Implementing Integrated Reporting: Case Studies from the Italian Listed Companies

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Abstract

The purpose of this paper is to explore the change experienced by the Italian listed companies through the implementation of integrating reporting. The objective of this study is to shed light on the company's moving reasons towards integrating reporting and on its effects on the company's thinking approach.

This paper builds on multi-source data gathered through web-site visits, company materials and interviews, according to an interpretive case study approach.

The authors found that the process of change experienced by the selected companies deserves consideration for at least two reasons: on the one hand, as a transition from a stand alone to an integrated thinking approach; on the other hand, as a transition from an implicit to a more explicit approach to sustainability.

The paper is, to the best of the knowledge, the first one to explore the process of change experienced by the Italian listed companies through the implementation of integrated reporting.

Keywords: Integrated reporting, Integrated thinking, Thinking change, sustainability, Corporate social responsibility.

1. Introduction

In December 2013, the International Integrated Reporting Council (IIRC) published the *International Integrated Reporting Framework* (hereafter the "Framework"), with the aim of providing a principles-based platform explaining the objectives and concepts of the integrated report (IR) as well as the guiding principles and content elements (IIRC, 2011, 2013).

The integrated report constitutes an evolutionary step with respect to corporate social responsibility and sustainability reports as the former seeks to offer a more holistic picture of modern companies by moving from stand alone sustainability or social responsibility reports towards an integrated thinking and communication approach. In fact, integrated reporting includes non-financial information on environmental and social metrics, but goes much further to integrate these metrics with the traditional financial report. In this sense, the integrated report represents the new reporting trend in which financial and non-financial information are strictly interwoven, presenting a complete portrait of the organization (Jensen & Berg, 2012).

This practice is starting right now in Europe, namely in Italy, where only few listed companies have decided to face the multitude of challenges the integrated report implies: up to now, despite a growing demand for transparency, only 6 Italian listed companies out of 338 are currently issuing an integrated report. Furthermore, in Italy, the adoption of the European Directive 2014/95/UE about non-financial and diversity information by December 2016 should increase the number of companies adopting a disclosure which is wider than the traditional one. Besides, with reference to the international scenario, some factors – such as the legislative pressure (e.g. in South Africa, the integrated report is mandatory) and the recognition of specific benefits (e.g. reputation's improvement, stakeholder engagement, capital allocation) – may encourage the adoption of the integrated report.

Although literature has only recently and partially dealt with the issues of integrated reporting, a review of the international business literature suggests – as illustrated in Paragraph 2 – that existing studies have typically focused on either the Framework weaknesses or on the integrated report's expected advantages.

Too little attention has been given to the analysis of Italian listed companies' transition through the implementation of integrated reporting: looking at the existing literature on the topic, there is evident lack of scholarly research concerning the above-stated issue: this study attempts to fill this gap and add to the existing literature by a case study analysis aimed at exploring Italian integrated reporting practices and the related change occurred in the companies' way of thinking. As an emerging phenomenon, there are few empirical studies exploring integrated reporting practices and this paper provides some insights into integrated reporting in Italy.

In view of the above, the purpose of this paper is to investigate the dynamic path the Italian listed companies went through to implement integrated thinking at a strategic and operational level; it also highlights the key factors that have contributed to the success of the transition process to embed integrated thinking in the strategy, practices, structures and culture of the selected companies.

In detail, the research questions the present study aims at are the basically two: on the one hand we wonder why the selected Italian listed companies have moved to integrated reporting, on the other we are interested in exploring which main changes the selected Italian listed companies experienced through the implementation of integrated reporting.

In order to answer the above questions and in view of the Italian listed companies scenario, the study focused on the few Italian companies adopting the integrated reporting process, that is (in terms of first-time adoption): Sabaf (2005), Eni (2010), Atlantia (2012), Terna (2013) and Unicredit (2014). Companies' features will be underlined in the Paragraph 4.

The research was conducted by adopting a qualitative and multi-source case-study approach based both on content analysis of company reports and on structured interviews.

