

Article

The Challenge of Sustainable Development Goal Reporting: The First Evidence from Italian Listed Companies

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Abstract: This research investigates the extent to which the voluntary disclosure of Sustainable Development Goals (SDGs), assumed to be the most recent innovation in social disclosures and corporate sustainability reporting, is diffused among Italian listed companies through different instruments of disclosure (voluntary or non-voluntary). Our findings reveal that SDGs awareness amongst the business community is high and that the majority of highly-traded, liquid, and highly-capitalized Italian companies have introduced SDGs in their disclosure and story-telling practices, while the exact nature and requirements of the SDGs, and the definitions of specific key performance indicators (KPIs) related to those goals, are still missing. Italian companies prefer using non-financial statements and sustainability reports to disclose information about their commitments to SDGs, and most of them started to report information about SDGs in 2016. Additionally, this research seeks to identify the significant differences between SDG reporters in different sectors, under the assumption that operating in a specific sector could significantly affect a company's decision to disclose information on their SDGs. This research highlights, following the recent evolution of Corporate Social Responsibility (CSR) disclosure and sustainability reporting, the increasing relevance of SDGs in Italian companies' disclosure practices and, at the same time, the gaps to be covered for their effective implementation.

Keywords: Sustainable Development Goals; SDG; voluntary disclosure; sustainability report; integrated report

1. Introduction

Sustainable development was defined in 1987 by the United Nation Brundtland Report as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” [1]. Starting from this point, the debate about sustainable development and corporate behavior has flourished, calling for new approaches to performance, sustainable business models, and integrated approaches to reporting systems [2–5].

According to the 2030 Agenda, responsible corporate behavior encourages the achievement of the Sustainable Development Goals promoted by the United Nations (UN), which outline the global goals and aspirations for 2030. Along this line, the SDGs—first introduced during the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012—rely on the critical role of business organizations in delivering on the promise of sustainable and inclusive development [6–8]. In this sense, the SDGs have been portrayed by an emerging body of professional and academic literature as a

new challenge for business organizations and investors. More specifically, SDGs have replaced the Millennium Development Goals (MDGs) developed in 2000. One of the main differences between the SDGs and MDGs is that the SDGs recognize the importance of the private sector in realizing these goals. The role of businesses in this process, thus, is pivotal and can provide both the key to success and the reason for the failure of this challenge [9–11].

Integrated reporting has been defined as a promising approach to disclose the corporate journey towards achieving the SDGs and can be used to embed the SDGs in organizations' thinking and reporting [12,13].

After a large discussion on its nature, limits, and challenges, integrated reporting has largely become recognized as one of the most impactful management and accounting innovations in the business arena and has been adopted by companies all over the world [14–18]. Starting in 2011, integrated reporting was launched by the IIRC (International Integrated Reporting Council) to present a concise and integrated report on how an organization's strategy, governance, performance, and prospects lead to the creation of sustainable value in the short, medium, and long term. In December 2013, in the light of the results achieved by the Pilot Programme, the IIRC released a framework whose purpose was to "establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them" [19].

Drawing on these considerations, the SDGs can be used as an impactful instrument to move toward a new business model, and, at the same time, integrated reporting could represent the canvas for this shift toward novel sustainable growth aimed at reducing risks, increasing benefits for both the economic system and organizations, and creating new opportunities for innovation, reputation, and efficiency gains.

However, to the best of our knowledge, empirical evidence on the ways that companies are addressing SDGs in their reports (and whether they mention SDGs) remains scarce, with some exceptions related to the use of sustainability reports [11,20] and, in the professional field, to the SDG reporting challenge launched by PricewaterhouseCoopers (PWC) [21]. Nevertheless, to date, none of these studies has considered the Italian scenario.

Therefore, this study poses a basic research question related to the SDGs disclosure practices adopted by Italian listed companies: 'Do Italian companies disclose SDGs?'. To fully address this issue, five other questions were formulated: 1) 'In what documents do companies disclose information about their SDGs?'; 2) 'When did these companies first mention their SDGs?'; 3) 'Do these companies relate their SDGs to their business models or goals?'; 4) 'Do companies define KPIs (key performance indicators) based on the SDGs?'; and 5) 'What are the most commonly cited SDGs?'.

To answer these questions, this paper first examines the 2018 reporting package [22] adopted by Italian listed companies—distinguishing between the Annual Report (AR), Sustainability Report (SR), and Integrated Report (IR)—and then analyzes the disclosures of SDGs, focusing both on the instrument (AR, SR, and IR) and the contents (the number of SDGs mentioned, the link between risk and SDGs, the prioritization between various goals, the presence of KPIs in the SDGs, etc.). Assuming that a company's sector can affect its decision to disclose such topics, we also examine this element. The Italian context also appears relevant. According to KPMG [23], Italy is one of the countries with a corporate responsibility reporting rate higher than the global average. In this sense, it could be useful to analyze the reporting choices for SDGs among Italian listed companies, as these companies appear to be particularly focused on sustainability topics and reporting innovation.

