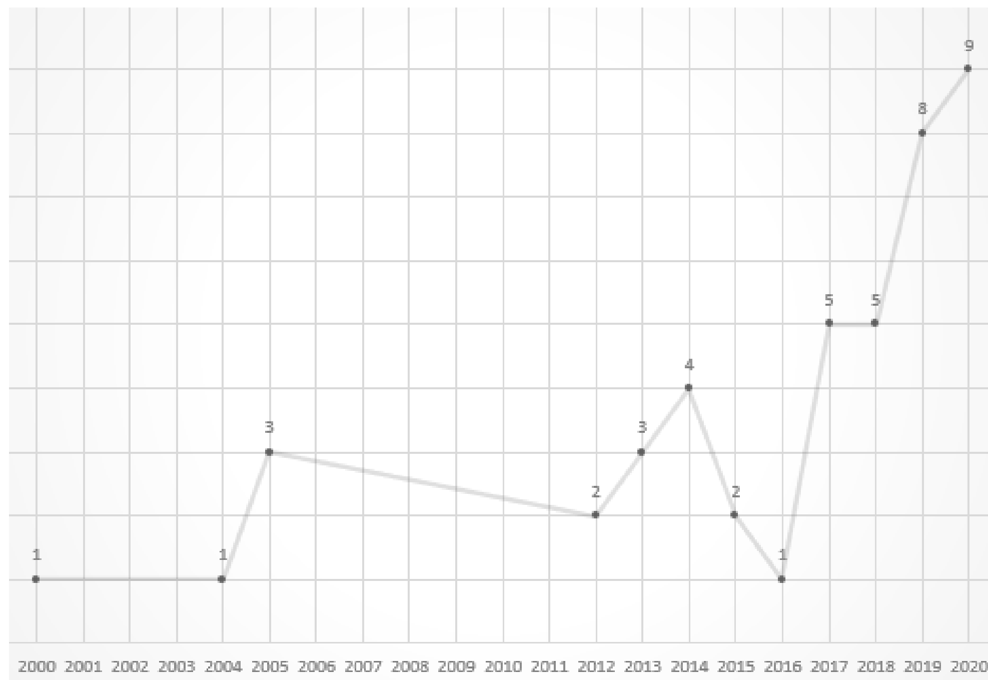
To investigate the development of research level and the main research fields of academic literature, the thesis provides at first a systematic overview, highlighting evidences with descriptive statistics and graphics. Then, papers are divided and investigated according to different categories.

3.2.1. How non-financial risk disclosure is developing in the academic research?

The results of the research derive from a final number of 44 papers published in a time ranging between 2000 and 2020. As Figure 1.1 shows, the attention related to this subject developed in the latest years only, specifically the amount of studies increased significantly starting with 2012, when papers related to non-financial risk disclosure begin to be published annually. According to the literature review, before 2012 studies related to this subject are only 5 and their publication was inconstant over the time with focus only in 2000 (1), 2004 (1) and 2005 (3). An additional interpretation of the 2012 key figure may be trace to the increased interest of the matter after the financial crisis of the 2009.

As mentioned before, from 2012 the publications of papers are annual. Specifically, Figure 1.1 evidences the increasing number of papers until, in 2014 the trend starts to be reversed and the number of studies decrease significantly the two years later. Then, from 2016 the tendency exploded with an exponential growth of the studies. In one year only (2016-2017), the number of publications quintuples, maintaining the same trend also for the next year (2018). Finally, the inclination of the last two years (2019-2020) increased even more, arriving in 2020 to almost double the result of the publication in 2018. The trend clearly demonstrates the newness of the topic.

Figure 1.1. Publications per year.



About the classification of the sample in terms of reliability of the publication’s journal, as previous paragraphs mentioned, the study selects only papers published by high quality journals belonging to the ABS 2018 ranking. In parallel, the analysis examined also publications that do not have a ranking score in ABS guide. These studies, related to non-financial risk disclosure, were considered for the study, but excluded from the systematic literature review. In the international classification of ABS, the analysis of the journal shows: 25% belongs to the lower class (ABS-1), 48% to the second (ABS-2), 20.5% to the third category (ABS-3) and the 4.5% (4 papers) to the higher class of publication (ABS-4). The residual percentage of 2% represents one paper only that is ranked in the top 4* US journal *Management Science*. See Figure 1.2.

Figure 1.2. Publications according to ranking ABS 2018

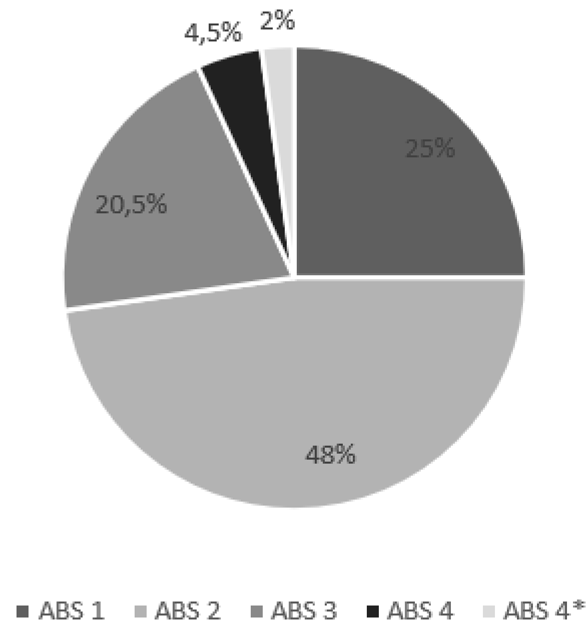
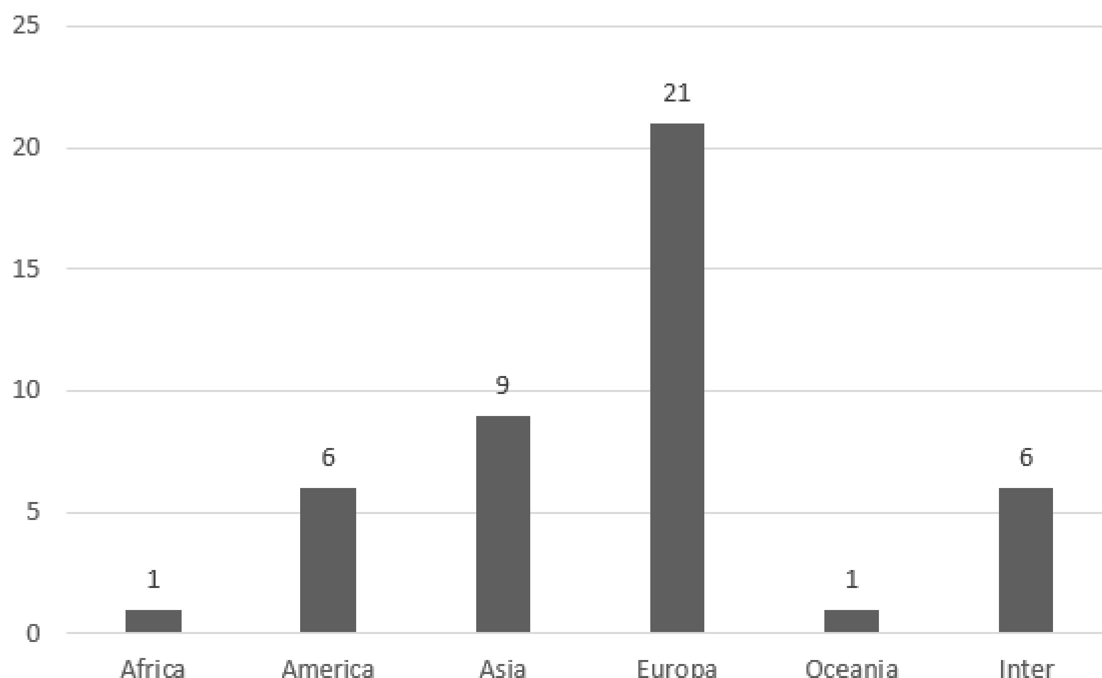


Figure 1.3. provides evidences of geographic characteristics, as journal location, location of the first author's affiliation and the location of the studies' context. To simplify the readability of the results, the study classified countries according to the 5 continents: Europe, America, Asia, Africa and Oceania. In details, the filter of the first author's geographic affiliation shows that more than the half of the papers (24) were published by authors from Europe, followed by Asia (8), America (5), Oceania (5) and Africa (2). Analysing the geographical contexts of the studies (Fig.1.3), the results are similar to the ones of the geographic affiliation of the authors. The study reflects even in this case the dominance of European cases (21), highlighting a particular attention to the Italian context (10). Europe is followed by Asia (9) with an attractive role of Malaysia and China, America (6) with almost all studies focusing on the US and Canada setting, Oceania (1) and finally Africa (1). It's possible to notice that despite the greater interest of authors in Oceania universities, the same context is much less considered in academic studies. It's evident that the matter attracts interests, but it lacks in its own evaluation. In

assessing the studies' contexts, the analysis also inserted one additional category to comply with studies that could not be classify in the continent groups. Specifically, it is related to the intercontinental studies (6) that analyse companies or contexts that belong to the different continents.

Figure 1.3. Publications per investigated context

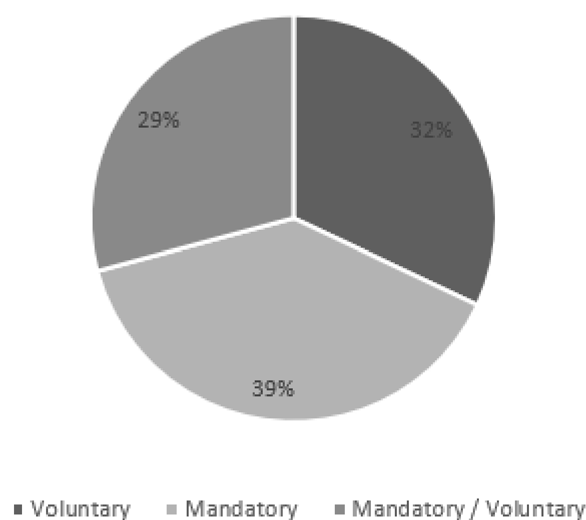


Examining the methodological approach of the sample, evidence shows that the great majority of the studies had adopted a quantitative approach (39), while the ones that deal with the matter using a qualitative method are a tiny minority (4). Among the 44 articles, only one chose a mixed approach, by adopting both quantitative and qualitative measures.

Data on risk disclosure may be also classified according to the regulatory framework of the practices. The options considered in the analysis are: mandated risk disclosure framework, that only includes papers that consider the disclosure information in a mandatory context; voluntary disclosure context, in which studies analyse the extent of

the disclosure submitted to a voluntary regime; voluntary-mandatory framework that involve the interaction of both voluntary and mandatory regime of information disclosure. As Figure 1.4. shows, the majority of articles analyses mandatory risk disclosures (39%), even if percentage of studies related to voluntary regimes is not so far from the previous one (32%), demonstrating a continued interest of the voluntary contexts, despite the increasing mandatory regulations on such topic. Finally, a minority percentage (29%) studies the relation between the two regimes, often by comparing the results after the introduction of a new regulation.

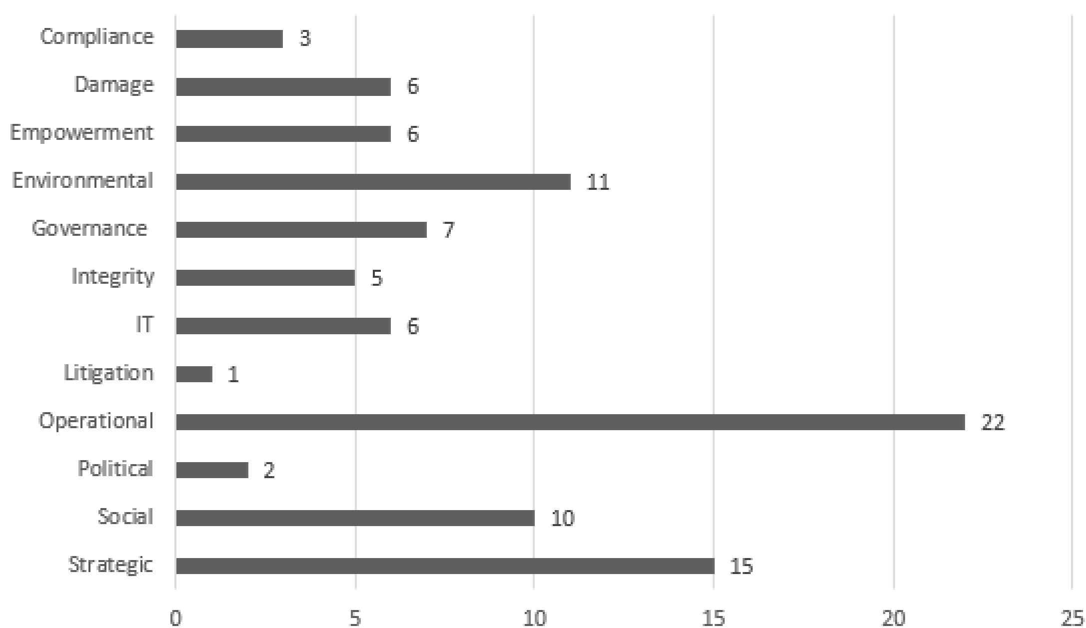
Figure 1.4. Publications per informative regime



The last analysis generated by the systematic literature review regards the type of non-financial risk disclosed in the papers. Results seen in Figure 1.5. show the several typologies of risk categories emerged from the analysis of the papers. Specifically, the graph evidences the number of studies in which the specific risk appears. Before the results' presentation, it's fundamental to highlight that 8 papers of the sample do not provide a significant explanation of risks considered in the studies by including all factors

in one group. Data is therefore presented in Figure 1.5. considering only the 36[57] papers that specifically categorize the risk typologies. Results show that the operational risk is the main non-financial risk's category disclosed in the papers (22), followed by strategic risk (15), environmental risk (11), social risk (10), governance risk (7), information processing and technology risk (6), damage risk (6), empowerment risk (6), integrity risk (6), compliance risk (3) and litigation risk (1). It's interesting to notice that 5 papers apply the categorization based on Linsley and Shrives' model (2006), proposing five types of non-financial risk areas, including operation, empowerment, IT, integrity and strategic risk. The historical tendency of including operational and strategic risks in non-financial risk disclosures still appear dominant, but it also seems that an increasing interest in environmental, social and governance matters is developing.

Figure 1.5. Number of papers including risk typology



[57]This value derives from the total sample (44) of the systematic literature review subtracted by studies that do not mention specific risk's categories (8).

3.2.2. The main research streams investigated

In the following section will be presented a review of the selected sample (44 papers). Papers are divided into three main categories according to the main focus of the research. The study presents studies according to the date of publication, in order to provide a chronological sense and development of the matter.

Table 1.1. Streams of the research synthesis

	Determinants	Practices	Regulation
Number of papers	**12** **(27%)**	**17** **(39%)**	**15** **(34%)**

3.2.2.1. Determinants of risk disclosure

The first stream regards studies related to the investigation of non-financial risk disclosure's determinants. Martikainen *et al.* (2015)[58] provide an analysis of Finnish context with the aim to identify the impact of some novel corporate governance-related factors on firm risk disclosures. Rather than focusing on providing limited view of the board characteristics impact, authors demonstrated specific board's members evidences. Results show that the wealth of non-executive board members is positively associated with the company's risk disclosure levels, while their salary-factor is negatively associated with company's disclosure level. This finding may suggest a moral hazard problem for the high-compensated members. Moreover, the analysis evidence that board members' experience, persistence and long-sighted interest in the firm is negatively associated with the company's risk disclosure level and coverage:

[58] MARTIKAINEN, M., KINNUNEN, J., MIIHKINEN, A., & TROBERG, P. (2015). Board's financial incentives, competence, and firm risk disclosure. *Journal of Applied Accounting Research*, *16*(3), 333–358.

Finally, authors demonstrated also how the education level of the non-executive board members is negative associated with the coverage of risk disclosure, because of the capability to identify the most relevant issues in the firm's risk disclosure.

Moumen *et al.* (2015)[59] studied the value relevance of non-financial risk disclosures in annual reports investigating the emerging market of the Middle East and North Africa area. Specifically, it focuses on whether assessing value-relevance of risk disclosure information for investors in the prediction of future earnings. Evidences find a positive relationship between the voluntary risk information disclosures and the market ability to anticipate future earnings change demonstrating the usefulness of risk disclosure role in company's annual reports.