This study shows that company's change, due to the adoption of the integrated report, can be regarded as a transition from a stand alone to an integrated thinking as well as a transition from an implicit to a more explicit approach to sustainability. The integrated thinking is a culture or attitude that should begin at board level and determine the board's agenda and method of operating (SAICA, 2015)

The paper is structured as follows. Paragraph 2 shows a literature review about the integrated reporting, including some contributions on the case study approach. Paragraph 3 describes the research approach. Paragraph 4 provides a brief description of the Italian selected companies. Paragraph 5 deals with the case studies related to the reasons of the transition to integrated reporting and the change experienced by the selected companies. Paragraph 6 contains some concluding remarks, trying to answer to the above-mentioned questions in view of the current situation regarding the Italian listed companies.

2. The Theoretical Framework: A Literature Review on Integrated Reporting

Despite the fact that the integrated report issue has progressively gained prominence in the professional world over the last decade and among international standard setters, literature on the subject has only partially addressed it, focusing only on some specific profiles.

Eccles & Krzus (2010), Eccles, Beiting & Saltzman (2010), Eccles & Saltzman (2011), Eccles, Krzus & Watson (2012), Eccles and Krzus (2014), Jensen and Berg (2012) are among those who first addressed the issue of the integrated report.

As part of Eccles et al.'s contributions, the adoption of the integrated report is strongly promoted in so far as it can produce many internal and external benefits. It can produce internal benefits which are identifiable in reducing risks linked to reputation, the increased involvement of shareholders and all stakeholders in general and in taking appropriate decisions to ensure a better use of internal resources. It can also produce external benefits, referring to market advantages arising not just from economic disclosure; regulatory, in terms of greater capability to respond to the increasing local Stock Exchange requirements (Eccles & Krzus, 2010; Eccles, Beiting & Saltzman, 2010; Eccles & Saltzman, 2011; Eccles, Krzus & Watson, 2012; Eccles and Krzus, 2014). In general, Eccles believes that the adoption of the integrated report facilitates the diffusion of practices compliant with global responsibility and sustainability principles; these are intended as the fulfilment of all the expectations (economic, social and environmental) relevant to the company's stakeholders.

With reference to the institutionalist theory, Jensen and Berg (2012) also emphasize the added value of the integrated report compared to other forms of communication: for this purpose, aspects of commonality and differentiation are studied between companies that prepare an integrated report and those resorting to a sustainability report (Jensen & Berg, 2012). According to the institutionalist theory, companies operate in a political, social, cultural and economic environment in which the institutions are putting pressure and constraints on the way they run their businesses. In compliance with this approach, the authors attribute the choice by a defined sample of companies to draw up an integrated report - rather than a sustainability report - to specific identifiable variables such as the current regulatory system (civil law or common law), the concentration of ownership, market efficiency, social, environmental and economic development and the degree of success of the principle of responsibility.

Some contributions have been made of a highly critical nature from 2013, especially with regard to the integrated report model proposed by the IIRC (Brown & Dillard, 2014; Flower, 2015; Thomson, 2015).

Brown and Dillard consider the IIRC's approach to the integrated report to be particularly limited and unsuitable in stimulating more responsible behaviour: the authors also ask for greater attention to the social, political and economic context in drafting the integrated report (Brown & Dillard, 2014).

Compared to the version provided by the Consultation Draft, Flower believes that the definitive Framework version has abandoned sustainability accounting, identifying the main reason in the composition of the IIRC governing bodies, mainly in respect of the accounting professions and representatives of multinational enterprises. Flower also challenges the scarcely binding nature of the provisions contained in the Framework on consequent potential problems in terms of effectiveness (Flower, 2015).

Similarly, taking up Flower's study, Thomson criticizes the IIRC's Framework, identifying its main weakness in the absence of adequate appreciation of the sustainability principle (Thomson, 2015).

Other studies have corroborated the importance of the integrated report, highlighting the potential and possible benefits (Adams, 2015; Burke & Clark, 2016; Stacchezzini, Melloni & Lai, 2016). Adams highlights, in particular, the limitations of Flower's criticism, replicating that the alleged departure from sustainability does not constitute a source of weakness, given that the representation of corporate sustainability is not the integrated report's main objective. Adams also stresses the relevance of the integrated report in relation to the progressive awareness of businesses in understanding and representing the value creation process in the short, medium and long term (Adams, 2015). Even Stacchezzini et al. (2016) analyse the integrated report role especially in communicating corporate sustainability practices: in this regard, their research findings underline how firms not only provide limited forward-looking and quantitative disclosure of their actions to achieve sustainability outcomes but also avoid providing information about their sustainability performance when their social and environmental results are poor. Their research evidence suggests pessimistic conclusions about the capability of this reporting process to encourage the integrative management of corporate sustainability (Stacchezzini et al., 2016).