Using a sample of 40 companies listed on the Italian Stock Exchange belonging to the FTSE MIB Index (as at 31 December 2018), we find that the level of disclosure is high, even though, apart from simple mentions, there is a lack of integration with specific company goals or strategies, as well as no prioritization among the SDGs. This exploratory paper enriches the emerging debate on SDGs disclosure among Italian listed companies and highlights the importance these goals are gaining in recent years. Corporate reporting is increasingly being required to communicate how sustainability is embedded in the corporate vision, how it informs the value creation process and the business strategy,

and, more recently, which role is played by SDGs. In this context, the conducted research and the related results appear to be relevant as they show that, even if SDGs have gained saliency among companies, their integrated and concrete adoption is still missing.

The rest of the paper is structured as follows. Section 2 presents the research question and contextualizes it within the main literature review on the topic. Section 3 presents the methodology for conducting the study and the companies analyzed. Sections 4 and 5 expose and critically discuss the results of the analysis. Section 6 presents our conclusions and offers a list of limitations and recommendations for further research.

2. Literature Review

2.1. The Sustainable Developments Goals

Recently, international bodies (such as the IIRC) and global initiatives (Global Compact, for example) have asked organizations to provide stakeholders with additional information that is effectively useful for the correct evaluation of their business policies' and strategies' impacts on sustainability. The result of this international "movement" has been unequivocally proven by the flourishing of sustainability and the integrated reports that, in line with voluntary disclosure theory, increase organizations' accountability for the various environmental, social, and economic aspects of business [24–26].

Thus, the Sustainable Development Goals have been defined as an instrument to maximize value creation and enhance knowledge of the impact of business activities on sustainable development [12] (p.12). For this reason, the disclosure processes and output of SDGs have gained a privileged position. For a complete overview, see [27].

Figure 1 shows the 17 Sustainable Developments Goals, through which the 2030 Agenda for Sustainable Development recognizes that ending poverty and other problems must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth, all while tackling climate change and working to preserve our oceans and forests.



Figure 1. The 17 Sustainable Development Goals (SDGs).

According to Busco et al. [13], "making SDGs happen will be the challenge of the years ahead", and "several business organizations across the globe have started this journey by identifying and executing sustainable strategies as key drivers of their purpose, visions and business models".

In addition to these elements, the debate about business-oriented SDGs has steadily gained relevance in both the academic and professional arenas, showing how an increasing number of organizations are currently dealing with the need (largely recognized by the market and stakeholders)

to align their purposes and business models (together with their disclosure) with market opportunities, novel requirements (such as SDGs), and sustainable performance [28,29].

On the one hand, the SDGs present an opportunity for business organizations to re-define their priorities and integrate their business models (strengthening stakeholder engagement and better identifying future business opportunities). In this sense, the role of private business organizations in addressing the SDGs is pivotal: According to Ban Ki-moon, the United Nations Secretary-General, organizations are a vital partner in achieving the SDGs, since the public sector alone cannot successfully address this challenge. In response, the SDG impact program and assessment tools, United Nations initiatives, were recently launched to help channel private funds towards these goals.

On the other hand, one of the first effects of the diffusion of SDG reporting practices has been already identified as “rainbow washing”, referring to the corporate practice of adopting SDGs for style rather than substance, with the over-eager use of colorful SDG mosaics or rainbow wheels. One of the major risks of this approach is cherry picking the “good” parts of businesses and matching them with a development goal, thereby adopting the letter but not the spirit of the SDGs. Similar to what previously happened for sustainability issues, social reporting practices and IR [30–36], in this scenario, the SDGs risk becoming a compliance agenda, with companies deciding to “tick the box” and doing the minimum necessary to appear credible.

Interestingly, among the (inevitable) critics of the SDGs, some authors [37,38] have highlighted that the SDGs list the aspects that are considered important, but they do not make explicit in which way these goals relate to one another and do not identify the drivers of the impacts that the SDGs seek to address.

The general argument for the SDGs [37,39] is that they offer an opportunity for business organizations to re-think their approaches and contributions to the sustainable value creation process [12,40,41]. Advocates of the SDGs have listed a number of their benefits to multiple parties, including production efficiency, customer satisfaction, cost reduction, improved market reputation, awareness about sustainable growth, and a reduction in carbon footprint [6,7,12,20]. However, the advantages related to the SDGs can be fully exploited by companies only if these advantages are externally recognized by stakeholders and only if business organizations are able to maintain a relationship of trust.

2.2. SDGs and Corporate Sustainability

Over the past few decades, corporate sustainability (CS) [42–45] has gained prominence in the academic literature [46–50]. During this period, a growing number of organizations have enlarged their reporting packages by adding voluntary reports to their traditional financial reports, usually labelled as “Sustainability reports”, “CSR reports”, “Environmental reports”, or “Corporate Citizenship reports”. These documents generally provide non-financial information [51] regarding the various environmental, social, and governance aspects of a business. In this sense, non-financial disclosure encompasses a diverse range of performance aspects related, for example, to labor practices, human rights protections, product responsibility efforts, and environmental management measures [44].