The following year, Nahar *et al.* (2016)[60] publish a study to investigate the relationship among corporate risk disclosure, cost of equity capital and performance in the banking sector of a developing country as Bangladesh. Paper treats the voluntary adoption of International Financial Reporting Standard 7- Financial Instruments: Disclosures and Basel II: Market Discipline. Findings show a negative association between the cost of capital and the risk disclosures, that has an inverse relationship with the companies' performances.

In 2018, Bravo[61] proposed an analysis of the association between the board diversity and the disclosure of information on financial and non-financial risks within listed companies. Results evidence that diversity intended as gender and ethnic diversity in

---

[59] MOUMEN, N., BEN OTHMAN, H., & HUSSAINEY, K. (2015a). The value relevance of risk disclosure in annual reports: Evidence from MENA emerging markets. *Research in International Business and Finance, 34,* 177-204

[60] NAHAR, S., AZIM, M., & ANNE JUBB, C. (2016). Risk disclosure, cost of capital and bank performance. *International Journal of Accounting & Information Management*, *24*(4), 476–494.

[61] BRAVO, F. (2018). Does board diversity matter in the disclosure process? An analysis of the association between diversity and the disclosure of information on risks. *International Journal of Disclosure and Governance*, *15*(2), 104–114.

the boards positively impacts the disclosure of information on risks, while the age diversity of the members seems to do not influence the disclosure' practices.

Elgammal et al.[62] (2018) study is focused on the disclosure of forward-looking information only and its determinants. Paper does not specifically explain the typology of non-financial risk considered in the analysis, but it simply groups all cases in one broad category. Contrary to previous studies, board size has a negative impact on the disclosure of forward-looking disclosure information, while the foreign ownership companies tend to disclose more. Authors also find evidences of negative relationship between the risk disclosures and both the number of the board's non-executive members and the duality role of the company's CEO. Finally, companies belonging to financial sector are identified as the ones that tend to disclose less forward-looking information.

Kamaruzaman *et al.*[63] (2019) face risk disclosure subject in the regulated context of Malaysia by adopting the model proposed by Linsley and Shrives' (2006) and dividing non-financial risks in 5 specific areas. It specifically focuses on the ownership structure and the value of firms. Firstly, it states a positive association with institutional ownership, rather than family or managerial ones. The part that differs to the previous literature regards the link between risk reporting practices and the firm value. Authors found a negative association between the regulated risk disclosure and firm value. Reasons behind these results may state in the lack of usefulness of risk information provided by

[62]ELGAMMAL, M. M., HUSSAINEY, K., & AHMED, F. (2018). Corporate governance and voluntary risk and forward-looking disclosures. *Journal of Applied Accounting Research*, *19*(4), 592–607.
[63]KAMARUZAMAN, S. A., ALI, M. M., GHANI, E. K., & GUNARDI, A. (2019). Ownership structure, corporate risk disclosure and firm value: a Malaysian perspective. *International Journal of Managerial and Financial Accounting*, *11*(2), 113.

companies, not detailed and provided just to comply with national regulation, causing an adverse effect on firm value.

Kang and Gray[64] (2019) analyse the aspect of geographic disclosure aggregation of multinationals, considering the level of country-specific risks of the contexts in which they operate. In case of British multinationals, they are less likely to voluntarily report political risk information on a disaggregated country-by-country basis.

Elamer[65] (2019) with his study on the multi-layer governance mechanisms provides interesting evidences. Results state that the presence of a supervisory board is positively associated with the extent of risk disclosure provided by companies. Furthermore, at a country-level, findings provide evidences that the control of corruption practices positively affects the level of ban risk disclosures. A multi-layer mechanism and a diversified control structure lead to a higher level of risk reported by firms.

The paper - authored by Kouloukoui *et al.*[66] (2019) - measures the extent and the content of climate risk disclosure only and testing the potential relationships between the level of climate risk disclosures and corporation characteristics. Focusing con corporate climate risk disclosure authors found positive relationships with firms' characteristics as size, financial performance and country origin. Thus, in line with legitimacy theory and previous literature. On the other side, results show a negative association with the level of indebtedness, stating that firms with greater indebtedness tend to disclose less information.

---

[64]KANG, H., & GRAY, S. J. (2019). Country-specific risks and geographic disclosure aggregation: Voluntary disclosure behaviour by British multinationals. *The British Accounting Review*, *51*(3), 259–276.
[65]ELAMER, A. A., NTIM, C. G., ABDOU, H. A., ZALATA, A. M., & ELMAGRHI, M. (2019). The impact of multi-layer governance on bank risk disclosure in emerging markets: the case of Middle East and North Africa. *Accounting Forum*, *43*(2), 246–281.
[66]KOULOUKOUI, D., SANT'ANNA, Â. M. O., DA SILVA GOMES, S. M., DE OLIVEIRA MARINHO, M. M., DE JONG, P., KIPERSTOK, A., & TORRES, E. A. (2019). Factors influencing the level of environmental disclosures in sustainability reports: Case of climate risk disclosure by Brazilian companies. *Corporate Social Responsibility and Environmental Management*, *26*(4), 791–804.

The last two papers of this section do not provide any new evidences but confirm previous studies' findings and literatures. Furthermore, the studies consider in the analysis both financial and non-financial risk factors. The Malaysian studies of Alshirah *et al.* (2020)[67], investigate the relationship of board's characteristics and corporate risk disclosure. The results confirm the negative association with CEO duality and the positive relationship of the board expertise. Finally, Regruera-Alvarado, Bravo-Urquiza[68] (2020) analyse the impact of board diversity on financial outcomes, confirming a positive association between the level of risk disclosure and the board diversity, intended as gender and ethnicity heterogeneity.

Finally, one article aims to analyse not only the determinants of risk disclosure, but also it verifies the practices of the communication's process. Elshandidy et al.[69] (2018) investigate the main drivers for risk disclosure quality, studying the impact of such disclosure on market liquidity in financial firms listed on the SSE A-shares market. The paper identified for the analysis both financial and non-financial risks, specifically focusing on damage risks. In addition to results that again confirm previous studies (as the significance of firms' size), the study proves the impact of risk disclosure quality on market liquidity for Chinese financial firms.

[67]ALSHIRAH, M. H., ABDUL RAHMAN, A., & MUSTAPA, I. R. (2020). Board of directors' characteristics and corporate risk disclosure: the moderating role of family ownership. *EuroMed Journal of Business*, *15*(2), 219–252.
[68] REGUERA-ALVARADO, N., & BRAVO-URQUIZA, F. (2020). The impact of board diversity and voluntary risk disclosure on financial outcomes. A case for the manufacturing industry. *Gender in Management: An International Journal*, *35*(5), 445–462.
[69]ELSHANDIDY, T., NERI, L., & GUO, Y. (2018). Determinants and impacts of risk disclosure quality: evidence from China. *Journal of Applied Accounting Research*, *19*(4), 518–536.

Table 1.3. Publications regarding disclosure's determinants

N	Authors (Year)	Title	Journal (ABS Ranking)	Methodology	Type of non-financial risk	Regime
1	Martikainen *et al.* (2015)	Board's financial incentives, competence, and firm risk disclosure: Evidence from Finnish index listed companies	Journal of Applied Accounting Research (2)	Quantitative	Strategic, Operational, Damage	Mandatory
2	Moumen *et al.* (2015)	The value relevance of risk disclosure in annual reports: Evidence from MENA emerging markets	Research in International Business and Finance (2)	Quantitative	Operations, Empowerment, Information processing and technology, Integrity, Strategic	Voluntary
3	Nahar *et al.* (2016)	Risk disclosure, cost of capital and bank perfomance	International Journal of Accounting and Information Management (2)	Quantitative	Not specified	Voluntary
4	Bravo (2018)	Does board diversity matter in the disclosure process? An analysis of the association between diversity and the disclosure of information on risks	International Journal of Disclosure and Governance (2)	Quantitative	Not specified	Voluntary
5	Elshandidy *et al.* (2018)	Determinants and impacts of risk disclosure quality: evidence from China	Journal of Applied Accounting Research (2)	Quantitative	Damage	Mandatory
6	Elgammal *et al.* (2018)	Corporate governance and voluntary risk and forward-looking disclosure	Journal of Applied Accounting Research (2)	Quantitative	Not specified	Voluntary

7	Kamaruzaman *et al.* (2019)	Ownership structure, corporate risk disclosure and firm value: A Malaysian perspective	International Journal of Managerial and Financial accounting (2)	Quantitative	Empowerment, Operation, Processing and technology, Strategic, Integrity	Voluntary
8	Kang, Gray (2019)	Country-specific risks and geographic disclosure aggregation: Voluntary disclosure behaviour by British multinationals	British Accounting Review (3)	Quantitative	Political	Voluntary
9	Elamer (2019)	The impact of multi-layer governance on bank risk disclosure in emerging markets: the case of Middle East and North Africa	Accounting Forum (3)	Quantitative	Operational, Strategic	Voluntary / Mandatory
10	Kouloukoui *et al.* (2019)	Factors influencing the level of environmental disclosures in sustainability reports: Case of climate risk disclosure by Brazilian companies	Corporate Social Responsibility and Environmental Management (1)	Quantitative	Environmental	Voluntary
11	Alshirah *et al.* (2020)	Board of directors' characteristics and corporate risk disclosure: the moderating role of the family ownership	EuroMed Journal of Business (1)	Quantitative	Operational, Strategic, Empowerment, Information processing and technology, Integrity	Voluntary / Mandatory
12	Regruera-Alvarado, Bravo-Urquiza (2020)	The impact of board diversity and voluntary risk disclosure on financial	Gender in Management (1)	Quantitative	Operational, Strategic	Voluntary

		outcomes. A case for the manufacturing industry				

3.2.2.2. Practice of risk disclosure

The second block examines papers that analyse non-financial risk disclosures practices. Specifically, it focuses on the effects and outcomes emerged from disclosure practices made by companies. Furthermore, papers collected in this stream focus on both financial and non-financial risks for their analysis, except for Mio (2013), D'onza (2017), Baret and Helfrich (2019) that specifically base studies on non-financial risks disclosures. The first paper regarding practices of risk disclosure by Beretta and Bozzolan (2004)[70] provides a framework of the analysis for both financial and non-financial risk communication. It elaborates an index to measure the quality of the risk disclosure level, and through the study it states that size and industry typology do not influence the quality of the disclosure practices.

To argue the advancing of corporate responsibility, a general perspective of the practices is proposed by Warhurst (2005), who specifically focuses on trends within corporate social responsibility fields, drawing an empirical research on stakeholder demands. New multi-stakeholder governance standards developed, encouraging business re-invention "as a 'force for positive good' in society".[71]

The focus on CSR remains broad also in Perrini (2005)'s study, that focuses on an overview of non-financial disclosure provided by companies on corporate social responsibility matter. The analysis identifies the seven major topics that lead to draw

[70]BERETTA, S., & BOZZOLAN, S. (2004). A framework for the analysis of firm risk communication. *The International Journal of Accounting*, *39*(3), 265–288.

[71] WARHURST, A. (2005). Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership. *Futures*, *37*(2–3), 151–168. (p.2)

the disclosure portrait: “operational efficiency, maximum safety, environmental protection, quality and innovation, open dialogue, skill development and responsible citizenship”.[72]

Lajili and Zéghal (2005)[73] present insights into the risk disclosure's practice defining its environment, characteristics and the level of usefulness for the firms' stakeholders. Analysing the Canadian context, authors find a high degree of risk disclosure intensity for both mandatory and voluntary risk disclosures. Despite this result, the usefulness of the disclosure practices loses its potential due to lack in uniformity, clarity and quantification.

Few years later, Mio and Venturelli (2013)[74] proposed an analysis of quoted companies to address the sustainability-related issues in their reports, analysing different territorial context and whether it may affect the qualitative aspect of non-financial disclosures. In the section of potential risks, for employees, environment and risk components, the study finds different level of compliance and reveal a positive association between size and environmental disclosures.

UK context also attracts Abraham and Shrives (2014)[75] interest as they execute an analysis that prove the symbolic rather than substantive essence of disclosures by company's managers. Authors argue that institutional elements and proprietary costs have an important role towards the effective disclosures of information by companies.

---

[72]PERRINI, F. (2005). Building a European Portrait of Corporate Social Responsibility Reporting. *European Management Journal*, *23*(6), 611–627. (p.1)

[73]LAJILI, K., & ZÉGHAL, D. (2005). A Content Analysis of Risk Management Disclosures in Canadian Annual Reports. *Canadian Journal of Administrative Sciences / Revue Canadienne Des Sciences de l'Administration*, *22*(2), 125–142.

[74]MIO, C., & VENTURELLI, A. (2012). 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), 340–358.

[75]ABRAHAM, S., & SHRIVES, P. J. (2014). Improving the relevance of risk factor disclosure in corporate annual reports. *The British Accounting Review*, *46*(1), 91–107.

Bao and Datta (2014)[76] decide to face risk disclosure developing an allocation model and its learning algorithm to discover and quantify risk types through a textual analysis. Results show that the disclosure of risk types does not necessarily improve the risk perception of investors, in accordance to their nature: systematic and liquidity risks do increase investors' risk perceptions, while unsystematic risks tend to decrease them.

In analysing the time perspective of the risk disclosure, Adelopo (2017)[77] explores the non-financial risk disclosures of four British companies to identify the relationship of this factor with the current and future firm performance. Author finds a significant negative relationship with the extent of historic narrative disclosures, while a positive association is found with forward looking narrative risk disclosures. A more future-time-perspective in disclosing risk tends to positively influence the current and future firms' performances.

Analysing Italian context, D'onza *et al.* (2017)[78] focus on a specific category of non-financial disclosure: the anticorruption. The analysis evidences that more external directors in the governance structure may increase the pressure on managers to publish information about anticorruption. Moreover, the firm's size seems to be significant in the propensity to disclose information about action to mitigate corruption risk.

Tan *et al.*[79] (2017) analyse the impact of textual financial and non-financial risk disclosure on the volume of firm information included into share prices. First, authors prove the inversely association of the stock price synchronicity with the extent of risk information disclosure, confirming risk disclosure to be useful and informative for

---

[76]BAO, Y., & DATTA, A. (2014). Simultaneously Discovering and Quantifying Risk Types from Textual Risk Disclosures. *Management Science*, *60*(6), 1371–1391.

[77]ADELOPO, I. (2017). Non-Financial Risk Disclosure: The Case of the UK's Distressed Banks. *Australasian Accounting, Business and Finance Journal*, *11*(2), nd.

[78]D'ONZA, G., BROTINI, F., & ZARONE, V. (2016). Disclosure on Measures to Prevent Corruption Risks: A Study of Italian Local Governments. *International Journal of Public Administration*, *40*(7), 612–624.

[79]TAN, Y., ZENG, C. C., & ELSHANDIDY, T. (2017). Risk disclosures, international orientation, and share price informativeness: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, *29*, 81–102.

investors. The study introduces also the topic of the firm's orientation by demonstrating that internationally oriented firms are statistically and economically more inclined to disclose risk factors rather than the domestically oriented ones.

Wang *et al.* (2017)[80] return to the subject of risk disclosure related to its impact on analyst forecast accuracy. The study confirms the thesis according to which analyst forecast accuracy increases with greater risk disclosures by companies. These results are more significant in case higher auditing quality and earnings quality, better corporate governance and companies having a good internal and external governance structures

The study of Malafronte *et al.*[81] (2018) faces the risk disclosure subject applied to the insurance sector only. The paper analyses whether the disclosure practices affect stock return volatility and the impact on the companies' value. Results show that higher value of risk disclosures leads to higher volatility, suggesting, disagreeing with previous studies, that "less is more" rather than "more is good". On the other side, greater risk disclosures value is found to be positively associated with embedded value, contributing to higher firm value. Evidences are probably specifically connected with the particularity of the sector considered in the analysis.

Wasiuzzaman *et al.*[82] (2018) focus their study's attention on the impact of firms' risk disclosure on the initial returns of initial public offerings (IPOs). Results show a direct and highly significant relationship between the IPO initial returns and the practice of risk disclosure by companies, particularly the category of investment risk.

---

[80]WANG, X., LI, Y., & XIAO, M. (2017). Do risk disclosures in annual reports improve analyst forecast accuracy? *China Journal of Accounting Studies*, *5*(4), 527–546.

[81]MALAFRONTE, I., STARITA, M. G., & PEREIRA, J. (2018). The effectiveness of risk disclosure practices in the European insurance industry. *Review of Accounting and Finance*, *17*(1), 130–147.

[82]WASIUZZAMAN, S., YONG, F. L. K., SUNDARASEN, S. D. D., & OTHMAN, N. S. (2018). Impact of disclosure of risk factors on the initial returns of initial public offerings (IPOs). *Accounting Research Journal*, *31*(1), 46–62.