Some analyses have been made to verify whether the integrated report can actually encourage the adoption of more responsible behaviour: in this regard, based on interviews with representatives of fifteen Australian businesses, Stubbs and Higgins (2014) have questioned whether internal mechanisms developed through the integrated reporting process are likely to impact on corporate culture, stimulating greater attention to sustainability and the consequent adoption of innovative forms of disclosure (Stubbs & Higgins, 2014). According to the above authors, the observation of the empirical data collected would lean towards the absence of the investigated relation, although it is important to acknowledge that the integrated reporting process is in a start-up phase. Stubbs and Higgins's study was based on in-depth semi-structured interviews with organisations in varying stages of implementing integrated reporting; in total, 23 interviews were conducted with sustainability managers, finance managers and communication managers across the largest 15 companies listed on the Australian Securities Exchange.

From an analysis of the same sample of firms, according to an institutionalist approach, Higgins et al. (2014) analyse the possible readings of the information contained in the integrated report: the authors point out that the approaches to reading are often conflicting, thus limiting the role of the integrated report with respect to the assertion of more responsible management behaviour (Higgins, Stubbs & Love, 2014).

With regard to the South Africa case, Rensburg and Botha (2014) have proved the importance the integrated report has taken on for stakeholders to acquire preliminary information upon making an investment. The research shows how the integrated report is just an additional information source with respect to the traditional economic and financial ones, which however amounts to the primary reference for the investing public (Rensburg & Botha, 2014).

As part of the literature on integrated reporting, it is also possible to identify the studies focused on the analysis of theories (in particular, stakeholder theory, institutional theory and innovation diffusion theory) to which the integrated reporting process relates (Ioana & Adriana, 2014), or the theoretical and practical challenges of the problems arising from a non-unique application and interpretation of the integrated report (De Villiers, Rinaldi & Unerman, 2014).

Other studies covered the determinants and consequences of integrated reporting, analysing the extent to which consistency between integrated and other company reporting could be achived (Mio, 2016) as well as the relations between integrated and sustainability reporting (Busco et al, 2013).

However, there is a shortage of empirical research aimed at assessing the actual degree to which the integrated report has been adopted by companies. In fact, there are only few studies aiming at providing insights into the early stage development of the integrated reporting process; in this regard, one of the first surveys was the one conducted by Wild and Van Staden on integrated reports - published between 2010-2012 - of the fifty-eight companies included in the IIRC's Integrated Reporting Emerging Practice Examples Database (Wild & Van Staden, 2013). This study found that early integrated reports were in general lengthy rather than concise and they failed to adhere to all the Guiding Principles; their focus emphasized soft measures like strategy, operating context and organisational overview rather than hard measures like performance and future outlook, with a generally low level of responsiveness to the principle of "stakeholder inclusiveness". A significant finding was that early IR is not dominated by high social and environmental impact industries as suggested in current literature, but by the financial services industry.

The surveys conducted by Lai et al. (2013), Incollingo (2014) and Salvioni and Bosetti (2014) are also related to this context: the first one aims at checking the business model disclosure practices in the integrated reports of twenty-one European companies, while the second and the third verify the integrated reports'compliance to the Framework by the members of the Pilot Program.

Unlike the two above stated studies (Wild & Van Staden, 2013; Lai, Melloni & Stacchezzini, 2013), the present paper analysed the implementation of the integrated reporting process focusing on the change experienced by the Italian companies rather than evaluating the companies' integrated report compliance to the Framework or their business model disclosure practices. In this sense, this study contributes to the existing literature about the implementation of the integrated report.

3. Research Approach

In this paper case study approach – on the basis of inductive content analysis – has been adopted in order to cope with the literature gap - as underlined in Paragraph 2 - consisting in a shortage of empirical research aimed at assessing the actual extent of the company's integrated report adoption.