Corporate sustainability is related to corporate social responsibility, environmental management, the triple bottom line, corporate citizenship, and sustainable development. These terms are often used interchangeably, despite the continuing efforts to differentiate them [52]. Schwartz and Carroll [53] suggest that these related concepts refer to simultaneously working toward value creation, balancing conflicting demands, and seeking accountability for one’s actions. In this study, we adopt the term “corporate sustainability”, which integrates the triple bottom line of financial profitability, environmental protection, and social responsibility into an organization’s activities, purpose, and business model [54].

Among the world’s large and mid-cap companies, corporate sustainability reporting is, at present, a standard practice, and around 75% of companies issue a corporate sustainability report [23] (p.4).

Although the diffusion of voluntary sustainability reports has been largely criticized [55–57], they offer preparation for integrated reporting that aims at reducing the limits of corporate reporting and facilitating transparency about companies' sustainability commitments [58–61].

In this framework, as discussed above, the theme of sustainable development could be the most effective impetus to renew the debate about corporate sustainability and to provide organizations with new instruments to effectively integrate sustainability into their business models and operations. According to Bebbington and Unerman [37] (p.8), "The SDGs are likely to further open up new avenues for accounting research, as well as remind us of previous work that has recently been relatively neglected".

Therefore, the concepts of corporate sustainability, CSR, and sustainable development are closely related [52,62–66] and sometimes assumed to be synonymous [67]. Interestingly, while the United Nation General Assembly [68] defined sustainable development as the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs", Dyllick and Hockerts, [62] (p.131), leveraging that definition, affirmed that corporate sustainability aims at "meeting the needs of a firm's direct and indirect stakeholders, without compromising its ability to meet the needs of future stakeholders as well".

Thus, this paper aims at analyzing the studied organizations' disclosure policies for SDGs, including voluntary reports and corporate sustainability reporting.

SDGs have already been studied within the corporate sustainability literature as a reference framework for evaluating and assessing corporate sustainability [69], as an instrument for increasing sustainability engagement [70], and as a way to provide organizations with new investment opportunities [20]. Moreover, organizations can leverage SDGs to develop and design sustainable business models [71] and build a sustainable competitive advantage [72].

Within the field of corporate sustainability, academic research is increasingly offering contributions and evidence aimed at supporting the linkages between corporate sustainability and SDGs. In this study we consider SDG reporting as the most recent step in social disclosure and CSR/sustainability reporting.

2.3. The SDG Reporting

According to Rosati and Faria [20], SDG reporting can be defined as "the practice of reporting publicly on how an organization addresses the SDGs". The enabling role of SDGs in fostering sustainable consciousness and corporate actions and strategies is clearly recognized by the UN Global Compact, the world's largest corporate sustainability initiative, and the Global Reporting Initiative (GRI), the world's leading organization for corporate sustainability reporting. These two organizations have launched a ground-breaking action platform called "Business Reporting on the SDGs", with the aim of empowering companies to incorporate SDG reporting into their existing business and processes to facilitate the accomplishment of the SDGs. The UN Global Compact and GRI define reporting as a strategic tool that (a) engages stakeholders; (b) supports sustainable decision-making processes at all levels within a company; (c) shapes business strategies; (d) guides innovation and drives better performance and value creation; and (e) attracts investments.

The relevance of this topic in the institutional and business arena is strongly supported. Moreover, the academic debate is rapidly growing, supporting the idea that "measuring and reporting on these goals enable business organizations to contribute to the SDGs while capitalizing on a range of benefits, such as identifying future business opportunities and strengthening stakeholder engagement" [13].

Nevertheless, very few articles have studied the diffusion of the SDGs in organizations' disclosure practices and instruments. Schramade [20] notes that only a minority of companies mentioned the SDGs in their 2015 reports (specifically, 40% of the Dow Jones 30, 28% of the Eurostoxx 50, and 28% of the largest 30 companies on the Nikkei), while Rosati and Faria [73], focusing on 2016 sustainability reports, empirically found that only 67 out of the 408 organizations analyzed addressed the SDGs in their sustainability reports. The authors also demonstrated that SDG reporting is positively related to size, the level of intangible assets, and some corporate governance indicators, such as the presence of

female directors and the share of young directors. In this sense, their findings support the link between sustainability reporting and legitimacy, stakeholder, and signaling theories [74–76], highlighting that companies that are more likely to experience the proactive adoption of SDG reporting better respond to stakeholder pressures, thereby improving corporate legitimacy.

In our study, we address our research question by analyzing the different documents published by Italian companies (Annual Reports, Sustainability Reports, and Integrated Reports, while also considering Non-Financial Statements) and their combinations. This is done to overcome the possible limitations caused by managers' discretionary disclosure practices [77]. Similarly, de Villiers and van Staden [14] concluded their study on corporate environmental performance by affirming that a manager's choice to engage in voluntary environmental disclosure is mainly driven by the perceived benefits. Consequently, if the main recipient of disclosure is the capital market, managers will prefer to disclose environmental information through annual reports to reduce information asymmetry [78]. On the other hand, if managers decide to disclose such information for the benefit of non-capital market stakeholders, they will inform the recipients through separate reports or using the website to reduce political costs [79].