Dumay and Hossain (2019)[83], analysing Australian context, investigate the extent of economic, environmental and social sustainability risk disclosures. Results state that companies generally comply with the regulation, and annual reports remain the main tool to disclose sustainability risks to stakeholders, followed by sustainability reports, website, annual reviews and corporate governance statements. Furthermore, firms tend to disclose more economic sustainability risks rather than environmental or social risks. Gao *et al.* (2019)[84] analysing the Chinese framework, found that substantial warnings of risks can significantly improve corporate bond credit spreads, while state-owned rights tend to weaken this effect. Practice of risk disclosure increases investor's heterogenous beliefs and its credibility is greater when the textual disclosures are more pessimistic and different to those of the previous years.

Baret and Helfrich (2019) investigate pitfalls and also the dilemma related to the practice of non-financial reporting. They evidence the constraints that the matter has to face, calling them "trilemma": "(i) the constraint linked to the complexity, the irreducibility and the scalability of corporate social responsibility, (ii) the constraint linked to the inherent stakes of non-financial reporting, (iii) the constraint linked to company expectations".[85]

The last paper of the "practices" stream published by Gutherie *et al.* (2020)[86]treats again the Italian case, providing new evidences disagreeing with previous literature. In understanding the level and the feature of risk disclosure in companies' integrated reports, authors state that the multidimensional approach of IR stimulates firms in

---

[83]DUMAY, J., & HOSSAIN, M. D. A. (2018). Sustainability Risk Disclosure Practices of Listed Companies in Australia. *Australian Accounting Review*, *29*(2), 343–359.

[84]GAO, X., WANG, X., & TIAN, F. (2019). Do significant risk warnings in annual reports increase corporate bond credit spreads? Evidence from China. *China Journal of Accounting Research*, *12*(2), 191–208.

[85] BARET, P., & HELFRICH, V. (2019). The "trilemma" of non-financial reporting and its pitfalls. *Journal of Management and Governance*, *23*(2), 485–511. (p.1)

[86]GUTHRIE, J., MANES ROSSI, F., ORELLI, R. L., & NICOLÒ, G. (2020). Investigating risk disclosures in Italian integrated reports. *Meditari Accountancy Research*, *28*(6), 1149–1178.

disclosing broader risk information, overcoming constraints of traditional annual report. An important finding relates to the distribution of risk information within the integrated reports, rather than the creation of a specific section, connecting and incorporating risk disclosures in sections devoted to capitals and corporate sustainability. Furthermore, the analysis sustains the embracing of “bigger” risk, including risks related not only to traditional informative, but also to the environment and the society. Finally, the visual component is widely adopted to improve the readability and the understanding of the information disclosed.

Table 1.2. Publications regarding disclosure’s practices

N	Authors (Year)	Title	Journal (ABS Ranking)	Methodology	Type of non-financial risk	Regime
1	Beretta, Bozzolan (2004)	A framework for the analysis of firm risk communication	International Journal of Accounting (3)	Quantitative	Technlogical, Organizational, Strategic, Environmental, Social, Political	Voluntary
2	Warhurst (2005)	Future roles of business in society: The expanding boundaries of corporate responsibility and a compelling case for partnership	Futures (2)	Qualitative	Not specified	Voluntary / Mandatory
3	Perrini (2005)	Building a European portrait of corporate social responsibility reporting	European Management Journal (2)	Quantitative	Social, Environmental, Strategic, Operational	Voluntary
4	Lajili, Zéghal (2005)	A content analysis of risk management disclosures in canadian annual reports	Canadian Journal of Administrative Sciences (2)	Quantitative	Political, Technological, Environmental	Voluntary / Mandatory
5	Mio, Venturelli (2013)	Non-financial information about	Corporate Social Responsibilit	Quantitative	Safety, Environmental	Voluntary / Mandatory

		sustainable and environmental policy in the annual reports of listed companies: evidence from Italy and the UK	y and Environmental Management (1)			
6	Abraham, Shrives (2014)	Improving the relevance of risk disclosure in corporate annual reports	British Accounting Review (3)	Quantitative	Operational, Strategic	Voluntary
7	Bao, Datta (2014)	Simultaneously discovering and quantifying risk types from textual risk disclosures	Management Science (4*)	Mixed	Operational	Mandatory
8	Adelopo (2017)	Non-financial risk disclosure: The case of the UK's	Australasian Accounting, Business and Finance Journal (1)	Quantitative	Not specified	Mandatory
9	D'onza *et al.* (2017)	Disclosure on measures to prevent corruption risks: a study of Italian Local Governments	International Journal of Public Administration (2)	Quantitative	Anti-corruption	Voluntary / Mandatory
10	Tan *et al.* (2017)	Risk disclosures, international orientation, and share price informativeness: Evidence from China	Journal of International Accounting, Auditing and Taxation (3)	Quantitative	Operational	Voluntary
11	Wang *et al.* (2017)	Do risk disclosures in annual reports improve analyst forecast accuracy?	China Journal of Accounting Studies (1)	Quantitative	Operational	Voluntary
12	Malafronte *et al.* (2018)	The effectiveness of risk disclosure practices in the European insurance industry	Review of Accounting and Finance (2)	Quantitative	Operational, Other	Voluntary

13	Wasiuzzaman *et al.* (2018)	Impact of disclosure of risk factors on the initial returns of initial public offerings (IPOs)	Accounting Research Journal (2)	Quantitative	Operational, Strategic, Social, Environmental	Mandatory
14	Dumay, Hossain (2019)	Sustainability Risk Disclosure Practices of Listed Companies in Australia	Australian Accounting Review (2)	Quantitative	Social, Environmental	Voluntary / Mandatory
15	Gao *et al.* (2019)	Do significant risk warnings in annual reports increase corporate bond credit spreads? Evidence from China	China Journal of Accounting Research (2)	Qualitative	Operational	Mandatory
16	Baret, Helfrich (2019)	The "trilemma" of non-financial reporting and its pitfalls	Journal of Management and Governance (1)	Qualitative	Intellectual, Human, Social, Natural	Mandatory
17	Gutherie *et al.* (2020)	Investigating risk disclosure in Italian integrated reports	Meditari Accountancy Research (1)	Quantitative	Operational, Empowerment, Information processing and technology, Integrity, Strategic	Voluntary / Mandatory

3.2.2.3. Adoption of risk disclosure's regulation

The last group of studies refers to works related to the investigation of risk disclosure focusing on the adoption of regulation.

The first paper of the category is the oldest of the entire systematic literature review. Solomon *et al.* (2000) proposed an analysis of the UK providing a framework for the adoption of risk disclosure practices, and also evaluating the perception of institutional investors. Findings show that "institutional investors do not generally favour a regulated environment for corporate risk disclosure or general statement of business risk, and

whose perceptions are related to the investment horizons. Respondents agree that increased risk disclosure would help them in their portfolio investment decisions".[87]

The Italian context investigated by Greco (2012) is found to do not change with the introduction of new mandatory disclosure. In fact, managers use the discretion and maintain their policies, avoiding the disclosure of interesting information for external users. Despite of the regulations, managers appear to focus on their self-interest, "protecting themselves to potential litigation, competitive costs and possible decreases in the firm's value".[88]

Analysing the impact of Finnish disclosure standards under IFRS, Miihkinen (2012)[89] evidences the increase of quantity risk disclosures in terms of both extension and comprehension. However, it emerges some questions regarding the substance of disclosures provided by companies, without finding a corresponding increase in qualitative disclosures. The study also evidences important incentives in the reporting practices in addition to the coercive effect of the standard, such as firm's size, profitability, and foreign listing status.

Peters and Romi (2013) study the role and the effectiveness of environmental risk disclosure in adherence to US Securities and Exchange Commission. The results show that companies that "are more likely to disclose information are those that operate in environmentally sensitive industries, that are subject to larger penalties and are

---

[87] J.F., SOLOMON, A., SOLOMS, S.S., NORTON, N.L., JOSEPH, A Conceptual Framework for Corporate Risk Disclosure, Emerging from the Agenda for Corporate Governance Reform, The British Accounting Review, 32,4, 2000, pp. 447-478. (p.1)

[88] GRECO, G. (2012). The management's reaction to new mandatory risk disclosure. *Corporate Communications: An International Journal*, *17*(2), 113–137. (p.1)

[89]MIIHKINEN, A. (2012). What Drives Quality of Firm Risk Disclosure? *The International Journal of Accounting*, *47*(4), 437–468.

voluntarily participating in a supplemental environmental project"[90]. Finally, voluntary disclosure incentives seem to affect compliance with mandatory reporting requirements. Mokhtar and Mellett (2013)[91] investigate the Egyptian context, suggesting a low extent of compliance with mandatory risk reporting requirements and a low level of voluntary reporting too. Furthermore, through the empirical analysis, they evidence how the tendency seems to be more oriented in backward-looking and qualitative disclosures rather than to forward-looking and quantitative risk disclosure.

Maffei *et al.* (2014)[92] focus on the specific Italian bank sector, investigating the characteristics of risk disclosure information and their compliance with the instructions of the Bank of Italy. Italian banks formally comply with the instruction provided by Bank of Italy instruction, but it appears a discretion in choosing the characteristics of the disclosures' information. Despite the risk categories chosen by firms in their reports, the disclosure is quite uniform.

Campbell *et al.* (2014)[93] detected the content of mandatory risk factor disclosures in corporate filings and found that in disclosure practices, firms facing greater risk tend to disclose more risk factors and devoting greater extent of disclosures towards the type of risk the firm may face.

Cordazzo et al. (2017) face a comparative study, highlighting the interaction between mandatory and voluntary risk disclosures in different Countries and whether this interaction is influenced by different risk regulatory regimes. Findings show "that a

---

[90]PETERS, G. F., & ROMI, A. M. (2013). Discretionary compliance with mandatory environmental disclosures: Evidence from SEC filings. *Journal of Accounting and Public Policy*, *32*(4), 213–236. (p.1)
[91]SAID MOKHTAR, E., & MELLETT, H. (2013). Competition, corporate governance, ownership structure and risk reporting. *Managerial Auditing Journal*, *28*(9), 838–865.
[92]MAFFEI, M., ARIA, M., FIONDELLA, C., SPANÒ, R., & ZAGARIA, C. (2014). (Un)useful risk disclosure: explanations from the Italian banks. *Managerial Auditing Journal*, *29*(7), 621–648.
[93]CAMPBELL, J. L., CHEN, H., DHALIWAL, D. S., LU, H.-, & STEELE, L. B. (2013). The information content of mandatory risk factor disclosures in corporate filings. *Review of Accounting Studies*, *19*(1), 396–455.

complementary effect between mandatory and voluntary regime exists in each national jurisdiction. This effect does not seem to depend on the presence of national risk rules (Germany and the US) as against national risk guidelines (France and the UK). Analysing the extent of such effect, Germany represents the greater degree of complementing mandatory with voluntary risk disclosures”.[94]

Dumay *et al.* (2019)[95] propose an examination of the gap between reporting practices and the managers’ attitude towards current intellectual capital disclosure practice and research. Authors argue that increasing, renewing or extending the level of information disclosed is not sufficient to instil trust in corporations, and they identify in stewardship over a company’s a key element to the trust implementation of external parties.

Leopizzi *et al.* (2019)[96] investigate the level of risk disclosure of Italian companies after the introduction of the 95/2014/EU Directive, which establishes the mandated disclosure of non-financial risks information. Findings suggest that the extent of non-financial risk disclosures are better after the introduction of the new Directive, highlighting however that disclosing practices still remain anchored to past and present perspectives, rather than the future one.

The following papers were all published in 2020. It is interesting to notice that this third section of the literature review is the one that owns the greater number of publications of the most recent year.

---

[94] CORDAZZO, M., PAPA, M., & ROSSI, P. (2017). The interaction between mandatory and voluntary risk disclosure: a comparative study. *Managerial Auditing Journal*, *32*(7), 682–714. (p.1)

[95] DUMAY, J., LA TORRE, M., & FARNETI, F. (2019). Developing trust through stewardship. *Journal of Intellectual Capital*, *20*(1), 11–39.

[96] LEOPIZZI, R., IAZZI, A., VENTURELLI, A., & PRINCIPALE, S. (2019). Nonfinancial risk disclosure: The “state of the art” of Italian companies. *Corporate Social Responsibility and Environmental Management*, *27*(1), 358–368.

The study by Harper Ho (2020)[97] investigates in details US non-financial reporting practices considering American divergence and its implications for disclosures reform. Current US reporting framework under the federal security laws provide a valid foundation on which to develop a more robust and uniform standards.

Italian context is also considered by Mazzotta *et al.* (2020). Specifically, it evaluates the credibility of non-financial information provided by companies after the introduction of the EU Directive. Findings evidence that mandated non-financial disclosures tends to affect their credibility, "underlying that sector of public utilities' values are above the mean in terms of sincerity and truth dimensions".[98]

Even the next two papers consider the Italian context. The one authored by Veltri *et al.* (2020) concentrate its focus in detecting whether disclosing non-financial information may affect the levels of equity price. "Results found a positive association of the level of non-financial risks information with the firm's market value. Furthermore, findings suggest a significant mediating effect of the disclosures on the relationship between financial risks and market value"[99].

The last paper regarding Italian context is the one edited by Pizzi *et al.* (2020)[100]. The author provides a rhetorical analysis of the comply-or-explain principle introduced by the EU Directive in Italian PIEs, evaluating those factors that may affect the comply or

---

[97]HARPER HO, V. (2020). Non-Financial Reporting & Corporate Governance: Explaining American Divergence & Its Implications for Disclosure Reform. *Accounting, Economics, and Law: A Convivium*, *10*(2), nd.

[98] MAZZOTTA, R., BRONZETTI, G., & VELTRI, S. (2020). Are mandatory non-financial disclosures credible? Evidence from Italian listed companies. *Corporate Social Responsibility and Environmental Management*, *27*(4), 1900–1913. (p.12)

[99]VELTRI, S., DE LUCA, F., & PHAN, H. -. T. -. P. (2020). Do investors value companies' mandatory nonfinancial risk disclosure? An empirical analysis of the Italian context after the EU Directive. *Business Strategy and the Environment*, *29*(6), 2226–2237. (p.1)

[100]PIZZI, S., VENTURELLI, A., & CAPUTO, F. (2020). The "comply-or-explain" principle in directive 95/2014/EU. A rhetorical analysis of Italian PIEs. *Sustainability Accounting, Management and Policy Journal*, *12*(1), 30–50.

explain adoption. Results show that the principle's application has been characterised by several criticisms, considering the sector of activity and the omission's types as the factors that influence the justification adopted by companies.

The last paper by Jackson *et al.* (2020) regards the effect of non-financial disclosure on corporate social responsibility firms' activities. Considering a range of OECD companies, from the empirical analysis it emerges that "firms in countries with mandated requirement of non-financial disclosure tend to adopt significantly more CSR activities[101]". On the other side, results suggest that the implementation of non-financial disclosure regulation does not necessarily imply a lower level of corporate irresponsible behaviours.