Having a widespread application for teaching purposes, case studies could also be seen as a guide to establishing a frame for data collection in a particular piece of research, thereby seeking to cover contextual conditions which might be relevant for the phenomenon being studied (Patton & Appelbaum, 2003; Herzig et al., 2012). Furthermore, case studies are particularly suitable for research areas where there are few prior theroretical pieces of literature based on empirical research (Eisenhardt, 1989) and the most appropriate research questions are those asking "how" and "why" (Yin, 2003) rather than those requiring broad statistical analysis. As stated in paragraph 2, literature review underlines a lack of scholarly research about the empirical analysis of companies' transition towards the integrated report; in this regard, the case study approach appears suitable in order to answer the above stated research questions.

In the present study, the transition to the integrated report by the Italian listed companies has been examined according to a "interpretive" case study approach (Ryan et al., 1992), illustrating the current practices in terms of procedures adopted. The information has been collected - according to a triangulation approach (Merchant, 1985; Simons, 1990) - from multiple sources such as face-to-face and telephone structured interviews and documentary evidence (company's integrated and sustainability reports).

According to a multi-source approach, the analysis has been carried out on the basis of both the company's reports (integrated and sustainability reports obtained through web-site visits) and the structured interviews to the sustainability and investor relations managers. Indeed, as stated in previous studies (Adams & McNicholas, 2007; Adams & Frost, 2008), we verified that not only are sustainability managers typically responsible for sustainability reporting, but also involved in integrated reporting process. Investor relations managers were also included as they have played a significant role in sustainability reporting (Adams, 2002).

The interviews were supplemented with companies' reports and data on their websites, to help understand how the companies were managing the integrated reporting process.

Firstly, we carried out a content analysis (Krippendorff, 1980; Weber, 1990) – using qualitative coding techniques (Strauss & Corbin, 1990/1998) – involving the selected companies' integrated report (from the first to the last issue) and the companies' sustainability reports. Secondly, information gathered through the content analysis was linked to information collected during the interviews with the selected companies' senior managers on companies' experience in the integrated reporting transition process.

The interviews were conducted in order to gather useful information about at least two issues: the reasons for Italian listed companies' transition towards the integrated reporting, and the nature of change experienced through the implementation of integrated reporting.

In detail, in order to answer to these questions, the questionnaire's structure and the analysis of the company's documents aimed at investigating the following main aspects:

- the reasons of selected companies' route towards the integrated report;
- the main companies' steps towards the integrated report;
- the relation between governance and integrated reporting;
- the integrated thinking impact on the internal control systems;
- the selected companies'approach to the integrated report issue;
- the selected companies' opinion of the Framework;
- the main difficulties experienced by the selected companies in the integrated reporting implementation;
- the organization's response to the company's decision of adopting the integrated report;
- the relations between the selected companies' integrated report and the other companies'reports;
- the selected companies' focus in terms of integrated report's stakeholder.

As a result, the study will be based on qualitative data collection and analysis method according to an interpretive approach, which is methodologically appropriate in exploratory research of this nature.

4. The Selected Companies

The analysis carried out in this paper concerns five listed Italian companies adopting the integrated report: they are all "large companies" according to the European Union Directive 2013/34 (Note 1)'s requirements and they belong to the *Star*(Note 2) and *FTSE MIB*(Note 3) *Segments* of the Milan Stock Exchange.

The companies have been selected among those in Italy (Note 4) which have implemented the integrated reporting process since 2005; some of them have taken part to the IIRC Pilot Program started during 2011. Their operating sectors include "industrial goods and services", "oil and gas", "electricity" and "financials".

Table 1. Selected companies's main features

Company	IR First-time adoption	Listing	Stock Exchange segment	Sector	Size (European Directive 2013/34/EU)	IIRC Pilot program
Atlantia	2012	2002 (Milan Stock Exchange)	FTSE MIB	Industrial goods and services (infrastructure)	Large company (Financial statements 2015)	✓
Eni	2010	1995 (Milan Stock Exchange) (New York Stock Exchange)	FTSE MIB	Oil & gas	Large company (Financial statements 2015)	✓
Sabaf	2005	1998 (Milan Stock Exchange)	Star	Industrial goods and services (components for kitchens)	Large company (Financial statements 2015)	-
Terna	2013	2004 (Milan Stock Excahnge)	FTSE MIB	Utilities (electricity)	Large company (Financial statements 2015)	✓
Unicredit	2014	2005 (Milan Stock Exchange)	FTSE MIB	Financials (Bnaks)	Large company (Financial statements 2015)	-

Table 1 shows a brief description of the selected companies.