3. Research Methodology

This section explains the methodological approach used by this study. The first subsection describes how the sample was drawn, the second subsection focuses on the data collection procedure, and the third explains the research methodology.

3.1. Sample Selection

This study focuses on a sample of 40 organizations on the FTSE MIB Index (as at 31 December 2018), the benchmark index for the Italian national stock exchange (Borsa Italiana). This index consists of the 40 most traded, liquid, and highly-capitalized stock classes on the exchange. The biggest company in our sample is Enel, with a market capitalization of euro 85.31 billion, and the smallest is Juventus Football Club, with a market capitalization of euro 1.6 billion. This analysis is focused on the FTSE MIB companies (the 40 biggest Italian listed companies), as they represent approximately 80% of Italian market capitalization and can be considered as the first mover companies in the SDG disclosure process, given their size and international profile.

The complete list of the 40 organizations is reported in Appendix A (Table A1), where the companies are ranked according to their market capitalization value. Appendix B (Table A2) shows the sectors they belong to, according to the Thomson Reuters Database classification (Industry TRBC). The analyzed sample appears to be heterogeneous as it is composed of organizations belonging to ten different industries.

3.2. Data Collection Procedures and Data Source

SDG disclosure can be analyzed by considering several documents.

We broke down the analysis into two different steps. In the first step, we considered the three main documents composing the reporting package: (i) the Annual Report (AR), which is a mandatory instrument used to communicate the results of the economic activity of a company to different categories of stakeholders [80]; (ii) the Sustainability Report (SR), which is a document that discloses not only information about the firm's economic performance but also social, environmental, and ethical matters [78], and (iii) the Integrated Report (IR), which offers "concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term" [81]. Then, in the second step, we enlarged our analysis of the companies' disclosures of their SDGs to consider the effects of the introduction of the European Directive 2014/95/EU, which makes it mandatory for certain large companies to disclose their non-financial information, starting with the fiscal year commencing on 1 January 2017. All the companies included in our sample are subject to the European Directive

2014/95/EU, except for FinecoBank S.p.a., which is part of the UniCredit S.p.a. Group (only the holding is subjected to the directive), and the Juventus Football Club, whose employees number less than 500.

For this reason, we enriched our analysis by also considering the documents containing a mandatory Non-Financial Statement (NFS), pursuant to Legislative Decree 254/2016, which is usually embedded in one of the documents previously mentioned (AR, SR, and IR) or is presented as a single extra-report. In addition, considering the “aspirational nature” of the SDGs, we also considered if companies cite the SDGs in their Letter to Stakeholders (LS), where the CEO or president inform stakeholders about the recent results, strategies, expectations, and outlook for the near future. Within this paper, we refer to these five documents as the “Enlarged Reporting Package”.

The sources of the aforementioned data included the companies’ websites, where we looked for Annual Reports, Sustainability Reports, Integrated Reports, and Non-Financial Statements. Our study is ultimately based on data drawn from 165 documents, collected from the websites of the companies analyzed during the months of December 2019 and January 2020.

Detailed information on the distribution of these documents for 2018 is reported in Table 1.

Table 1. The reporting packages of the analyzed companies.

Reporting Package	Code	Number	%
Annual Report	AR	12	30%
Annual Report + Sustainability Report	AR + SR	19	48%
Annual Report + Integrated Report	AR + IR	2	5%
Sustainability Report + Integrated Report	SR + IR	2	5%
Annual Report + Sustainability Report + Integrated Report	AR + SR + IR	0	0%
Integrated Report	IR	5	13%
Total		40	100%

3.3. Research Methodology

As illustrated above, the purpose of our study is to analyze Italian companies’ disclosure of the SDGs. In this sense, our analysis aims at verifying if and how the SDGs are disclosed in the different documents published by Italian companies and presented to their stakeholders.

For this reason, we developed a content analysis, which is a common method used to identify information inside written texts [82,83]. This conceptual analysis approach identifies the frequency of concepts, such as words or phrases. More specifically, we used a quantitative or mechanical approach, identifying and quantifying certain content or words in the text.

Specifically, we analyzed the 2018 Annual Reports, Sustainability Reports, Integrated Reports, Non-Financial Statements, and Letters to stakeholders issued by the organizations included in our sample. We searched these documents to locate any references to SDGs, company goals, or KPIs related to SDGs, or to any other information provided by the companies relevant to the sustainable development goals. The typical headings of the sections containing information about the SDGs were: “Commitment for SDGs”, “SDGs of reference”, “Sustainable Development Goals”, and “Company’s sustainability”.

More specifically, we developed a scoring grid to monitor the presence of these elements, as follows: (i) a specific section dedicated to the SDGs, (ii) any mentions of the SDGs, (iii) a list of company goals related to the SDGs, (iv) evidence of a relationship between IR capital and the SDGs, (v) any reference to the SDGs within the company’s business model, and (vi) the definition of the KPIs related to the SDGs.

For each element, a score of 1 was assigned if the item was disclosed (0 otherwise). We also carried out a reliability test comparing the results obtained by two different raters (two of the authors) who worked—separately—on the same scoring process. Any discrepancy among the results and any differences have been analyzed and solved.