Table 1.3. Publications regarding disclosure regulation's adoption

N	Authors (Year)	Title	Journal (ABS Ranking)	Methodology	Type of non-financial risk	Regime
1	Solomon *et al.* (2000)	A conceptual framework for corporate risk disclosure emerging from the agenda for corporate governance reform	British Accounting Review (3)	Quantitative	Not specified	Voluntary / Mandatory
2	Greco (2012)	The management's reaction to new mandatory risk disclosure: A longitudinal study on Italian listed companies	Corporate Communications (1)	Quantitative	Strategic, Operational, Reputation, Compliance	Mandatory
3	Miihkinen (2012)	What drives quality of firm risk disclosure? The impact of a national	International Journal of Accounting (3)	Quantitative	Strategic, Operational, Damage	Mandatory

[101] JACKSON, G., BARTOSCH, J., AVETISYAN, E., KINDERMAN, D., & KNUDSEN, J. S. (2019). Mandatory Non-financial Disclosure and Its Influence on CSR: An International Comparison. *Journal of Business Ethics*, *162*(2), 323–342. (p.1)

		disclosure standards and reporting incentives under IFRS				
4	Peters, Romi (2013)	Discretionary compliance with mandatory environmental disclosures: Evidence from SEC filings	Journal of Accounting and Public Policy (3)	Quantitative	Environmental	Mandatory
5	Mokhtar, Mellett (2013)	Competition, corporate governance, ownership structure and risk reporting	Managerial Auditing Journal (2)	Quantitative	Information processing and technology, Operational, Integrity, Empowerment, Strategic	Voluntary / Mandatory
6	Maffei *et al.* (2014)	(Un)useful risk disclosure: Explanations from the Italian banks	Managerial Auditing Journal (2)	Quantitative	Operational	Mandatory
7	Campbell *et al.* (2014)	The information content of mandatory risk factor disclosures in corporate filings	Review of Accounting Studies (4)	Quantitative	Litigation	Mandatory
8	Cordazzo *et al.* (2017)	The interaction between mandatory and voluntary risk disclosure: a comparative study	Managerial Auditing Journal (2)	Quantitative	Strategic, Operational, Empowerment	Voluntary / Mandatory
9	Dumay *et al.* (2019)	Developing trust through stewardship: Implications for intellectual capital, integrated reporting, and the EU Directive 2014/95/EU	Journal of Intellectual Capital (2)	Qualitative	Not specified	Voluntary / Mandatory
10	Leopizzi *et al.* (2019)	Nonfinancial risk disclosure: The "state of the art" of	Corporate Social Responsibility and Environmental management (1)	Quantitative	Compliance, Strategic, Operational, Environmental,	Mandatory

		Italian companies			Health and safety, General	
11	Harper Ho (2020)	Non-financial Reporting & Corporate Governance: Explaining American Divergence & Its Implications for Disclosure Reform	Accounting, Economics and Law: A convivium (2)	Qualitative	Environmental, Social, Governance	Mandatory / Voluntary
12	Mazzotta et al. (2020)	Are mandatory non-financial disclosure credible? Evidence from Italian companies	Corporate Social Responsibility and Environmental Management (1)	Quantitative	Environmental, Social, Governance	Mandatory
13	Veltri et al. (2020)	Do investors value companies' mandatory nonfinancial risk disclosure? An empirical analysis of the italian context after the EU Directive	Business strategy and environment (4)	Quantitative	Health and safety, Environmental, Social and employee, Human rights, Corruption and bribery	Mandatory
14	Pizzi (2020)	The "comply-or-explain" principle in directive 95/2014/EU. A rhetorical analysis of Italian PIEs	Sustainability Accounting, Management and Policy Journal (2)	Quantitative	Environmental, Social, Governance	Mandatory
15	Jackson *et al.* (2020)	Mandatory Non-financial Disclosure and Its Influence on CSR: An international Comparison	Journal of Business Ethics (3)	Quantitative	Not specified	Mandatory

3.3. Discussion

The last paragraph of this chapter aims to summarize the results emerging from the systematic literature review and to identify the gap for future research avenues. At first,

just looking to the number of the sample (44 articles), it is evident that the matter is still under-estimated among authors and journals, even if the publication-per-year trend shows an exponential growth in the latest years. The matter seems to recently attracts more and more attention in the academic world, in fact 27 papers - more than 60% - of the overall sample are published in the last 4 years (2017-2020).

About the journals that publish articles related to non-financial risks, the analysis highlights that the majority of the papers belongs to the lower classes of the ABS ranking: 25% in ABS-1, 48% in ABS-2. It could be interesting to understand the reasons behind those results, for example a possible lack of interest by editors related to this theme, or the reticence of the authors in presenting these kinds of studies to the highest class of journals. Finally, also the complexity of the matter and the difficulties in collecting data may discourage authors a priori in the studies' selection.

Considering the geographic context of the studies, findings highlight a great predominance of European studies, especially Italian ones, followed by Asia, America, Africa and Oceania. Investigation of the Oceania and Africa context are both represented by only one paper. From these results it emerges a significant issue: why do these continents seem to be less sensitive on this topic? And why do Europe, and specifically Italy, dominate in the literature context?

Oceania is an interesting case: in fact, despite the greater interest of authors in Oceania universities, the same context is much less considered in academic studies. It is evident therefore that the matter attracts interest, but it lacks in its own evaluation. A reason behind this finding may lead to the need to introduce mandatory guidelines to regulate non-financial disclosures practices. Guidelines currently underway is considered a unuseful tool to "substantially change Australian corporate reporting and disclosure

practices".[102]About Africa, the case may be redirected to emerging countries characteristics and traditions. In fact, compared to the developed country counterparts, emerging countries have witnessed varied challenges, that include 'prevalence of concentrated power in the form of widespread CEO role duality, limited board independence, and poor levels of transparency and disclosure practice'[103] with an historical tradition of secrecy.[104]

About the dominance of Europe in the literature, the adoption of the Directive 2014/95/EU has a fundamental role, even if in some countries, 'such as France, UK, Sweden, Denmark, Spain, the Low Countries and Finland, internal regulations were already in place'.[105] CSR theme was therefore present in European system even before the adoption of a common mandatory regulation. The focus on Italian context may also be due to the introduction of the Directive, but specifically could be caused by the lack of previous national regulation and leaving the practice to the discretion of each business. In this case, non-financial disclosure could have attracted more attention also for the newness and the consequent curiosity that this matter carried. These results seem to confirm the thesis according to which mandatory regulation could improve quality of non-financial reporting over the idea of a preferable regulation under voluntary regime.[106]

---

[102] DUMAY, J., & HOSSAIN, M. D. A. (2018). Sustainability Risk Disclosure Practices of Listed Companies in Australia. *Australian Accounting Review*, *29*(2), 343–359.

[103] ELAMER, A. A., NTIM, C. G., ABDOU, H. A., ZALATA, A. M., & ELMAGRHI, M. (2019). The impact of multi-layer governance on bank risk disclosure in emerging markets: the case of Middle East and North Africa. *Accounting Forum*, *43*(2), 246–281.

[104] SAID MOKHTAR, E., & MELLETT, H. (2013). Competition, corporate governance, ownership structure and risk reporting. *Managerial Auditing Journal*, *28*(9), 838–865.

[105] CAPUTO, F., LEOPIZZI, R., PIZZI, S., & MILONE, V. (2019). The Non-Financial Reporting Harmonization in Europe: Evolutionary Pathways Related to the Transposition of the Directive 95/2014/EU within the Italian Context. *Sustainability*, *12*(1), 92.

[106] CAPUTO, F., LEOPIZZI, R., PIZZI, S., & MILONE, V. (2019). The Non-Financial Reporting Harmonization in Europe: Evolutionary Pathways Related to the Transposition of the Directive 95/2014/EU within the Italian Context. *Sustainability*, *12*(1), 92.

Back to the literature review results, also the adoption of inter-continental investigation is a minority case that could be used in future for academic studies.

In terms of methodology, from the analysis it emerges that, over the overall sample, almost the 90% of the paper adopt a quantitative methodological approach and only 2 papers used both quantitative and qualitative analysis. Qualitative studies tend to be considered when authors are interested in exploring regulation framework and the main criticisms of the non-financial risks matter. Future studies are called to increase the adoption of qualitative studies in particular to investigate the managerial incentives to provide information on specific type of non-financial risks (e.g. environmental/social) and to understand how companies decide whether a specific type of risk information is relevant and material or not.

Focusing on non-financial risks investigated, findings states that the majority of risks considered as "non-financial" are, mostly represented by operational, strategic, environmental, social, governance, information processing and technology, damage and integrity risks. Operational risks dominate among categories, being present in the 61% of the studies, followed by 41,6% of strategic risks, 30,5% environmental, 29,4% social risks. Percentage of environmental and social risks are almost half compared to operational risks. For sure, the reason behind this gap is due to the more recent attention to environmental and social role in business processes. One issue that may be filled with further analysis regards this aspect: a greater attention on environmental and social risks rather than evidences that belong to the traditional economic tendency. The emergency period of pandemics COVID-19 imposes reflections regarding the topic of health and safety risks faced by communities, companies and nations. In these uncertain times, firms are called to explore new strategies and new tools to safeguard

the health and the wellbeing of employees and stakeholders, but also the business' survival. In fact, it emerges the necessity of adapting quickly the business to the market challenging also by adopting and developing appropriate digital and IT operations.

From the analysis of the disclosures' regime, it emerges that the studies' majority face the investigation in mandatory regime (39%), followed by voluntary contexts (32%) and the 29% of the sample investigates framework that embody both regimes. In recent years, the regulation and reforms regarding non-financial disclosures have been continually improved all over the world. For these reasons, it is probable that in future academic works there will be a greater attention on those contexts where the regime passed from voluntary to mandatory and the related study of the effectiveness of the regulation's implementation. Another point of interest could be the analysis of contexts where no specific regulation is still implemented, or the analysis context is based on the interaction between mandated and voluntary regime. Finally, a theme of discussion may be represented by political implication and trends towards a possible implementation of regulation to harmonized international practices.

The systematic literature review reflects three main streams of research:

- Determinants of the disclosures
- Disclosure's practices
- Adoption of disclosures' regulation

In the first category of the determinants' investigation, numerous are the hints for future studies. Considering the 12 papers of this groups, a great number examine the potential significant association between non-financial risk disclosures and factors related to the company's characteristics. The most investigated element is the firm's size, followed by the board's size, the board's diversity in terms of gender and ethnicity or the duality role

of the CEO. Some results are consistent with each other, as happened for the duality role of the CEO and the board's diversity, confirming the negative relationships between risk disclosure and the dual role of the CEO and the positive influence on the practice of an heterogenous composition of the board in term of gender and ethnicity. Instead, board's size and the firm's size do not present common results. Another topic that attracts the authors' interests is the ownership concentration. Some studies specifically provide evidences of how the ownership typology may influence the extent of risk disclosed by companies, making comparisons among familiar, managerial and institutional structures. One study also introduces the topic of the firm's orientation, demonstrating that internationally oriented firms are statistically and economically more inclined to disclose risk factors rather than the domestically oriented ones. Furthermore, the culture is investigated by papers; specifically, findings indicate that power distance is negatively associated with the disclosure of corporate risk information. The main determinants analysed in the literature review are therefore related to the board's and the board's member characteristics and the ownership structure. Considering the reduced sample, it emerges a large quantity of gaps that future research may filled. First, the poor consistency of results among studies leads to the need of comprehensions of specific context conditions and the reasons behind the different findings. The idea of the companies' culture should be also taken into consideration, analysing the risk tolerance and the risk inclination of the company to better understand its behaviours and practices. Finally, another emerging gap could be the study of a possible association between non-financial risks disclosure and financial data, by for example considering companies' financial performance or financial structure characteristics.

Secondly, the category of disclosures practices includes 17 studies that investigate general perspective of disclosing practices, or topics that lead to draw a detailed portrait. Practices of disclosures are examined in accordance with their actual usefulness, mentioning the issue related to stakeholders' credibility. Several are also the study which underline issues and dilemma of non-financial practices, especially the constraints regarding the complexity of the matter and the stakeholder expectations. Studies prove the symbolic rather than substantive essence and tendency of disclosures by company's managers and the potential decrease of usefulness due to lack in uniformity, clarity and quantification of the information. One paper analysed the degree of credibility associated to the adopted terminology, demonstrating that credibility is greater when the textual disclosures are more pessimistic and different to those of the previous years.

Discussion about practices also offers studies that investigates the impact of non-financial disclosures on economic factors such as the market liquidity, the stock return volatility, initial returns of initial public offerings (IPOs) and the prediction of futures earning. Finally, some papers also introduce the several tools used for reporting non-financial disclosures and their description, first of all integrated and sustainability reports.

From this stream of research, according also to the increasing interest over the subject, future analysis may include more specific studies on integrated reporting tools, to verify their effectiveness and also to analyse whether companies adopt them or still remain anchored to traditional practices. The other theme that deserves to be extended regards evidences on asymmetry information, in fact despite the improving of disclosure's regulations, studies still demonstrate the actual presence of this issue in business

operations. An analysis of practices and potential causes may provide useful evidences, also analysing the process of communication of the matter. Finally, to prove substantial disclosure practices it could be advisable to adopt qualitative or mixed approach in future studies.

Considering the last block of the literature review, 15 papers face the topic of the adoption of disclosures' regulation in the investigated context. Some papers state that investors do not prefer regulated contexts, or a specific risk declaration and the disclosure practices do not change with the introduction of new mandatory disclosure's regulations. Disagreeing with those results, other studies suggest the increase of information quality under regulations, even doubts regarding the actual improvement of the disclosures or rather their symbolic compliance remain. Some studies face the historical practices and the introduction of reforms in national jurisdictions, also providing principles' explanations. The most recent study states that companies that operates in mandated context, significantly adopt more CSR activities.

From result of the last stream, it emerges that literature on this theme needs more studies to evaluate the disclosure of non-financial risks when specific regulations are adopted. The small sample of papers makes useful any type of future studies regarding this aspect, to find new evidences or also to confirm previous findings. Looking at the review's results, according to the increasing attention of the matter it could be interesting to investigate the companies' margin of discretion in regulated frameworks, with the aim to understand and reduce the phenomenon of asymmetry information.

Another possible trace could be the analysis of the relevance for investors and stakeholders of the disclosure practice, investigating the role of this subject in their decision process. Finally, considered the result of Jackson *et al.* (2020) regarding a

positive association between mandatory contexts and disclosures of CSR activities, it may be interesting to study whether the implementation of non-financial disclosure's regulation may necessarily imply a lower level of corporate irresponsible behaviours, analysing corporate aspects such as corruption, bribery or pending legal procedure.

CHAPTER 4

AN EMPIRICAL ANALYSIS OF NON-FINANCIAL RISKS' DETERMINANTS

4.1. Research Questions

In all the research streams, results of the systematic literature review provide evidences on how asymmetry information is anchored in the context of non-financial risk disclosure. In fact, despite of the adoption and the improving of regulations, this phenomenon is still strongly affecting risk disclosure's practices, depending on different factors and contexts. It emerges therefore a necessity to comprehend the potential causes that may lead to this information distortion.

Analysing the specific streams of research identified in the previous literature review (*determinants, practices, adoption*), the first one related to the determinants' investigation shows a particular attention to the governance in the process of disclosing non-financial risk information. As results highlighted, findings do not provide concordant evidences. Therefore, a further analysis related to governance and companies' characteristics will be made to enrich literature on this topic. About determinants, the current study aims to fill the gap emerged through the systematic literature review with regard to the financial aspects of companies. The association that this paper will propose is related to the test of a possible correlation between the disclosure of non-financial risk information and the financial structure and performance of the companies. Looking at the gaps emerged from the second steam, the study will focus on the disclosure practices analysing the type of document used to communicate the non-

financial risks information adopted by the selected companies. It will be proposed evidences regarding the suitable methodology chosen to comply with the new regulation.

In relation to the third stream, the thesis faces the analysis of the non-financial risk disclosure in the European regulated framework. Specifically, it is analysed the second and the third fiscal year after the adoption of the EU Directive to investigate the value of a mandatory regulation and to test its effective impact on the asymmetry information reduction.

From the literature review, it emerges than almost half of the papers address the issue of non-financial risk disclosures along with financial ones, showing how the matter struggle to find an own position in the business practices. Thus, this study will conduct an empirical analysis only referring to the non-financial risk disclosures present in the companies' reports.

Then, despite of the present dominance of European investigation in literature, the study faces the analysis in this context too. In fact, the thesis aims to enlarge studies on this matter after the adoption of the mandated regime imposed by the EU Directive. What differentiate the investigation is the choice to select all companies that do belong to the same industry: fashion. Regarding the sample's identification, from the systematic literature review, it is possible to note that more than half of the cases (63.6%) face analysis on this topic by investing only listed companies, probably because of the greater ease in finding available information. Another criterion adopted in the sample's identification of previous studies (23%) is based on choosing between the two macro areas of financial and non-financial companies. From the review, it emerges that only two papers focus on one specific sector (Simone Pizzi, 2020; Nuria Regruera-Alvarado,

2020), which investigate Italian and US context respectively. Our research aims to enrich this type of study, adding a multi-national analysis by considering companies belonging to several countries of the Europe area.

4.2. States' Transposition of the EU Directive

Before starting with the description of the methodology and the presentation of the investigation's results, the study will provide some additional information regarding the actual regulated framework for States of the study's sample.