Atlantia is a holding company that operates in the infrastructure sector. With 5,000 km of toll motorways in Italy, Brazil, Chile, India and Poland and more than 5 million customers a day on Group's network, Atlantia is one of the leading players in the motorway sector. Atlantia manages Rome airports (Fiumicino and Ciampino) with 46 million passengers a year. World leader in free-flow tolling, through Telepass Atlantia manages the most widespread electronic payment system for services related to mobility in Europe with nearly 9 million customers. Atlantia has been listed on the Borsa Italiana market since 2002.

Eni is an integrated energy company that employs more than 28,000 people in 66 countries around the world. It is a key player in the exploration and production of oil and natural gas, the refining and sale of petroleum products, the generation and marketing of electricity. Eni's upstream activities are mainly in Italy, Algeria, Angola, Congo, Egypt, Ghana, Libya, Mozambique, Nigeria, Norway, Kazakhstan, UK, the United States and Venezuela, overall in 42 Countries on 66. In terms of mid-dowstream, Eni sells in the European market basing on the portfolio availability of equity gas and long-term contracts; sells LNG on a global scale. Produces and sells electricity through gas plants. Through refineries, Eni processes crude oil to produce fuels, lubricants that are supplied to wholesalers or through retail networks or distributors. Eni engages in the trading of oil, natural gas, LNG and electricity. Eni has been listed on the Borsa Italiana market and on the New York Stock Exchange since 1995.

Sabaf is the main producer in Italy and one of the leading world producers of components for kitchens and domestic gas cooking appliances. Its strong technological know-how, manufacturing flexibility, and its ability to offer a vast range of components are Sabaf's key strengths in a sector featuring major specialization, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety. Sabaf has been listed on the Borsa Italiana market since 24 March 1998 and entered the high-quality/small-medium cap segment in April 2001.

Terna is a company that mainly operates (approximately 95% of revenues) in the Italian electricity system. In the sector supply chain - generation, distribution and sale of electricity – Terna manages the transmission segment, in the role of Italian TSO (Transmission System Operator). Terna is the largest independent grid operator for electricity transmission in Europe, and the sixth globally, in terms of kilometers of lines operated. These activities are carried out under a legal monopoly based on a government concession, and are regulated by the Authority for Electricity and Gas and the instructions of the Ministry of Economic Development. Specifically, ministerial authorization is required for the investment plans that Terna draws up to meet requirements of efficiency and safety of the electricity service. Terna has been listed on the Borsa Italiana market since 2004.

Unicredit is a leading European commercial bank operating in 17 countries with more than 144,000 employees, over 7,900 branches and with an international network spanning in about 50 markets. Unicredit benefits from a strong European identity, extensive international presence and broad customer base; Unicredit has been listed on the *Borsa Italiana* market since 2005.

5. Results

This paragraph is about the analysis of the change experienced by the selected companies through the implementation of the integrated report. The results shown in the following tables are collected –as stated in paragraph 3 – through a structured interview with the selected companies' managers (sustainability and investor relations managers). In detail, this paragraph presents:

1. the reasons of the selected companies' transition towards the integrated report;
2. the main steps of this process of change;
3. the changes occurred in companies' thinking approach after the transition to the integrated reporting.

5.1 The Reasons

Table 2 shows the main factors that have encouraged the selected companies to implement the integrated reporting process.

Table 2. The integrated reporting moving reasons

Atlantia	Eni	Sabaf	Terna	Unicredit
2012	2010	2005	2013	2014
Answer to a cultural incentive in terms of sustainability and social responsibility	- Opportunity to represent Eni's integrated approach. - The awareness - mainly due to the accident of the Deepwater Horizon platform in the Gulf of Mexico - that non financial aspects may greatly affect the business results and the company's reputation	Answer to a cultural incentive in terms of sustainability and social responsibility	Answer to a cultural incentive in terms of company's will to communicate in a sustainable manner the value created	Need to communicate the company's integrated approach and commitment to operate in a sustainable manner, thus generating value over time

The analysis of the Table 2 suggests a distinction between:

- cultural reasons, relating to the corporate governance bodies' decision to communicate the creation of sustainable value, according to an integrated thinking approach involving the entire organization (from top management to all employees). In this case, the interviewees believed that integrated reporting was better able to disclose how the company creates value than issuing two stand alone documents (the sustainability report and the financial report);
- reputational reasons, dealing with the company's awareness that non-financial aspetcs may greatly affect the business results and the company's reputation. This awareness mainly derives from the occurrence of environmental and safety accidents in company's plants.