According to the research questions introduced in Section 1, we structured our data and developed a content analysis to investigate (i) what documents the most capitalized Italian companies use to

disclose information about their SDGs; (ii) when the organizations started to report information about their SDGs; (iii) which goals are most commonly cited by organizations of the FTSE MIB; (iv) if the organizations simply mention the SDGs, or if they also explain in detail and in practical terms their adoption; and (v) if there is a link between SDG disclosure and the company's parent industry.

4. Results

This section provides an analysis of the research results and findings.

Table 1 presents information about the 2018 reporting package of each company included in our sample as a first step of the analysis (not strictly related to SDG disclosure), which is useful to better present the documents analyzed and the general disclosure practices diffused among highly-capitalized Italian companies.

According to the documents analyzed, the majority of the organizations included in our sample (48%) released information using the AR in association with the SR, followed by 30% of organizations reporting information using only AR. This result appears quite normal and is not particularly surprising, as the AR is a mandatory document, and the SR is the most diffused additional document used to report non-financial information and performance.

As we note in Table 1, only five organizations (13%) presented an IR, and only four organizations proposed a combination of AR and IR (5%) or SR and IR (5%). The latter results appear unusual, as the IR is assumed to be the document in which all the information, financial and non-financial, are integrated and presented. In light of this, no other document should be presented together with IR. Finally, none of the organizations considered in our analysis (based on the aforementioned considerations) presented in its reporting package all three documents (AR, SR, and IR).

Focusing on disclosures related to SDGs, Table 2 indicates which documents within the enlarged reporting package were used by the organizations included in our sample to provide information about the SDGs in 2018.

Table 2. The documents used by the analyzed companies to provide information about the SDGs.

Document	Number	%
Annual Report	8	12%
Sustainability Report	21	32%
Integrated Report	8	12%
CEO Statement or Stakeholder letter	6	9%
Non-Financial Statement	22	34%
Total	65	100%

As we can see from Table 2, the 40 Italian organizations considered in our study mostly used Non-Financial Statements (34%) and Sustainability Reports (32%) to disclose information about their commitment to the SDGs. The remaining organizations used AR (12%) and IR (12%), while only 6 organizations out of 40, mentioned their commitment to SDGs in CEO Statements or Letters to Stakeholders. Out of the 40 organizations analyzed, some introduced SDG-related topics in more than one document (thus, the total number of statements presented in Table 2 is 65 and not 40), while some of them did not make any reference to the SDGs.

We observed that 16 organizations (40%) mentioned the SDGs in only one document; 10 organizations (25%) mentioned them in two documents, and only 9 organizations (23%) mentioned the SDGs in at least three documents. Finally, 5 organizations (13%) never mentioned the SDGs in their 2018 Reporting Packages.

As the SDGs were established in 2015 by the United Nations General Assembly, it could be interesting to analyze when, or the first time, the most-capitalized Italian companies started to provide information about the SDGs. Table 3 shows the results of this analysis.

Table 3. Year of first SDG mention in the analyzed documents.

Year	Number	%
2015	6	17%
2016	14	40%
2017	11	31%
2018	4	11%
Total	35	100%

As shown in Table 3, only six organizations included in our sample began to release information about the SDGs in 2015, which is the first year that the 17 goals were set, while most of the organizations mentioned the SDGs for the first time in 2016 (40%). This finding is expected, as any innovation or new requirement—a fortiori, a non-mandatory one—requires time to be processed and included in the disclosure processes. Thus, after two years, in 2017, 28% of the organizations mentioned the SDGs for the first time in their Enlarged Reporting Packages (89% in total since 2015), while only five mentioned the goals in 2018. Out of the 40 organizations, five have never mentioned (at least until 2018) the SDGs in their documents.

Table 4 presents a detailed analysis of the most common SDGs mentioned in the Enlarged Reporting Packages (year 2018). The first column lists the 17 SDGs, followed by an indication of the number of organizations that disclosed information about each SDG and the related percentage; in the last column, we order the SDGs in terms of importance, where number 1 is the most commonly mentioned and number 14 the least mentioned.

Table 4. Goals mentioned in the analyzed documents

Sustainable Development Goals	Number	%	Order
GOAL 1: No Poverty	13	4%	7
GOAL 2: Zero Hunger	2	1%	1
GOAL 3: Good Health and Well-being	24	8%	3
GOAL 4: Quality Education	23	8%	3
GOAL 5: Gender Equality	19	6%	5
GOAL 6: Clean Water and Sanitation	12	4%	7
GOAL 7: Affordable and Clean Energy	24	8%	3
GOAL 8: Decent Work and Economic Growth	31	10%	1
GOAL 9: Industry, Innovation and Infrastructure	27	9%	2
GOAL 10: Reduced Inequality	15	5%	6
GOAL 11: Sustainable Cities and Communities	22	7%	4
GOAL 12: Responsible Consumption and Production	24	8%	3
GOAL 13: Climate Action	28	9%	2
GOAL 14: Life Below Water	5	2%	8
GOAL 15: Life on Land	7	2%	8
GOAL 16: Peace and Justice Strong Institutions	15	5%	6
GOAL 17: Partnerships to achieve the Goal	14	5%	6
Total	305	100%	