As previously mentioned, the study will focus on European firms and the time-ranging selected for the reports' analysis regards the second year – fiscal year 2018 – after the adoption of the Directive 2014/95/EU. The main objectives of the new regulation are standardising reporting practices and improving the transparency of companies' communication in the field of non-financial information. A detailed description of the Directive' s content is provided in the section 1.2 of this paper. The objective of this part is to comprehend and introduce the different frameworks adopted to comply with the EU Directive in accordance with national laws. In the text, the European Parliament specifically states that "Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 6 December 2016 (…) and applying them to all undertakings for financial year starting on 1 January 2017 or during the calendar year 2017".[107] The Directive permits state specific requirements to guarantee its adoption in national practices considering the national requirements in the field of non-financial disclosures. From the Directive, Member States acquire discretion in the imposition of state specific requirements on companies about three

[107]Directive 2014/95/EU, Article 4. (p.8)

aspects of reporting: the reporting framework (*International reporting framework, EU-based reporting framework, National reporting framework*), Disclosure format (*Managerial report, Separate report*) and Reporting content (*Safe harbour principle*). In relation to the dimensional characteristics, Member States also differ in the determination of the requirements to outline the subject of the regulation, as the definition of large undertaking and the way they consider organisation to be public interest entities. Furthermore, 'the Directive also allows Member State to define whether or not reports must be verified by an independent assurance services provider and if any penalties will be imposed upon organizations which fail to report adequately'.[108]

In general, the European Commission encourages further improvement and adoption of additional tools towards companies' transparency about non-financial information. This proposal was accepted by several Member States, for example by adapting and expanding the dimension requirements with the aim to enlarge the company's user base of the Directive.

In the table below the main details of the Directive's transposition will be presented. It will provide reference to evaluate the approach used in the transposition of the Directive 2014/95/EU in Member States legislations regarding matters subjected to the national discretion: definition of large undertakings and public interest entities, report topics and content, reporting framework, disclosure format, auditor's involvement, non-compliance penalties, adoption of safe harbour principle, diversity reporting required. Below, details on States that do take part of our analysis only.

[108] Accountancy in Europe & GRI (2017), Member State Implementation of Directive 2014/95/EU. A comprehensive overview of how Member States are are implementing the EU Directive on Non-financial and Diversity Information. www.accountancyeurope.eu/wp-content/uploads/1711-NFRpublication-GRI-CSR-Europe.pdf

Table 1.4. Member States Transposition of Directive 2014/95/EU[109]

Countries	*Definition of a Large Undertakin g*	*Definition of a Public Interest Entity*	*Report Topics and Content*	*Reporting Framework*	*Disclosure Format*	*Auditor's involvement*	*Non-compliance Penalties*	*Safe Harbour Principle*	*Diversity Reporting Required*
Austria	=	O	=	=	O	=	O	=	O
Denmark	O	O	=	O	O	O	O	X	O
Estonia	O	=	=	=	O	=	X	X	O
France	=	O	=	=	O	O	O	X	=
Germany	=	O	=	=	O	=	O	=	=
Ireland	=	=	=	=	=	=	O	=	O
Italy	=	O	=	O	O	O	O	=	=
Lithuania	=	O	O	=	O	=	O	=	O
Poland	=	O	=	O	=	=	O	=	=
Romania	O	O	O	=	=	O	O	=	=
Spain	=	O	O	O	O	=	X	=	=
Sweden	O	O	O	=	O	=	O	=	=
United Kingdom	O	=	=	=	O	O	O	=	=

Legend: = Requirements are the same as in the Directive; X Requirements have been omitted; O = Requirements have been adapted

A correct application of the sustainability standards and the reporting principles is fundamental to provide to investors reliable data as base for their decisions, but also a complete preparation of corporation's agents as managers or other stakeholders needs to be satisfy to constructively investigate non-financial risks and opportunities.

4.3. Empirical literature and Hypothesis development

In proposing hypothesis regarding non-financial risks determinants, the study relies at the literature review conducted in the previous chapter. It will propose considerations, by combining our expectation with the results of previous studies.

[109]Table retrieved by Accountancy in Europe & GRI (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. (p.10)

4.3.1. Level of risk

From gaps emerged in the literature review, the study is interested in testing an association between the disclosure of non-financial risk information and the financial characteristics of the companies. Specifically, it focused on the financial risk dimension. Among all the possible measure of companies' riskiness, the study selected to insert in the model the liquidity risk, which measures company's ability to pay debt obligations and its margin of safety. It identifies this ratio as suitable also because of the sector in which the analysis takes place. In fact, in fashion industry the liquidity and the capacity of a rapid asset's conversion is a primary necessity, especially because of the constant relations with the supply chain for materials. It emerges that in fashion, companies tend to adapt to rapid changes because their business is principally based on intangible assets such as design and marketing.[110] Furthermore, liquidity ratio may be a valid riskiness indicator also because its contribution in a potential loan application with banks or other credit institutions. Finally, liquidity ratio a useful instrument when it is used in comparative form.

It's likely to expect that companies that embodies higher financial risk tend to be more transparent also in the disclosure of non-financial risks factors. According to the legitimacy theory, manager's decision to disclose more risk-associated information leads to the reduction of investors' uncertainties. In fact, disclosure may reduce the perceived risk related as a consequence of an open disclosure strategy. A greater amount of information may incentive investors to take the risk of investing in a company whose yield is more uncertain.

[110] MUSTONEN, M., PAL, R., MATTILAA, H., & MASHKOOR, Y. (2013). Success indicators in various fashion business models. *Journal of Global Fashion Marketing*, *4*(2), 74–92.

H_1: Riskier companies communicates more non-financial risk disclosures

4.3.2. Size

The companies' size is likely to play a crucial role in shaping risk disclosures practices. The relevance of this variable is one of the main investigated in the non-financial risk's scenery. The positive significance of companies' size is consistent with legitimacy theory and media-agenda-setting theory[111]. Also proprietary cost theory states that the disclosure of information may be influenced by the amount of proprietary costs, such as preparation and competitive costs.[112]Therefore, larger companies tend to disclose more risk-related information to justify their level of return and also encourage investors' confidence. Furthermore, for larger corporation the additional disclosure results less costly.[113]According to the literature review, several are the studies that verified a significant positive association between non-financial risks disclosures and the firm's size (D'onza et al., 2017; Elshandidy et al., 2018; Kouloukoui et al.,2019. On the other hand, studying companies' practices of disclosures Beretta and Bozzolan (2004) found that the size does not influence the quality of the information disclosed by companies. To verify the significance of this variable related to this context, the study tests:

H_2: Larger companies have greater levels of non-financial risk disclosures.

[111] DARUS, F., & TATLOR, D. (2009). Influences of proprietary and political costs on voluntary disclosure relating to financial instruments before and after mandatory requirements. *Corporate Ownership and Control*, *6*(4), 391–406.
[112] PRENCIPE, Annalisa. (2004). Proprietary Costs and Determinants of Voluntary Segment Disclosure: Evidence from Italian Listed Companies. *European Accounting Review*. 13. 319-340.
[113] KAMAL HASSAN, M. (2009). UAE corporations-specific characteristics and level of risk disclosure. *Managerial Auditing Journal*, *24*(7), 668–687.

4.3.3. Ownership

Ownership structure of corporations may have an impact on the tendency to governance and risk disclosures practices. In fact, directors used to prepare annual reports for shareholders making ownership to play a crucial role in the process of disclosing potential risk factors.

Looking at the literature, studies that verify an association between the ownership structure and the disclosure of non-financial risk information are few. In both cases identified in the literature review, the theme of ownership is studied in terms of concentration and mechanisms. Specifically, about ownership structure Kamaruzaman et al. (2019) states a positive association between the extent of non-financial risk disclosures with institutional ownership, rather than family or managerial ones, in accordance with the idea that institutional investors would have the incentive and the ability to improve risk disclosures by affecting the management to disclose more risk information. Furthermore, the adoption of a foreign ownership structure seems to positively impact the disclosures of forward-looking information about non-financial risk matter (Elgammal et al., 2018), encouraging a future-oriented time perspective rather than a more traditional-historical one. No prior research has specifically examined the influence of the ownership diffusion, by investigating whether the dimension of the ownership participation is associated to the extent of non-financial risk disclosures.

Therefore, the study’s third hypothesis is that:

H_3: Companies with higher ownership dispersion provide more non-financial risk disclosures.

4.3.4. Gender diversity

The last hypothesis that the study will face is related to the board gender diversity. In general, the governance characteristics is one of the main investigated by looking at previous literature. Results show how the diversity seems to positively influence the disclosure of non-financial risk information. Both studies that specifically focus on this topic presented the same finding: a significant positive relationship between the level of non-financial risk information and the board diversity, intended as gender and ethnicity heterogeneity (Bravo, 2018; Regruera-Alvarado and Bravo-Urquiza, 2020). In general, grater complexities and different perspectives represents a key resource in the decision-making process and may help in better understanding the business environment. Therefore, companies with greater board's gender diversity disclose more non-financial risk information.

H_4: Board's gender diversity is positively associated with the disclosure of non-financial risk information.

4.4. Research Design

4.4.1. Sample and data collection

Our sample is selected from Orbis database for the fiscal year 2018. To identify companies that meet the EU Directive's requirements, it was applied the filter of Very Large Companies.[114] To comply with further dimensional criteria defined by the Directive it was imposed that all the companies selected, should have owned a number of employees equal or greater than 500. The study specifically focuses on the fashion

[114] It includes companies with at least one of the following conditions: Net Turnover > 100 million €; Balance sheet total > 200 million €, Employees > 1000; Quoted.' From Orbis

industry. Therefore, the analysis includes only companies with Code of NACE Rev. 2, Number 14: Manufacture of wearing apparel. About the geographic context, as previously mentioned, all the companies are part of European area, to consider only those companies subjected to the mandated regime imposed by the new regulation's adoption. The research generated a sample of 108 companies, 35 quoted and 73 unquoted respectively. Boards characteristics, ownership structure and financial data were collected from the Orbis Database. The final sample of the research covers 80 companies, 34 quoted and 46 unquoted. In the collecting phase, it was excluded a number of papers due to lack of data availability or language barriers.

The analysis proceeded with the investigation by searching all the available documents about the companies selected. The research phase was conducted through the usage of Orbis database and through the websites of each company. The material was different according to the availability of documents that companies allow. For all companies the study collects their financial statements, in the majority of the cases also annual reports or other investors' relations, and in some cases also separated documents specifically related to non-financial information.

To verify the hypotheses formulated, the study proceeds with a regression analysis by using SPSS Statistics Software. The dependent variable is the non-financial risk information collected in the reports' analysis for the fiscal year 2018. About the financial data, the analysis considers the fiscal year 2017 to implement a lead-lag model for the regression analysis. It was chosen this pattern because of the capacity of the lead-lag effect in describing circumstances 'where one (leading) variable is cross-correlated with the values of another (lagging) variable at later times'.[115] With regard to the case, the

[115]https://en.wikipedia.org/wiki/Lead%E2%80%93lag_effect

study believes that the financial performance of the previous year may have a stronger impact on manager's decisions in the risk disclosure process.

4.4.2. Definition of the variables and model specification

The study classified variables into three main categories: dependent, independent and control variables. First, our dependent variable is a non-financial risk index, measured by summing environmental, social and governance risks, found in the report's analysis for each company. To comply with the EU requirements, the analysis considers ESG risks disclosures identifying all the categories that the EU Directive specifically mentions in the text. As regards environmental matters, it was considered risk disclosures' regarding companies "impacts on the environment, the use of renewable and/or non-renewable energy, gas emissions, water use, air pollution, waste disposal"[116], packaging using and animal safeguard. "About social and employee-related matters the analysis includes information concerning the action taken to ensure gender equality, working conditions, social dialogue, respect for the right of workers, respect for trade union rights, health and safety at work, dialogue with local communities, selection and supervision of a sustainable supply chain. With regard to governance risks, information selected are related to human rights, anti-corruption and bribery, also including the prevention abuses and the instruments to fight corruption and bribery".[117]

The analysis creates a separate category – named as 'Other risks' - for residual typologies of non-financial risks. This group covers operational risks, strategic risks, IT risks and macroeconomic risks as Brexit and Corona Virus.

[116]Directive 2014/95/EU, Point 7, p.2
[117]Directive 2014/95/EU, Point 7, p.2

For the determination of a scale the study chose the van Staden and Hooks (2007) Index (SHI), who developed an index to evaluate the quality of the disclosures through a 5-point scale. In the adoption of the model, the analysis reduces the scale to a 4-point grades, by cutting the highest step. After our modification, SHI based the evaluation as:

- Score 0 = no disclosure to this item,
- Score 1 = general narrative disclosure to this item,
- Score 2 = detailed narrative disclosure to this item,
- Score 3 = quantitative disclosure to this item.[118]

For each risk category, it was calculated the sum of the information disclosed and the final value of the non-financial risks index is measured by the summatory of the 4 sub-groups amounts.

$$\boldsymbol{NFRI} = \sum \boldsymbol{ENV} + \sum \boldsymbol{SOC} + \sum \boldsymbol{GOV} + \sum \boldsymbol{OTHERS}$$

Independent Variables

Liquidity risks (*LIQ*) is the variable that measure the riskiness of our sample in this study. It determines the companies' ability to pay its short-term debt obligations. The measurement of this variable is calculated through the liquidity ratio taken by the Orbis database for each company.

The ownership structure (*OWN*) variable includes the number of shareholders, considered as a measure of the ownership diffusion and consequently an instrument to provide an idea of the company's business structure.

[118] HELFAYA, A., & WHITTINGTON, M. (2019). Does designing environmental sustainability disclosure quality measures make a difference? *Business Strategy and the Environment*, *28*(4), 525–541.

The companies' size (*SIZE*) variable is measured by natural log of total assets owned by companies.

The gender diversity (*BG*) of the board is calculated through the ratio between the board's numbers of women members over the total board components.

Within the model it was also inserted two control variables: Board Size (*BS*) and the return on equity[119] (*ROE*). The board size simply measures the number of board's members. With regard to ROE, it was selected it as a suitable value of profitability's evaluation. The formula is the ratio between the Net Income and Shareholder's Equity. The higher the ROE ratio, the higher the profitability.

Therefore, our regression model is identified as follows:

$$\boldsymbol{NFRI_{i\,(t+1)} = \beta_0 + \beta_1 LIQ_{i\,(t)} + \beta_2 SIZE_i + \beta_3 OWN_i + \beta_4 BG_i + \beta_5 BS_i + \beta_6 ROE_{i(t)} + \varepsilon_i}$$

where,

NFRI refers to the non-financial risks index, *LIQ* to the risk liquidity ratio, *SIZE* to the natural log of total assets, *OWN* to the ownership diffusion, *BG* is the board's gender ratio, *BS* the board size, *ROE* and ε is the error term.

4.5. Results

4.5.1 Descriptive statistics

Table 1.5. describes the summary statistics for the variable examined. The number of observations is between 80 and 76, in line with the observation used in the regression

[119] ROE data was taken by Orbis Database. Specifically, the analysis considered gross ROE values.

analysis. Panel A of Table 1.5. provides descriptive statistics for the dependent variable, with a further specification related to the four non-financial risks sub-categories. The mean of non-financial risk is 5.83, with a median of 3.0. By looking at last columns, the table shows that the maximum and the minimum values identified for the variable are 29.00 and 0 respectively. It is possible to note how median is much more aligns with the minimum, quite far from the maximum. The mode value, the value that occurs most often in the dataset, is about 0. This happens also for all the 4 risks categories. The mode values of all the typologies is about 0, and the median too. About means, Other risk categories is the one with the highest value (2.75) followed by Social risks (1.90), Environmental risks (0.66) and finally Governance risks (0.51).

Panel B reports descriptive statistics for the independent and control variables of the model. The variable representing ownership (OWN) indicates that companies on average have 14.56 shareholders, with a minimum of 0 and a maximum of 114 participants. Then results about SIZE are presented. Study highlights that they were transformed into their natural logarithm value for the regressions. The mean of board gender (BG) ratio is 23% with maximum and minimum values of 2.47 and 0. On average, in a board, the percentage of female members over the total is about 22.84%. It is furthermore provided evidences about risk liquidity (LIQ) information, calculated with the liquidity ratio, and ROE. ROE values are considered as gross. Analysis does not consider net ROE to avoid distortion dictated by different national taxation system. The average is about 22.94. Finally, the mean percentage of the board's size is 14.38. The range-value among companies is from 0 to 62 components.

Table 1.5. Descriptive statistics

	N	*Mean*	*Median*	*Upper quartile (75%)*	*Lower quartile (25%)*	*Standard deviation*	*Mode*	*Max*	*Min*
Panel A									
NFrisk	80	5.8250	3.0000	9.5000	0.0000	6.77818	0.00	29.00	0.00
ENV_risk	80	0.6625	0.0000	0.0000	0.0000	1.63772	0.00	11.00	0.00
SOC_risk	80	1.9000	0.0000	2.0000	0.0000	3.15667	0.00	15.00	0.00
GOV_risk	80	0.5125	0.0000	0.0000	0.0000	0.96776	0.00	3.00	0.00
OTHER_risk	80	2.7500	0.0000	4.7500	0.0000	2.94464	0.00	13.00	0.00
Panel B									
OWN	80	14.56	4.00	21.75	1.00	21.910	1	114	0
Size	77	12.53786	12.2263	13.1450	11.6454	1.58812	9.5351*	18.284	9.5351
BG	79	0.2284	0.1700	0.3000	0.0000	0.31333	0.00	2.47	0.00
LIQ	77	1.1966	0.9800	1.4050	0.6800	0.82217	0.56*	4.56	0.26
BS	79	14.38	11.00	23.00	4.00	13.271	1*	62	0
ROE	76	22.9404	12.4900	27.665	7.0525	74.44027	-94.29*	632.43	-94.29

*multiple modes exist. The value visualized is the lowest.