Even if in some cases the reputational aspect has influenced the company's decision to move towards the integrated report (push strategy), the above stated results underline that the cultural reasons are the most relevant in such a choice (pull strategy). In fact, all the selected companies decided to develop a different form of communication – in addition to the traditional one – mainly to express the result of an integrated business. In general, in the selected companies'view, starting out on the preparation of the integrated report was not only a tool for gaining reputational or image benefits, but the expression of their authentic will to adhere to a new communication code suitable to disclose the creation of sustainable value.

5.2 The Transition towards the Integrated Report

The selected companies' transition towards the integrated report can be analysed by identifying some main steps that took place in a different chronological order for each company.

Table 3. The main steps towards the integrated report

Company	Atlantia	Eni	Sabaf	Terna	Unicredit
IR first-time adoption	2012	2010	2005	2013	2014
The listing and corporate social responsibility and sustainability stand alone reports	**1997-2010** Stand alone corporate social responsibility and sustainability report	**Before the 2010** Stand alone sustainability report	**1998-2004** Listing and the social corporate responsibility report	**Before the 2011** Stand alone sustainability report	**Before the 2009** Stand alone corporate social responsibility report and sustainability report
The integration between financial and non-financial information	**2011** Atlantia's participation to the " IIRC Pilot programme" for experimenting the drafting of an integrated report	**2010-2012** Eni's participation to the " IIRC Pilot programme" for experimenting the drafting of an integrated report Eni's first integrated report according to the prototype IIR Framework	**2005-2009** Integration between economic and non-economic information	**2011-2012** Terna's participation to the " IIRC Pilot programme" for experimenting the drafting of an integrated report	**2009-2013** Unicredit's Groupwide sustainability framework (2009). CEO statement "Sustainability is our core business" (2011)
The integrated reporting according to the Framework	**Starting from the 2012** The integrated report according to the Framework	**Starting from the 2013** The integrated report according to the Framework	**2011-2015** The integrated report according to the Framework	**Starting from the 2013** The integrated report according to the Framework	**Starting from the 2014** The integrated report according to the Framework

As shown in Table 3, the main stages are the following:

1. the listing and the corporate social responsibility and sustainability reporting;
2. the integration between economic and non-economic information (experimental stage);
3. the integrated report according to the Framework.

The listing and the corporate social responsibility and sustainabiliy reporting

The listing on the Stock Exchange led the selected companies towards the progressive awareness of the opportunity to give to stakeholders a fair presentation of their financial and non-financial results. In particular, the listing on the Stock Exchange implied an increase in the company's awareness of the issue of sustainability and social corporate responsibility and the related involvement of different social partners (customers, suppliers, employees, lenders, government, local communities, etc.). This awareness brought the selected companies to draft their first social corporate responsibility and sustainability reports; at this stage, financial and non-financial information were still disclosed separately. For the selected companies, drawing-up the social corporate responsibility and sustainability reports was the formal undertaking of a process towards an alternative form of communication - no longer just economic and mainly aimed at the shareholders - but broader in scope and aimed at disclosing financial and non-financial results.

The integration between economic and non-economic information (the experimental stage)

During this stage, the selected companies decided to implement the integrated reporting process by merging financial and non-financial data in a single document; in their view, moving to an integrated report expressed the transition from a localised approach of corporate disclosure to a holistic type of vision, although we cannot speak of an integrated report as envisaged by the Framework. In order to experiment the drafting of an integrated report, some of the selected companies participate to the IIRC "Pilot programme" as shown in Table 1.

The integrated report according to the Framework

Only after the establishment of the IIRC in August 2010 and the publication of a series of documents regarding the integrated report (especially, IIRC 2011), the selected companies undertook the review of their annual report according to an integrated approach in which sustainability and value creation were linked – according to a long-term approach – to: system of risk management and governance, business strategy, impact on the allocation of available resources and the ability to provide reliable projections of future performance.

Since December 2013, after the Framework was published, the selected companies were provided with a formal set of rules and guidelines for drawing up the integrated report.