As shown in Table 4, the most commonly disclosed SDG is Goal number 8: Decent work and economic growth, meaning that the majority of the organizations included in our sample (27%) considered economic growth and the improvement of labor conditions. This first and most important goal is immediately followed by Goal number 13: Climate actions (24%) and Goal number 9: Industry, innovation, and infrastructure (23%). Thus, according to our analysis, environment and innovation are the other two most important challenges that organizations have responded to. At the same level are Goal number 7: Affordable and clean energy, Goal number 12: Responsible consumption and production, Goal number 4: Quality education, and Goal number 3: Good health and well-being, which are mentioned in 20%–21% of the reports analyzed.

Table 4 also shows that SDG 1 (No poverty), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 10 (Reduced inequality), SDG 11 (Sustainable cities and community), SDG 16 (Peace, justice and strong institutions), and SDG 17 (partnerships to achieve the goal) were taken into consideration by less than 20% of the Italian SDG reporters.

Finally, the SDGs that seem to be the least relevant, at least for the organizations in our sample, are SDG 2: Zero hunger, SDG 14: Life below water, and SDG 15: Life on land, which are mentioned in less than the 6% of the documents analyzed.

Beyond simple mentions in the documents, it is interesting to analyze how the SDGs are considered by the organizations included in our sample and what types of disclosure are provided. For this reason, in Table 5, we show how organizations disclosed information about their SDGs in 2018, distinguishing between different policies: (a) the simple mention of SDGs in one of the documents; (b) the identification of a specific section within the documents dedicated to SDGs; and (c) the decision to link the SDGs to specific company goals or, when the disclosure is made through IR, to company capital (d). Moreover, considering the potential impact of a concrete and effective adoption of SDGs, our analysis investigated if companies (e) have related the SDGs to their business models, (f) have explicitly defined specific KPIs related to the SDGs, or (g) have presented a reconciliation (or only a link) between the SDGs and GRI.

Table 5. Kind of information provided about SDGs by the analyzed companies.

	Number	% *
Specific dedicated section within the document	30	86%
Company goals related to SDGs	24	69%
Relationship between capital and SDGs	5	14%
SDGs related to the business model with specific representations	5	14%
Definition of KPIs related to SDGs	5	14%
Relationship between SDGs and GRI	2	6%

* This percentage is calculated by the number of SDG reporters (35 companies out of the entire panel of 40 companies).

Table 5 shows that the majority of the organizations included in our sample (86%) created a specific section in one or more of their documents to describe their commitment to the SDGs. Furthermore, 24 out of 40 organizations included in our sample (69%) also related their company goals to the SDGs, indicating the actions they implemented to reach the related goals. On the other hand, very few organizations related their capital (according to the definition of the IIRC) to the SDGs (14%), to their business models (14%), or to their KPIs (14%). Finally, only two organizations considered in our study indicated the relationship between their SDGs and GRIs.

Finally, Table 6 relates the parent industries of the organizations included in our sample to the SDGs most commonly mentioned by each organization. In defining the parent industries of the 40 organizations included in our sample, we used the Thomson Reuters Business Classification. Analysis of these data reveals that there is not a clear sector effect on the decisions of companies to disclose their SDGs. This could be related to the limited number of companies analyzed. This table presents only the sectors with at least three companies (for this analysis, we dropped four sectors populated by just one company).

Table 6. Disclosure of SDGs and the industries of the analyzed companies.

Industry	1° Most Mentioned SDGs	2° Most Mentioned SDGs	3° Most Mentioned SDGs
Energy	8 9 13	3 4 5 6 7 10 12 14 15	11 16 17
Industrial	8 13	9 3	11 12 16
Cyclical Consumer Goods and Service	3	4 7 8 12	11 13
Financial	5 8 9 13	1 3 4 11	7
Healthcare			
Utilities	7 8 9 12 13 17	5 6 11 15	4 14 16

The aforementioned limitations affected the generalization of the data; however, in our sample, healthcare appears to be the only sector not interested in the SDGs.

5. Discussion

We sought to investigate how the most traded, liquid, and highly-capitalized Italian companies (as identified by FTSE MIB) disclose their SDGs. In this way, we sought to offer empirical evidence about the diffusion of the SDGs within Italian corporate reports and how these companies are currently facing the challenge of mobilizing their actions and promoting sustainable growth.

In terms of disclosure, we found that, in relation to SDGs, Italian companies privilege Sustainability Reports and the new Non-Financial Statements (pursuant to Legislative Decree 254/2016) as instruments to disseminate their policies and activities on the topic.

These findings strengthen the idea that the SDGs represent—at least for the analyzed companies—an extension to, or evolution of, corporate responsibility reporting, influencing their reporting practices and allowing them to implement the information provided. By integrating the SDGs into disclosure practices and informing stakeholders about this topic, reporting corporations can better manage their corporate sustainability. This agrees with the recent contributions to SDGs and corporate sustainability management [12,20,84].