In the dataset creation, it was also considered the companies' nationality. For the purposes of the regression analysis it is not important because it was not included in the model, but it may deserve a brief reflection. In Table 1.6. are presented non-financial risk values in relation to the companies' countries. First, by looking at the final line of the totals, it is evident that Italy has the highest number of companies that take part to the analysis - 40% of the total sample. About the sample, it is possible to evidence the companies' countries and their frequencies. In decreasing order: (32) Italy, (17) Great Britain, (11) Germany, (7) France, (2) Spain, Lithuania, Poland, and the rest with one case each. Back to Italy, Italian column shows that 27 companies (over the total 32) provides non-financial risk information with a value that states below the average (5.83,

by Table 1.5.) and almost the half (14) do not provide any type of non-financial risk disclosure. Nevertheless, among Italian companies there are also the ones that do disclose more non-financial risk information with Great Britain and France. The English case is quite similar to the Italian. In fact, despite of being the second countries for number of companies, 10 companies' values are below the mean value (10 over 17, 58,8%) and its mode is about 0. The French case is the one that reflect more prestige, because 5 of the 7 French companies own values far above the average value, having also the maximum of the total sample. Then, Germany shows a quite regular pattern with its sample concentrated around the mean value, without having any case of 0-values companies but also no one that effectively excels in the disclosure practices. Finally, the analysis underlines the good practices of two countries, Spain and Poland. Specifically, even having only 2 companies within the sample, these companies provide great level of non-financial risk disclosure, especially Poland.

Table 1.6: Non-financial risks values per Countries

NF risk	*Countries*													
	AT	*CH*	*DE*	*DK*	*EE*	*ES*	*FR*	*GB*	*IE*	*IT*	*LT*	*PL*	*RO*	*SE*
0		1			1			4		14			1	
1								1		3				
2			3				1	1		5				
3			1					2		2	1			
4			1					2		1				1
5			1				1			2				
6	1		1											
7			1	1					1		1			
8						1		3						
10			1					2						
11			1			1								
12			1				1	1				1		
13										1		1		
14										1				
15							1			1				
18										1				
21							1							
23										1				

24								1						
27							1							
29							1							
	1	*1*	*11*	*1*	*1*	*2*	*7*	*17*	*1*	*32*	*2*	*2*	*1*	*1*

As happened for *Countries*, the study made an argument also on the quotation case, by investigating whether a possible association could have been done with the level of non-financial risk information disclosed. As *Countries*, the binary variable *quoted* was excluded by the model construction, also for a potential multicollinear effect that may emerge with other variables (e.g. size). The sample is divided in 2 groups: 46 unquote companies and 34 quoted. In Table 1.7. it is evident the visual different concentration of data, with the unquoted focus on the bottom and the quoted to the top. Looking at the unquoted column, 34.8% (16 over 46) have an index equal to zero, and the 78.2% have a value that is below the average number. Focusing on the column of quoted companies, the 41.1% of the group owns an index value below the average sample, while the remainder is distributed in greater grades of the scale. These considerations seem quite evident and relevant. Therefore, it was developed a brief evaluation about this matter also in the next section related to the Univariate analysis.

Table 1.7. Non-financial risk disclosure and Quotation

Non-financial risks	*Quoted*	
	No	*Yes*
0	16	5
1	4	
2	7	3
3	2	4
4	5	
5	2	2
6	1	1
7	3	1
8	1	3
10	1	2

11	1	1
12	2	2
13		2
14		1
15		2
18	1	
21		1
23		1
24		1
27		1
29		1

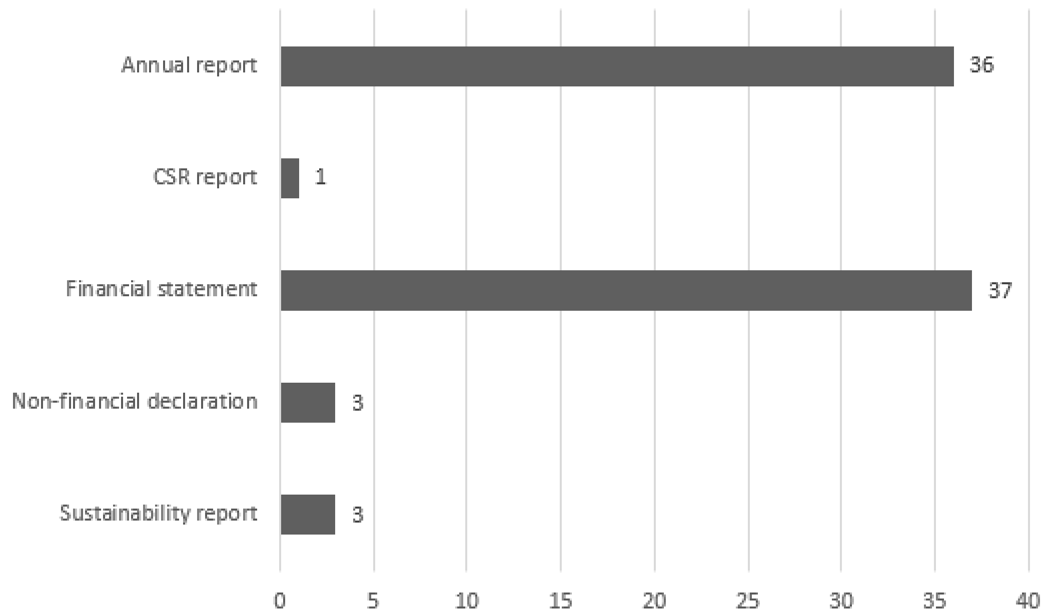
Looking at the gaps emerged from the second steams of the systematic literature review, at the beginning of this chapter it was proposed the analysis of the document used by our sample to communicate the non-financial risk information. In fact, according to the EU Directive, companies are allowed to choose the way the information is presented: in the management report or in a separate report made available on the companies' websites and referenced in the management report.

Findings in Figure 1.6. show that there are two main documents typologies used for the disclosing of non-financial risk information: Financial statements (37) and Annual reports (36). Companies that adopt a separate report for disclosing information regarding non-financial risks are just 7 and they represent the 8.75% of the entire sample by using Sustainability reports (3), Non-financial declaration (3) and CSR reports (1).

The results show that the main tendency is to disclose non-financial risk information in documents where also financial matter is investigated.

About financial statement category, the analysis observed that non-financial risks are mainly disclosed in management

Figure 1.6. Sample disclosure's documents



4.5.2 Univariate analysis

The univariate results provide first evidence on the association among the variables. In Table 1.8. values along the diagonal are equal to one, since they measure the correlation of a column with itself. By looking at the first column it is possible to easily note which variables has a Pearson's correlation values significant with the non-financial risk disclosure index. Considering the hypothesis formulated, the study has at first good results: in fact, ownership, size and board's gender seems to be significant. Investigating the strength of the correlation, board gender has the highest value (0.600) that demonstrates a quite strong positive correlation with the extent of non-financial risk disclosure. Ownership also has a positive moderate strength of correlation (0.531), while size is much weaker (0.304). Results show that the liquidity variable is not significant and the potential association between the disclosure of non-financial risk information and the liquidity risk of companies seems to be rejected. Unexpectedly, also

the value of the control variable of Board size is significant with the dependent variable. Even in this case the strength of the correlation is quite weak (+0.261).

Not considering the *NFrisk* variable, there are other association between the dependent variables that deserve to be noted. Two positive moderate correlations are emerged from the relationship between the ownership diffusion and Board gender (0.468) and between ownership diffusion and company's size (0.443). Finally, a weak positive correlation is found between the board's gender and companies' size (0.249) and between the extent of the board size and the ownership diffusion (0.283).

The Pearson's correlation analysis was performed in the study also to determine the potential multicollinearity problem in the data. Table 1.8. don't show any type of multicollinearity problem. Such indicators evidence that independent variables are not correlated with each other. In fact, since there is no highly correlated association (the maximum value is 0,468) between independent variables, all the variables are maintained.

Table 1.8. Pearson correlation matrix for the variables

	1	2	3	4	5	6	7
1.NFrisk	1						
2. Own	0,531***	1					
3. Size	0,304***	0,443***	1				
4. BG	0,600***	0,468***	0,249**	1			
5. Liq	- 0,056	0,096	0,092	-0,029	1		
6. BS	0,261**	0,283**	0,204	0,219	0,007	1	
7. ROE	0,064	-0,024	-0,079	-0,046	0,056	-0,097	1

This table reports the Pearson correlation coefficients between the variables. Correlation coefficients significant at the 0.01 level (2-tailed) are ***, and coefficient significant at the 0.05 level (2-tailed) are **. The number of observations is 80 for NFrisk and Own, 79 for BG and BS, 77 for Size and Liq, 76 for ROE.

Back to the argument of quoted/unquoted companies, a brief evaluation was conducted to confirm or reject what descriptive statistics had mentioned: a potential significance between the company's quotation and the extent of non-financial risk information disclosed. To study this relation, the study proceeds with a compare means method, through a One-way ANOVA analysis of the variance, considering as dependent variable the value of non-financial risk index and as factor the binary variable (quoted – unquoted). Table 1.9 confirms that, in a bivariate analysis, the significance is demonstrated. Observing the two means value, results show that among unquoted companies the NFRI is about 3.30 while the quoted sample has an average of 9.24. The average of disclosure level of listed companies is almost three times greater than the group of non-listed firms.

Table 1.9. Compare means for quoted/unquoted companies

Companies	*N*	*Means*
Unquoted	46	3.3043
Quoted	34	9.2353
Total	80	5.8250
F-test	18.223	
Significance	<0.001	

4.5.3 Multivariate analysis

In this section, are presented the results for testing the model. At First, the analysis focuses on the non-financial risk index, providing later evidences also referred to the 4 non-financial sub-groups. Model 1 was developed to test H1, H2, H3 and H4 that predict

the relationships between company' liquidity risk, company's size company's shareholder diffusion and board's gender with non-financial risk disclosures.

Table 1.10. presents the relationship between the dependent variable and the independent variables. In the following lines it will be understood the quality of our model and the statistical significance of the relationship among variables. The table 1.10 shows that the R-squared value is 0.464. R-squared indicates basically how good is our model to predict the dependent variable and how much of the variation is being explained by the combined variation of our independent variables. In a model that includes several independent variables, the Adjusted R-squared is a more realistic measure of how much of the explanation is due to the regression model. Adding the number of independent variables, the R-squared value increases. Therefore, a model that includes several independent variables may lead to a misinterpretation of the results. In our case the results are quite similar, but the value considered is the adjusted R-squared. According to the result, 41.7% of our dependent variable can be explained by the combined variation of the independent and control variables.

Then, the analysis proceeds with the F-test. By comparing the p value to the significant value (5%), the analysis confirms the significance of the model.

The last section of the Table 1.10. investigates the values of the coefficients. Before starting, recalled the findings of the univariate analysis, in which ownership, size, board gender and board size resulted significant. In the regression analysis there will be a check of whether the significance of these variables is confirmed or not by the model. The results show that the *Ownership* diffusion is positively and significantly associated with the *Non-financial risk Index.* This result is in line with the univariate analysis and confirm the Hypothesis 3. It seems evident that a larger diffusion of ownership leads to

a greater non-financial risk's disclosures. Moreover, Size is positively and significantly associated with the Non-financial risk Index. These findings confirm the Hypothesis 2 and demonstrate that company's size has a positive relationship with the board's members decision to provide non-financial risk information highlighting that greater companies tend to disclose more information. According to the results, no other variables are significant. The *Gender composition* of the board and the company's *Liquidity risk* are statistically insignificant in the association with the Index, consequently hypothesis 1 and 4 are rejected.

Table 1.10. Multiple regression results, Model 1: Non-financial risk Index

Dependent variable		*Non-financial risk disclosure*	
R-squared		0.464	
Adjusted R-squared		0.417	
F		9.944	
Sig		< 0.001	
Observation		76	
	Beta	*t*	*Sig.*
(Constant)		-3.596	< 0.001
Own	0.275	2.495	0,015
Size	0.438	4.343	< 0.001
BG	0.070	0.701	0.485
Liq	-0.085	-0.951	0.345
BS	0.085	0.906	0.368
ROE	0.110	1.235	0.221

Despite of the results of the univariate analysis, the significant determinants emerged from the analysis are the ownership diffusion and company's size. Especially, among results the board's gender composition was unexpected. In fact, in the correlation analysis it was the variable with the greater strength of correlation with the dependent variable, but its inclusion and interaction with the other variables in the model does not produce the desired results. In contrast with results formulated by Bravo (2018); Regruera-Alvarado and Bravo-Urquiza, (2020) disclosures of non-financial risk information of companies in fashion industry do not depend on the board's gender

composition. Therefore, findings do not confirm the results of previous literature, but evidences of the correlation analysis may suggest the need for further studies focused on this topic.

Even the hypothesis related to the company's level of risk is rejected. The liquidity ratio is not significant in the decision of disclosing non-financial risk information. From the result, the riskiness of a firm does not affect the mangers' practices of disclosures. In financial risk disclosure's literature it exists studies that verified the significance of the level of risk in risk disclosure practices, in the majority identified in the *Leverage*. Therefore, the reasons behind our results may be due to the choice to consider the liquidity ratio as a riskiness company's indicator or the fact that the relevance of the level of risk is significant only in case of financial risk disclosure practices. In fact, managers may be pushed into disclosing more financial-oriented information to explain the causes of high risk or to signal to stakeholders their efficiently manage of those risk factors. Ownership diffusion and the company's size are the significant determinants of the non-financial risk disclosure. The relevance of the company's size confirms previous literature demonstrating that larger corporation tend to disclose more non-financial risk information and this may happen because of the availability of greater resources and the better information system as it disposal. Moreover, larger companies may be more likely in disclosing information to improve investor's confidence and maintain a credibility in front a larger visibility.

Finally, ownership diffusion results confirm the findings of previous literature highlighting a positive association between the ownership diffusion and non-financial disclosures. Therefore, companies with larger ownership base tend to disclose more information regarding non-financial risks. In fact, having a greater shareholders-base it implies

greater responsibilities for the board's members and a greater number of people to whom they are accountable for the companies' performance.

After the evaluation of the NFRI index, it was provided also the models of the specific non-financial risk typologies, by putting as dependent variable: Environmental risks in Model 2, Social risks in Model 3, Governance risks in Model 4 and Other risks in Model 5 respectively. At first impact, it is possible to note that the model itself is not significant. In fact, observing the F-test the p value is greater than the confidence value of 0.05. Obviously even all coefficients do not have significant value. For the environmental risk reporting there's no evidence for disclosure's determinants. These results may be due to the low impact that manufactured companies have on the environment, considering also that a great part of the fashion operations do not required material process (e.g. marketing, design). However, this reflection is quite passed. In fact, reducing the environmental risk to the mere impact of the industry's mechanism is simplistic. Companies may disclose information regarding the adoption of an environment responsible supply chain, the energy used for the materials working, the water waste or the adoption of policies regarding packaging.

Table 1.11: Multiple regression results, Model 2: Environmental risk Index

Dependent variable	*Environmental risk disclosure*		
R-squared		0.136	
Adjusted R-squared		0.061	
F		1.813	
Sig		0.109	
Observation		76	
	Beta	*t*	*Sig.*
(Constant)		-0.729	0.468
Own	0.212	1.516	0,134
Size	0.135	1.055	0.295
BG	0.071	0.559	0.578
Liq	-0.119	-1.052	0.296
BS	0.053	0.448	0.656
ROE	0.007	0.058	0.954

The third model regards the practices of social risks disclosures. In this case, the F-test is significant and therefore the model can be used to predict values. The adjusted R-squared is 35.5%. By looking at Betas, results show that Size is the only variables that is significantly associated with the disclosure of social risks. The coefficient is moderate and positive related.

Table 1.12: Multiple regression results, Model 3: Social risk Index

Dependent variable		*Social risk disclosure*	
R-squared		0.406	
Adjusted R-squared		0.355	
F		7.876	
Sig		< 0.001	
Observation		76	
	Beta	*t*	*Sig.*
(Constant)		-4.298	<0.001
Own	0.174	1.498	0.139
Size	0.511	4.824	<0.001
BG	-0.027	-0.261	0.795
Liq	-0.058	-0.623	0.535
BS	0.092	0.930	0.356
ROE	0.086	0.914	0.364

The fourth model investigates the Index of Governance risk disclosures. Checking the F-test, the significance of the model is confirmed. The adjusted R-squared is 25.7%. By looking at the coefficients, it is possible to note that the Ownership diffusion and the company's size are positively and significantly associated. The values of the coefficients are quite low. Results of this model are the only ones that match with Model 1.

Table 1.13: Multiple regression results, Model 4: Governance risk Index

Dependent variable		*Governance risk disclosure*	
R-squared		0.316	
Adjusted R-squared		0.257	
F		5.319	
Sig		< 0.001	
Observation		76	
	Beta	*t*	*Sig.*
(Constant)		-1.953	0.055

Own	0.295	2..368	0.021
Size	0.265	2.2328	0.023
BG	0.117	1.042	0.301
Liq	-0.111	-1.103	0.274
BS	0.054	0.512	0.611
ROE	0.037	0.364	0.717

The last model studies the Index of Other risks variables. Even this model results significant and suitable for predicting values. The adjusted R-squared is 22.8%, the smallest among the significant Models (Model 2 excluded). About coefficients, as happened for Model 3, the only significant variable is the *Size*, that owns a positive association with the Index of other risk disclosures.

Table 1.14: Multiple regression results, Model 5: Other risks Index

Dependent variable		*Other risks disclosure*	
R-squared		0.290	
Adjusted R-squared		0.228	
F		4.693	
Sig		< 0.001	
Observation		76	
	Beta	*T*	*Sig.*
(Constant)		-1.915	0.060
Own	0.232	1.832	0.071
Size	0.298	2.573	0.012
BG	0.112	0.978	0.332
Liq	-0.030	-0.293	0.770
BS	0.050	0.464	0.644
ROE	0.146	1.421	0.160

This residual category, as mentioned in the first paragraphs of the chapter, includes operational risks, strategic risks, IT operations risks and Macroeconomic risks as Brexit or the occurrence of the Corona Virus pandemic. From the analysis it emerges that the most present are the operational risks, specifically those related to the supply chain as the suppliers' dependency, the availability and the high quality of materials or risks related to counterfeit and parallel retail networks. Also strategic risks strongly affect the non-financial risks practices in this industry, especially those related to the Group image

and reputation, the preservation of know-how and the risk of loss/dependency on key skills and expertise.

Finally, it was computed the evaluation of the residuals by testing the validation of 5 assumptions: the error terms are uncorrelated, the error term is normally distributed, the mean of all these normal distributions of Y, given X, lie on a straight line with slope b, the mean of the error term is 0 and the constancy of the error term's variance. All these assumptions were validated. Only the one related to the normal distribution is imperfect. In fact, from the frequencies analysis it appears a negative skewness of the residual's frequencies. In general, the results are pretty good and enforce la quality of the model.

CONCLUSIONS

The thesis has as object of research the investigation of non-financial risk disclosures by companies in the European context. After having analysed the literatures regarding this topic, the study highlighted the several gaps emerged from the three streams of research identified (*determinants, practices, adoption*). Then, it developed an empirical analysis digging further on non-financial risk's determinants. From the overall findings of the systematic literature review and the empirical analysis it is possible to present the following conclusions.

First, the implementation of a systematic literature review is functional in observing issues related to:

- how non-financial risk disclosures is developing in the academic research;
- the main research streams investigated by prior studies;
- the main gaps and the potential perspectives for future studies.

Results show the newness and the limited development of the topic. Considering the sample (44 articles), it is evident that the matter is still under-estimated among authors and journals, even if the publication-per-year trend shows an exponential growth in the latest years. In fact, the matter seems to recently attracts more and more attention in the academic world: 27 papers - more than 60% - of the overall sample are published in the last 4 years (2017-2020).

Considering the geographic context of the studies, findings highlight a great predominance of European studies, especially Italian ones, followed by Asia, America, Africa and Oceania. Investigation of the Oceania and Africa context are both represented by only one paper and need to be considered in future studies.

In terms of methodology, from the analysis it emerges that almost the 90% of the papers adopt a quantitative methodological approach and only 2 papers used both quantitative and qualitative analysis. Future studies are called to increase the adoption of qualitative studies in particular to investigate the managerial incentives to provide information on specific type of non-financial risks (e.g. environmental/social) and to understand how companies decide whether a specific type of risk information is relevant and material or not.

Focusing on non-financial risks investigated, findings states that the majority of risks considered as “non-financial” are represented by operational, strategic, environmental, social, governance, information processing and technology, damage and integrity risks. Operational risks dominate among categories, being present in the 61% of the studies, followed by 41.6% of strategic risks, 30.5% environmental, 29.4% social risks. Percentage of environmental and social risks are almost half compared to operational risks. The historical tendency of including operational and strategic risks in non-financial risk disclosures still appear dominant, but a call for the investigation of environmental, social and governance matters is raising.

From the analysis of the disclosures’ regime, it emerges that the majority of the studies faces the investigation in mandatory regime (39%), followed by voluntary contexts (32%) and the 29% of the sample investigates framework that embody both regimes. In recent years, the regulation and reforms regarding non-financial disclosures have been continually improved all over the world. For these reasons, it is probable that in future academic works there will be a greater attention on those contexts where the regime passed from voluntary to mandatory and the related study of the effectiveness of the regulation’s implementation. Finally, a theme of discussion may be represented by

political implication and trends towards a possible implementation of regulation to harmonized international practices.

The systematic literature review divides papers in accordance to three streams of research identified:

- Determinants of the disclosures
- Disclosure's practices
- Adoption of disclosures' regulation

In the first category of the determinants' investigation, numerous are the hints for future studies. Among the 12 papers of this groups, a high number examines the association between non-financial risk disclosures and factors related to company's characteristics. The most investigated element is the firm's size, followed by the board's size, the board's diversity in terms of gender and ethnicity or the duality role of the CEO. Some results are consistent with each other, as happened for the duality role of the CEO and the board's diversity. Elgammal *et al.* (2018) and Alshirah *et al.* (2020) agree in finding a negative relationship between non-financial risk disclosure and the dual role of the CEO. About board's diversity, Bravo (2018) and Regruera-Alvarado and Bravo-Urquiza (2020) find a significant positive influence on disclosure's practices of an heterogenous composition of the board, in term of gender and ethnicity. Another topic that attracts the authors' interests is the type of ownership. According to Elgammal *et al.* (2018), companies with foreign ownership composition tend to disclose more non-financial risks information. About ownership's typology, Kamaruzaman *et el.* (2019) evidence a positive association between non-financial risks disclosure and institutional ownership, rather than familiar or managerial ones.

The second stream includes 17 studies that investigate general perspective of disclosing practices, or topics that lead to draw a detailed portrait. Practices of disclosures are examined especially in relation with their actual usefulness, mentioning the issue related to stakeholders' credibility. In accordance with Bao and Datta (2014) the disclosure of risk information does not necessarily improve the risk perception of investors. In contrast with this evidence, Tan *et al.* (2017) and Gao *et al.* (2019) confirm risk disclosures to be useful for investors and tend to increase investor's beliefs and credibility. Different are also the study which underline issues and dilemma of non-financial practices, especially the constraints regarding the complexity of the matter and the stakeholder expectations. Specifically, Lajili and Zéghal (2005) state that the usefulness of the disclosure practices loses its potential due to lack in uniformity, clarity and quantification, Baret and Helfrich (2019) investigate pitfalls and also the dilemma related to the practice of non-financial reporting. Abraham and Shrives (2014) prove the symbolic rather than substantive essence and tendency of disclosures by company's managers. Gao et al. (2019) analysed the degree of credibility associated to the adopted terminology, demonstrating that credibility is greater when the textual disclosures are more pessimistic and different to those of the previous years.

Discussion about practices also offers studies that prove a significant positive impact of non-financial disclosures on economic factors such as the stock return volatility (Malafronte *et al*., 2018) and initial returns of initial public offerings (Wasiuzzaman *et al*., 2018). Finally, Dumay and Hossain (2019) also introduce the several tools used for reporting non-financial disclosures and their description, first of all integrated and sustainability reports.

Considering the last stream of research, the 15 papers belonging to this group face the topic of the adoption of disclosures' regulation in the investigated context. According to Greco (2012) non-financial risk disclosure practices do not change with the introduction of new mandatory regime. On this topic, Miihkinen (2012) found an effective increase of quantity disclosures with the introduction of mandatory regulations, without finding a corresponding increase in qualitative disclosure. Disagreeing with this result, other studies suggest the increase of information quality under regulations, even doubts regarding the actual improvement of the disclosures or rather their symbolic compliance remain. Peters and Romi (2013), Mokhtar and Mellett (2013), Maffei *et al.* (2014), Leopizzi *et al.* (2019), Harper Ho (2020), Pizzi *et al.* (2020) face the historical practices and the introduction of reforms in national jurisdictions, also providing principles' explanations. The most recent study states that companies that operates in mandated context, significantly adopt more CSR activities. In relation to trust and credibility, Mazzotta *et al.* (2020) evidence that mandated non-financial disclosures tends to affect their credibility, underlying that sector of public utilities' values are above the mean in terms of sincerity and truth dimensions. Looking at the review's results, according to the increasing attention of the matter it could be interesting to investigate the companies' margin of discretion in regulated frameworks, with the aim to understand and reduce the phenomenon of asymmetry information. Finally, considered the result of Jackson *et al.* (2020) regarding a positive association between mandatory contexts and disclosures of CSR activities, it may be interesting to study whether the implementation of non-financial disclosure's regulation may necessarily imply a lower level of corporate irresponsible behaviours, analysing corporate aspects such as corruption, bribery or pending legal procedure.

The second pillar of the thesis investigates the non-financial risk information disclosed in fashion companies' reports, with the aim to evaluate the extent and the nature of non-financial risk information. It was made a manual quantitative content analysis of the companies' reports in the section regarding the disclosures of non-financial risks information, by only considering uncertainties on environmental, social and governance risks – with an additional residual category that do comprehend all other non-financial risks categories. The empirical analysis is developed thanks to the adoption of van Staden and Hooks (2007) Index, that lead to a scale value creation for the testing of a regression analysis. Specifically, the thesis aims to test the potential correlation between the extent of (ESG) non-financial risk disclosures and the company's level of risk, the size, the ownership diffusion and the board's gender diversity.

In analysing the documents provided by companies, it emerges an interesting consideration: for disclosing information related to non-financial risk the majority of companies used financial statements and annual reports in contrast with the adoption of separated reports. In fact, only 7 reports (8.75%) apply distinct documents to communicate non-financial information. Among these sub-group 3 adopt sustainability report, 3 non-financial declaration and 1 CSR report.

By looking at the descriptive statistics, the study also underlines a significant relationship with the extent of disclosures and the companies' quotation. By dividing the sample into two sub-groups of *Quoted* and *Unquoted* companies and observing the two means value, results show that the average of disclosure level of listed companies is almost three times higher than the group of non-listed firms.

Back to the regression analysis, the study managed to demonstrate the significant correlation with the company's size and the ownership diffusion.

Size is positively and significantly associated with the Non-financial risk Index. These findings confirm the Hypothesis 2 and demonstrate that company's size has a positive relationship with the board's members decision to provide non-financial risk information highlighting that greater companies tend to disclose more information. This result is also in line with proprietary cost theory which states that the disclosure of information may be influenced by the amount of proprietary costs, such as preparation and competitive costs. Therefore, larger companies tend to disclose more risk-related information to justify their level of return and also encourage investors' confidence. Furthermore, for larger corporation the additional disclosure results less costly.

Ownership diffusion is positively and significantly associated with the *Non-financial risk* extent. This result is in line with the univariate analysis and confirm the Hypothesis 3. It seems evident that a larger diffusion of ownership leads to a greater non-financial risk's disclosures. In fact, directors used to prepare annual reports for shareholders making ownership to play a crucial role in the process of disclosing potential risk factors.

Hypothesis 1 and 4 related to the company's level of risk and the board gender respectively, were not confirmed by the regression results. Therefore, the riskiness of companies, in terms of financial structure seems to do not influence the practice of non-financial risk disclosures, and this happened also for the boards' gender compositions, despite the univariate analysis findings.

After the evaluation of the NFRI index, the study provides also the models of the specific non-financial risk typologies, by putting as dependent variable: Environmental risks in Model 2, Social risks in Model 3, Governance risks in Model 4 and Other risks in Model 5 respectively. In the discussion, it's interesting the role of environmental risks index. In fact, in contrast with other models the analysis found no evidence for disclosure's

determinants. These results may be due to the low impact that manufactured companies have on the environment, considering also that a great part of the fashion operations do not required material process (e.g. marketing, design). However, this reflection is quite passed. In fact, reducing the environmental risk to the mere impact of the industry's mechanism is simplistic. Companies may disclose information regarding the adoption of an environment responsible supply chain, the energy used for the materials working, the water waste or the adoption of policies regarding packaging.

The thesis suffers of many limitations. The first is related to the methodological nature of the research, as the decision to include in the literature review only papers published in English and present in Scopus database. Regarding the part of the empirical analysis one limitation may be the dimension of the sample. In fact, even if the number of companies selected (80) can be considered as acceptable, a larger group of firms may provide more relevant and accurate results in the regression analysis.

The study presents also elements of newness and originality by focusing on limited investigated subject. Among studies included in the literature review, are several the ones that do consider both financial and non-financial risks in the evaluation of the disclosure process. In contrast with this tendency, the thesis focuses on non-financial matter only, just referring to the elements required by the EU Directive. Another original contribute is related to the choice to select all companies that do belong to the same industry: fashion. Regarding the sample's identification, from the systematic literature review, it is possible to note that more than half of the cases (63.6%) face analysis on this topic by investing only listed companies, probably because of the greater ease in

finding available information. From the review, it emerges that only two papers focus on one specific sector (Pizzi *et al.*, 2020; Regruera-Alvarado and Bravo-Urquiza, 2020), which investigate Italian and US context respectively. Our research aims to enrich this type of study, adding a cross-national analysis by considering companies belonging to several countries of the European area.

The study provides new results about non-financial risks disclosures practices applied by companies during an historical period, as the current one, characterised by uncertainties due to the global emergency of the pandemics COVID-19, calling for a gear change in the non-financial risks consideration and management.

BIBLIOGRAPHY

ABDELREHIM, N., LINSLEY, P., & VERMA, S. (2017). Understanding risk disclosures as a function of social organisation: A neo-Durkheimian institutional theory-based study of Burmah Oil Company 1971–1976. *The British Accounting Review*, *49*(1), 103–116.

ABDULLAH, M., ABDUL SHUKOR, Z., MOHAMED, Z. M., & AHMAD, A. (2015). Risk management disclosure. *Journal of Applied Accounting Research*, *16*(3), 400–432.

ABRAHAM, S., & SHRIVES, P. J. (2014). Improving the relevance of risk factor disclosure in corporate annual reports. *The British Accounting Review*, *46*(1), 91–107.

Accountancy in Europe & GRI (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.

ADELOPO, I. (2017). Non-Financial Risk Disclosure: The Case of the UK's Distressed Banks. *Australasian Accounting, Business and Finance Journal*, *11*(2), nd.

AGYEI-MENSAH, B. K. (2017a). Does the corruption perception level of a country affect listed firms' IFRS 7 risk disclosure compliance? *Corporate Governance: The International Journal of Business in Society*, *17*(4), 727–747.

AGYEI-MENSAH, B. K. (2017b). The relationship between corporate governance mechanisms and IFRS 7 compliance: evidence from an emerging market. *Corporate Governance: The International Journal of Business in Society*, *17*(3), 446–465.

AGYEI-MENSAH, B. K., & Buertey, S. (2019). Do culture and governance structure influence extent of corporate risk disclosure? *International Journal of Managerial Finance*, *15*(3), 315–334.

ALSHIRAH, M. H., ABDUL RAHMAN, A., & MUSTAPA, I. R. (2020). Board of directors' characteristics and corporate risk disclosure: the moderating role of family ownership. *EuroMed Journal of Business*, *15*(2), 219–252.

AMRAN, A., MANAF ROSLI BIN, A., & CHE HAAT MOHD HASSAN, B. (2008). Risk reporting. *Managerial Auditing Journal*, *24*(1), 39–57.

BAO, Y., & DATTA, A. (2014). Simultaneously Discovering and Quantifying Risk Types from Textual Risk Disclosures. *Management Science*, *60*(6), 1371–1391.