At the same time, our sample is composed only of large organizations, which are generally more concerned with their public images, influenced by stakeholders' expectations, and engaged in emerging sustainability discussions earlier than smaller companies [73].

In analyzing SDG disclosures, several features emerged. As presented in Table 2, we found that almost all the analyzed companies introduced—in some way—the topic of the SDGs in their disclosures, often in more than one document; only five companies did not mention the SDGs. Interestingly, these worst cases belong to just two sectors: healthcare and finance.

We also examined differences in the extent of disclosure. The majority of companies presented a specific section dedicated to the SDGs. This is a positive development if we consider the relevance of this topic recognized by organizations, but, at the same time it could suggest a “marginalization” effect. The SDGs are presented by the Italian companies within their Enlarged Reporting Packages in response to the implicit requirements of the modern economy, allowing them to correctly “tick the box”, but without embedding the SDGs in their strategies, linking them to their business models, or defining specific KPIs that could, over time, help stakeholders evaluate their corporate performance and contributions to sustainable growth. Our main findings, then, beyond the fact that disclosures related to SDGs are common, seem not to support the idea that the SDGs have truly impacted Italian corporate operations, as the studied companies do not assess specific KPIs or integrate the SDGs into their business models.

In relation to the different criteria used to analyze SDG disclosure contents, our content analysis, reveals that Italian companies offer limited disclosure on the integration of the SDGs in corporate strategies. Often, the SDGs are merely cited and generically introduced within a list of activities launched by the organization, with few indicators and little information about their effective implementation of the SDGs. Only in 5% of the cases did companies relate the SDGs to their business models or identify and discuss KPIs related to these goals. Interestingly, at this stage of analysis and SDG diffusion, this result is consistent with the evidence of Bennet et al. [45] on sustainability topics.

Furthermore, this result is one of the main contributions of the research, as it highlights the main lack of understanding among Italian companies regarding the potential of the SDGs. Only a real engagement process that aligns the SDGs with a company's business model will result in more sustainable practices that offer a stable competitive advantage (since they can be translated into new market opportunities), generate new revenue, create and sustain better reputations, spawn investor interest, and reduce risks. In this scenario, the SDGs should be seriously embedded in companies' strategies, business models, and performance evaluation processes. However, this deficiency could be motivated by the novelty of the topic, as companies may simply be in the initial stages of SDG disclosure.

As SDGs are non-binding, or “aspirational” goals, companies may require time to embed them into their strategic processes and, during pilot or initial phases, such companies may prefer to disclose their actions rather than their performance. At this stage of analysis, we do not support the thesis that companies use SDG disclosures to manage their corporate images or alter perceptions of their sustainability achievements, even if this possibility cannot be a priori rejected, as further studies that cover a longer time horizon are required.

Interestingly enough, these findings are in line with recent studies on sustainable development reporting narrative [85] and institutionalization of sustainability reporting within organization. In exploring how sustainability reporting managers institutionalize sustainability reporting within organizations, Farooq and de Villier [86] affirm that organizations require time in order to achieve a higher level of maturity and a deeper embedding and routinization of sustainability reporting, identifying ten reasons why material issues are not always (adequately) disclosed.

As expected, the most commonly disclosed SDG is SDG 8, which is related to decent work and economic growth. The reason for this finding can be traced to the belief that economic growth is a principal driver of sustainable development and is directly impacted by business activities. The link between corporate strategies and SDG 8 seems to be the easiest way to discuss the SDGs and an easy way for companies to trace their efforts on these issues. This is consistent with an interesting study from PWC [87] that depicts how companies, recognizing their roles into the business cycle, ranked SDG 8 as the SDG they have the greatest impact on and that offers them the greatest business opportunity. On the point, the findings of PWC overcome the geographical limitations of the present paper, highlighting that, globally, all regions consider SDG 8 (decent work and economic growth) as the SDG that could have the greatest impact (apart from the Middle East, where companies identified SDG 3 (Good health and well-being) as the most pressing goal).

Conversely, SDG 2 (Zero hunger) is not frequently disclosed, except in two cases that, interestingly, belong to very different sectors (Utilities and Industrial).

Another relevant finding concerns the first “adoption”, or first mention, of the SDGs in corporate reports. Although some of the first movers immediately opted to present the SDGs in their reports in 2015 (6 companies out of 35), the majority of the analyzed companies started to effectively disclose the SDGs in 2016. This is consistent with the lag effect that is intrinsic in the journey toward the SDGs, which necessarily requires (as with other management innovations like integrated reporting or the balanced scorecard) time to be understood, embedded in an organization, accepted by the reporters, and customized based on individual corporate characteristics.

In line with previous contributions [37], this paper suggests that SDGs provide the opportunity for academic studies into sustainability and corporate responsibility to further develop analyses of corporate disclosure practices. According to the findings discussed above, this paper offers several contributions. First, the SDGs are becoming increasingly popular in the agendas of regulators around the world. The results from the current study are therefore expected to have practical implications for business organizations that desire (a) to actively address the SDGs in their business models and (b) to effectively inform stakeholders about these efforts. In particular, the experiences of the companies listed on the FTSE MIB Index can provide valuable guidance for other companies or investors that are particularly interested in these topics. Second, there has been debate on whether the SDGs have real benefits or are just a passing fad. By analyzing how the SDGs are empirically used by reporting companies, this study moves the debate forward and provides a lens to interpret voluntary and non-voluntary disclosure.