BARET, P., & HELFRICH, V. (2018). The "trilemma" of non-financial reporting and its pitfalls. *Journal of Management and Governance*, *23*(2), 485–511.

BERETTA, S., & BOZZOLAN, S. (2004). A framework for the analysis of firm risk communication. *The International Journal of Accounting*, *39*(3), 265–288.

BERETTA, S., & BOZZOLAN, S. (2008). Quality versus Quantity: The Case of Forward-Looking Disclosure. *Journal of Accounting, Auditing & Finance*, *23*(3), 333–376.

BRAVO, F. (2018). Does board diversity matter in the disclosure process? An analysis of the association between diversity and the disclosure of information on risks. *International Journal of Disclosure and Governance*, *15*(2), 104–114.

CAMILLERI, M. A. (2018). Theoretical insights on integrated reporting. *Corporate Communications: An International Journal*, *23*(4), 567–581.

CAMPBELL, J. L., CHEN, H., DHALIWAL, D. S., LU, H.-, & STEELE, L. B. (2013). The information content of mandatory risk factor disclosures in corporate filings. *Review of Accounting Studies*, *19*(1), 396–455.

CAPUTO, F., LEOPIZZI, R., PIZZI, S., & MILONE, V. (2019). The Non-Financial Reporting Harmonization in Europe: Evolutionary Pathways Related to the Transposition of the Directive 95/2014/EU within the Italian Context. *Sustainability*, *12*(1), 92.

CORDAZZO, M., PAPA, M., & ROSSI, P. (2017). The interaction between mandatory and voluntary risk disclosure: a comparative study. *Managerial Auditing Journal*, *32*(7), 682–714.

CRESWELL, J. W., & CRESWELL, D. J. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (5th ed.). SAGE Publications, Inc.

D'ONZA, G., BROTINI, F., & ZARONE, V. (2016). Disclosure on Measures to Prevent Corruption Risks: A Study of Italian Local Governments. *International Journal of Public Administration*, *40*(7), 612–624.

DARUS, F., & TAYLOR, D. (2009). Influences of proprietary and political costs on voluntary disclosure relating to financial instruments before and after mandatory requirements. *Corporate Ownership and Control*, *6*(4), 391–406.

Directive 2013/34/EU of the European Parliament and the Council, of 26 June 2013, on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013L0034.

Directive 2014/95/EU of the European Parliament and 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. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0095.

DOBLER, M., LAJILI, K., & ZÉGHAL, D. (2011). Attributes of Corporate Risk Disclosure: An International Investigation in the Manufacturing Sector. *Journal of International Accounting Research*, *10*(2), 1–22.

DUMAY, J., & HOSSAIN, M. D. A. (2018). Sustainability Risk Disclosure Practices of Listed Companies in Australia. *Australian Accounting Review*, *29*(2), 343–359.

DUMAY, J., LA TORRE, M., & FARNETI, F. (2019). Developing trust through stewardship. *Journal of Intellectual Capital*, *20*(1), 11–39.

ELAMER, A. A., NTIM, C. G., ABDOU, H. A., ZALATA, A. M., & ELMAGRHI, M. (2019). The impact of multi-layer governance on bank risk disclosure in emerging markets: the case of Middle East and North Africa. *Accounting Forum*, *43*(2), 246–281.

ELGAMMAL, M. M., HUSSAINEY, K., & AHMED, F. (2018). Corporate governance and voluntary risk and forward-looking disclosures. *Journal of Applied Accounting Research*, *19*(4), 592–607.

ELSHANDIDY, T., & NERI, L. (2014). Corporate Governance, Risk Disclosure Practices, and Market Liquidity: Comparative Evidence from the UK and Italy. *Corporate Governance: An International Review*, *23*(4), 331–356.

ELSHANDIDY, T., NERI, L., & GUO, Y. (2018). Determinants and impacts of risk disclosure quality: evidence from China. *Journal of Applied Accounting Research*, *19*(4), 518–536.

GAO, F., DONG, Y., NI, C., & FU, R. (2015). Determinants and Economic Consequences of Non-financial Disclosure Quality. *European Accounting Review*, *25*(2), 287–317.

GAO, X., WANG, X., & TIAN, F. (2019). Do significant risk warnings in annual reports increase corporate bond credit spreads? Evidence from China. *China Journal of Accounting Research*, *12*(2), 191–208.

GRECO, G. (2012). The management's reaction to new mandatory risk disclosure. *Corporate Communications: An International Journal*, *17*(2), 113–137.

GUTHRIE, J., MANES ROSSI, F., ORELLI, R. L., & NICOLÒ, G. (2020). Investigating risk disclosures in Italian integrated reports. *Meditari Accountancy Research*, *28*(6), 1149–1178.

HARPER HO, V. (2020). Non-Financial Reporting & Corporate Governance: Explaining American Divergence & Its Implications for Disclosure Reform. *Accounting, Economics, and Law: A Convivium*, *10*(2), nd.

HELFAYA, A., & WHITTINGTON, M. (2019). Does designing environmental sustainability disclosure quality measures make a difference? *Business Strategy and the Environment*, *28*(4), 525–541.

HIRSHLEIFER, D., & TEOH, S. H. (2009). The Psychological Attraction Approach to Accounting and Disclosure Policy. *Contemporary Accounting Research*, *26*(4), 1067–1090.

INTEGRATED REPORTING (2013), Consultation Draft of the International <IR> Framework. Integrated Reporting.

INTEGRATED REPORTING (2020), Consultation Draft. International <IR> Framework. May 2020.

JACKSON, G., BARTOSCH, J., AVETISYAN, E., KINDERMAN, D., & KNUDSEN, J. S. (2019). Mandatory Non-financial Disclosure and Its Influence on CSR: An International Comparison. *Journal of Business Ethics*, *162*(2), 323–342.

KAMAL HASSAN, M. (2009). UAE corporations-specific characteristics and level of risk disclosure. *Managerial Auditing Journal*, *24*(7), 668–687.

KAMARUZAMAN, S. A., ALI, M. M., GHANI, E. K., & GUNARDI, A. (2019). Ownership structure, corporate risk disclosure and firm value: a Malaysian perspective. *International Journal of Managerial and Financial Accounting*, *11*(2), 113.

KANG, H., & GRAY, S. J. (2019). Country-specific risks and geographic disclosure aggregation: Voluntary disclosure behaviour by British multinationals. *The British Accounting Review*, *51*(3), 259–276.

KIM, H., & YASUDA, Y. (2018). Business risk disclosure and firm risk: Evidence from Japan. *Research in International Business and Finance*, *45*, 413–426.

KOULOUKOUI, D., SANT'ANNA, Â. M. O., DA SILVA GOMES, S. M., DE OLIVEIRA MARINHO, M. M., DE JONG, P., KIPERSTOK, A., & TORRES, E. A. (2019). Factors influencing the level of environmental disclosures in sustainability reports: Case of climate risk disclosure by Brazilian companies. *Corporate Social Responsibility and Environmental Management*, *26*(4), 791–804.

KRAVET, T., & MUSLU, V. (2013). Textual risk disclosures and investors' risk perceptions. *Review of Accounting Studies*, *18*(4), 1088–1122.

LAJILI, K., & ZÉGHAL, D. (2005). A Content Analysis of Risk Management Disclosures in Canadian Annual Reports. *Canadian Journal of Administrative Sciences / Revue Canadienne Des Sciences de l'Administration*, *22*(2), 125–142.

LINSLEY, P. M., & SHRIVES, P. J. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *The British Accounting Review*, *38*(4), 387–404.

MAFFEI, M., ARIA, M., FIONDELLA, C., SPANÒ, R., & ZAGARIA, C. (2014). (Un)useful risk disclosure: explanations from the Italian banks. *Managerial Auditing Journal*, *29*(7), 621–648.

MALAFRONTE, I., STARITA, M. G., & PEREIRA, J. (2018). The effectiveness of risk disclosure practices in the European insurance industry. *Review of Accounting and Finance*, *17*(1), 130–147.

MARTIKAINEN, M., KINNUNEN, J., MIIHKINEN, A., & TROBERG, P. (2015). Board's financial incentives, competence, and firm risk disclosure. *Journal of Applied Accounting Research*, *16*(3), 333–358.

MAZZOTTA, R., BRONZETTI, G., & VELTRI, S. (2020). Are mandatory non-financial disclosures credible? Evidence from Italian listed companies. *Corporate Social Responsibility and Environmental Management*, *27*(4), 1900–1913.

MIIHKINEN, A. (2012). What Drives Quality of Firm Risk Disclosure? *The International Journal of Accounting*, *47*(4), 437–468.

MIIHKINEN, A. (2013). The usefulness of firm risk disclosures under different firm riskiness, investor-interest, and market conditions: New evidence from Finland. *Advances in Accounting*, *29*(2), 312–331.

MIO, C., & VENTURELLI, A. (2012). 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), 340–358.

MOUMEN, N., BEN OTHMAN, H., & HUSSAINEY, K. (2015). The value relevance of risk disclosure in annual reports: Evidence from MENA emerging markets. *Research in International Business and Finance*, *34*, 177–204.

MUSTONEN, M., PAL, R., MATTILA, H., & MASHKOOR, Y. (2013). Success indicators in various fashion business models. *Journal of Global Fashion Marketing*, *4*(2), 74–92.

NAHAR, S., AZIM, M. I., & HOSSAIN, M. M. (2020). Risk disclosure and risk governance characteristics: evidence from a developing economy. *International Journal of Accounting & Information Management*, *28*(4), 577–605.

NAHAR, S., AZIM, M., & ANNE JUBB, C. (2016). Risk disclosure, cost of capital and bank performance. *International Journal of Accounting & Information Management*, *24*(4), 476–494.

OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing http://dx.doi.org/10.1787/9789264115415-en

OECD (2020), Annual Report on the OECD Guidelines for Multinational Enterprises 2019.

PANFILO, S. (2020). *La gestione del rischio e la sua comunicazione. Gap teorici ed evidenze empiriche nelle società quotate italiane. Ediz. multilingue*. Aracne.

PERRINI, F. (2005). Building a European Portrait of Corporate Social Responsibility Reporting. *European Management Journal*, *23*(6), 611–627.

PETERS, G. F., & ROMI, A. M. (2013). Discretionary compliance with mandatory environmental disclosures: Evidence from SEC filings. *Journal of Accounting and Public Policy*, *32*(4), 213–236.

PIZZI, S., VENTURELLI, A., & CAPUTO, F. (2020). The "comply-or-explain" principle in directive 95/2014/EU. A rhetorical analysis of Italian PIEs. *Sustainability Accounting, Management and Policy Journal*, *12*(1), 30–50.

POLIZZI, S., & SCANNELLA, E. (2020). An empirical investigation into market risk disclosure: is there room to improve for Italian banks? *Journal of Financial Regulation and Compliance*, *28*(3), 465–483.

PRENCIPE, Annalisa. (2004). Proprietary Costs and Determinants of Voluntary Segment Disclosure: Evidence from Italian Listed Companies. European Accounting Review. 13. 319-340.

REGUERA-ALVARADO, N., & BRAVO-URQUIZA, F. (2020). The impact of board diversity and voluntary risk disclosure on financial outcomes. A case for the manufacturing industry. *Gender in Management: An International Journal*, *35*(5), 445–462.

REIMERS, C., & SCHEEPERS, C. B. (2016). Exploring the role of non-financial risk management in strategy processes of large retail banks. *South African Journal of Business Management*, *47*(3), 1–12.

SAGGAR, R., & SINGH, B. (2017). Corporate governance and risk reporting: Indian evidence. *Managerial Auditing Journal*, *32*(4/5), 378–405.

SAID MOKHTAR, E., & MELLETT, H. (2013). Competition, corporate governance, ownership structure and risk reporting. *Managerial Auditing Journal*, *28*(9), 838–865.

SOLOMON, J. I. L. L. F., SOLOMON, A. R. I. S., NORTON, S. I. M. O. N. D., & JOSEPH, N. A. T. H. A. N. L. (2000). A conceptual framework for corporate risk disclosure emerging from the agenda for corporate governance reform. *The British Accounting Review*, *32*(4), 447–478.

TAN, Y., ZENG, C. C., & ELSHANDIDY, T. (2017). Risk disclosures, international orientation, and share price informativeness: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, *29*, 81–102.

VELTRI, S., DE LUCA, F., & PHAN, H. (2020). Do investors value companies' mandatory nonfinancial risk disclosure? An empirical analysis of the Italian

context after the EU Directive. *Business Strategy and the Environment*, *29*(6), 2226–2237.

WANG, X., LI, Y., & XIAO, M. (2017). Do risk disclosures in annual reports improve analyst forecast accuracy? *China Journal of Accounting Studies*, *5*(4), 527–546.

WARHURST, A. (2005). Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership. *Futures*, *37*(2–3), 151–168.

WASIUZZAMAN, S., YONG, F. L. K., SUNDARASEN, S. D. D., & OTHMAN, N. S. (2018). Impact of disclosure of risk factors on the initial returns of initial public offerings (IPOs). *Accounting Research Journal*, *31*(1), 46–62.

SITOGRAPHY

https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en

https://en.wikipedia.org/wiki/Lead%E2%80%93lag_effect

https://integratedreporting.org/

https://www.accountability.org/

https://www.accountability.org/standards/aa1000-accountability-principles/

https://www.iso.org/iso-26000-social-responsibility.html

https://www.oecd.org/daf/inv/mne/anewagendaforthefuture-2011annualreportontheoec guidelinesformultinationalenterprise.htm

https://www.unglobalcompact.org/what-is-gc/mission/principles

APPENDIX

LIST OF COMPANIES INCLUDED IN THE EMPIRICAL ANALYSIS:

ADOLFO DOMINGUEZ S.A.
AEFFE S.P.A.
AFH GERMANY GMBH
AHLERS AG
ALFREDO GRASSI S.P.A.
ALPINESTARS RESEARCH S.R.L.
APRANGA APB
ARTEGO SA
ASHLEY (LAURA) HOLDINGS PLC
AVINGTRANS PLC
AVON RUBBER PLC
BASICNET SPA
BOOHOO GROUP PLC
BRUNELLO CUCINELLI S.P.A
BURBERRY GROUP PLC
CALIDA HOLDING AG
CALZEDONIA GERMANY GMBH
CANALI S.P.A.
CARCLO PLC
CHRISTIAN DIOR
CIRO PAONE S.P.A.
CRIS CONF. S.P.A.
CWS INTERNATIONAL GMBH
DAINESE S.P.A.
DAMARTEX
DELTA PLUS GROUP
DIESEL-S.P.A.
DOLCE & GABBANA S.R.L.
DRIFFORD GROUP LIMITED
ECHO SOURCING LTD
F.LLI CAMPAGNOLO S.P.A.
FASHION BOX S.P.A.
G.A. OPERATIONS S.P.A.
GERRY WEBER INTERNATIONAL AG
GOLDEN LADY COMPANY SOCIETA' PER AZIONI
H&M HENNES & MAURITZ LOGISTIK AB & CO. KG
HERMES INTERNATIONAL
HUGO BOSS AG
IN.CO - INDUSTRIA CONFEZIONI S.P.A.

INDUSTRIA DE DISENO TEXTIL SA (INDITEX)
J.BARBOUR & SONS,LIMITED
JULIUS ZORN GMBH
K3 BUSINESS TECHNOLOGY GROUP PLC
KERING FASHION OPERATIONS S.R.L.
LA PERLA GLOBAL MANAGEMENT (UK) LIMITED
LAFUMA
LIU.JO S.P.A.
LORO PIANA S.P.A.
LPP S.A.
LUISA SPAGNOLI S.P.A.
LVMH MOET HENNESSY LOUIS VUITTON
MARC CAIN GMBH
MARSYLKA MANUFACTURING CO.LIMITED
MASTERFLEX SE
MAX MARA S.R.L.
MI HUB LIMITED
MONCLER S.P.A.
MOSS BROS GROUP PLC
MULBERRY GROUP PLC
ORCHESTRA-PREMAMAN
ORIGINAL MARINES S.P.A.
OVS S.P.A.
POMPEA S.P.A.
RNB RETAIL AND BRANDS AB
ROMAN STYLE S.P.A.
SCHIESSER AG
SILVANO FASHION GROUP AS
SPECTRE A/S
STAFF INTERNATIONAL S.P.A.
STEFANO RICCI - S.P.A.
TASCI S.R.L.
TED BAKER PLC
TESSILFORM S.P.A.
THE EDINBURGH WOOLLEN MILL (GROUP) LIMITED
TWINSET S.P.A.
UTENOS TRIKOTAZAS AB
VALENTINO S.P.A.
VF NORTHERN EUROPE LIMITED
VRG S.A.
WOLFORD AG