6. Conclusions, Limitations and Further Research

This study was motivated by the need to offer initial evidence to support (or reject) the claimed relevance of SDGs in companies’ disclosure policies (here, in an Italian context). The SDGs have been described as the “guideposts for a difficult transition to sustainable development” [88] (p.176), as they “have the potential to become the guiding vision for governmental, corporate and civil society action

for a shared and lasting prosperity” [89] (p.1657). Their significance is highlighted by a number of elements: the growing number of companies disclosing their SDGs, the attention of policy makers toward these topics, and the flourishing of both academic and professional papers and report on the potentials of SDGs.

This contribution is among the first to provide evidence about the effective diffusion of SDG disclosures among Italian companies and extends voluntary disclosure theory to include SDGs, which are rapidly becoming the new paradigm for conducting business.

Using a sample of Italian listed companies, we analyzed the disclosure choices regarding SDG reporting, thereby providing an analysis of the ways in which this disclosure happens (through which documents, with what contents, for what reasons, and since when).

Specifically, we examined the quantity and quality of the disclosure provided—alternatively and jointly—in Annual Reports, Sustainability Reports, and Integrated Reports with reference to the number of SDGs mentioned, descriptions of the link between company goals and SDGs, the prioritization among the various mentioned goals, and the presence of KPIs in the SDGs.

For the research question, which investigates the relevance of SDGs in Italian listed companies’ reports, some conclusions may be outlined based on the findings reported above.

The SDG disclosure of Italian companies mainly occurs through Sustainability Reports and Non-Financial Statements, where a specific section is commonly dedicated to the SDGs.

The results suggest, on the one hand, that SDG awareness among the business community is high and that the majority of the most traded, liquid, and highly-capitalized Italian companies have introduced SDGs in their disclosure and story-telling practices, while, on the other hand, the exact nature and requirements of the SDGs, and the definitions of specific KPIs related to them, are still unknown.

Organizations may use these results to better understand the actual absence or presence of SDG implementation within the value creation process and in disclosure practices.

At this stage, the present study is only explanatory and possesses some limitations that must be considered when approaching this topic, analyzing the results, and generalizing its findings.

First, the unique setting in Italy and the limited sample size, together with country-specific characteristics, inevitably influenced the results of the study and thus affect their generalization. Future studies could repeat this analysis by extending the investigation to other countries, thereby providing a cross-country comparison or, on a longitudinal basis, monitoring the progress of corporate disclosure over the years. Second, this study focuses on SDG disclosure and, at this stage, does not include an assessment of organizational performance in terms of SDG advancement. Third, our analysis does not consider any governance or internal organizational factors, such as board composition, organizational size, resources and capabilities, intangibility, and economic and sustainability performance. Future studies might consider the effects of institutional, governance, and organizational characteristics on SDG reporting and, at the same time, analyze, using qualitative research methods, the motivations behind voluntarily reporting SDGs.

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Appendix A

Table A1. Firms analyzed.

Values in Euro Billion					
N.	Company	Capit.	N.	Company	Capit.
1	Enel	85,31	21	Unipolsai	7,27
2	Eni	46,9	22	Finecobank	6,71
3	Intesa Sanpaolo	44,42	23	Amplifon	6,59
4	Unicredit	31,59	24	Leonardo	6,54
5	Ferrari	30,33	25	Diasorin	6,42
6	Generali	29,46	26	Hera	6,36
7	Stmicroelectronics	25,31	27	Prysmian	6,3
8	Fiat Chrysler Automobiles	19,3	28	A2a	5,84
9	Atlantia	18,72	29	Nexi	5,7
10	Exor	17,55	30	Italgas	4,94
11	Snam	16,7	31	Pirelli and C	4,72
12	Poste Italiane	14,75	32	Buzzi Unicem	4,19
13	Terna	13,39	33	Ubi Banca	3,96
14	Cnh Industrial	12	34	Saipem	3,79
15	Tenaris	11,12	35	Unipol	3,78
16	Telecom Italia	10,9	36	Banco Bpm	3,64
17	Campari	10,26	37	Azimut Holding	3,29
18	Moncler	9,65	38	Salvatore Ferragamo	2,79
19	Recordati	8,54	39	Bper Banca	2,41
20	Mediobanca	8,41	40	Juventus F.C.	1,65

Appendix B

Table A2. Sectors.

Sectors	Number of Firms	%
Basic materials	1	2,5%
Cyclical Consumer Goods and Services	7	17,5%
Energy	4	10,0%
Financial	11	27,5%
Healthcare	3	7,5%
Industrial	6	15,0%
Non-Cyclical Consumer Goods and Services	1	2,5%
Technology	1	2,5%
Telecommunication services	1	2,5%
Utilities	5	12,5%
Total	40	100%

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