With regard to the Framework, selected companies underlined some specific weaknesses of this report; in particular, these topics were revealed after the interviews.

Table 4. The IIR Framework's weaknesses in selected companies' opinion

	Atlantia	**Eni**	**Sabaf**	**Terna**	**Unicredit**
The main Framework weaknesses	None	Too little binding about materiality principle Difference in defining materiality between Framework and GRI principles	Set of principles rather than set of standards	Too little binding about materiality principle Set of principles rather than set of standards	No major weakness since it is a general framework including principles that can be easily customized according to the industry main features

As shown in Table 4, the main Framework's weaknesses are:

- the discretionary approach in defining materiality;
- the specific nature of the Framework consisting in a set of principles rather than a set of standards.

Table 5 shows the selected companies' stakeholder focus identified in their integrated reports.

Table 5. The <IR> stakeholders' focus

	Atlantia	**Eni**	**Sabaf**	**Terna**	**Unicredit**
<IR> stakeholders's focus	Investors	Investors	All the stakeholders	Investors	All the stakeholders

As we can see from Table 5, the interviews revealed that the integrated report is addressed to investors, rather than to all stakeholders.

5.3 The Experienced Change: towards An Integrated Thinking Approach

The integrated reporting's implementation process can be regarded as a transition from a stand alone approach to integrated thinking as well as a transition from an implicit to a more explicit approach to sustainability. More precisely, in the case studies we examined the integrated reporting implementation process had the potential to shift the thinking of corporate actors to better align the goal of profit maximisation with the well-being of the society and the environment.

In this sense, the change experienced through the implementation of the integrated report can be idenfied in the following main aspects:

- the implementation of a “connectivity approach”;
- a wide identification of the company’s value relevant “capitals”;
- the improvement of the corporate sustainability approach;
- the review of company’s materiality concept;
- the adjustment of the internal control systems;
- the company’s effort to overcome literature criticism.

Before adopting the integrated report, company’s communication was usually based on a stand alone approach of disclosing, by issuing separate documents for financial and non-financial information. In this sense, the change experienced through the implementation of the integrated report implies the development of a “connectivity approach” in order to link the different business areas with the related relevant information. The selected companies make efforts in order to show - through the integrated report - a holistic picture of the combination and dependencies between the factors affecting the organization’s ability to create value over time. In this sense, the majority of the selected companies declared that the implementation of the connectivity principle was very difficult because the stand alone thinking approach was strongly rooted.

As a consequence of the integrated reporting process, all the selected companies move from the restricted vision mainly based on the manufactured capital to a wider approach including also the financial capital, the intellectual capital, the human capital, the natural capital and the social and relationship capital as defined in the Framework. In this sense, the selected companies identify – according to an integrated approach - the resources from which value is created.

Table 6. The <IR> regard to the other reporting documents

	Atlantia	**Eni**	**Sabaf**	**Terna**	**Unicredit**
Corporate social responsibility report	-	-	-	-	-
Environmental report	-	-	-	-	-
Sustainability report	-	✓	-	✓	-
<IR>	✓	✓	✓	✓	✓

The implementation of integrated thinking also improves the company’s sustainability approach; in each and every selected companies’ department, corporate sustainability principles are translated – through integrated reporting – into specific objectives and goals to make them part of the daily job of the company’s employees rather than to live them as a non-operational vision held by those at the top management. In fact, integrated reporting process represents an evolution of the company’s sustainability culture; as shown in Table 6, in some cases, the integrated report replaced the sustainability. Besides, when in other few cases the company continues to prepare both the reports, the integrated one aims at communicating the sustainability value creation; in this sense it must be regarded as a completion of the sustainability report.

The selected companies’ adoption of integrated thinking also induces a change in the identification of material aspects, that are the matters that affect the organization’s ability to create value over the short, medium and long term.

Table 7. The integrated thinking and the materiality approach

	Atlantia	Eni	Sabaf	Terna	Unicredit
Materiality areas	energy technology efficiency; waste and hazardous substances; water; protection of territory; noise pollution; changes in regulatory framework; traffic trends; concession continuity; investment plan; service quality and customer satisfaction; strategic risk; road and airport safety marketing and communications; performance management; health & safety in the workplace; sustainable supply chain;	integrity in business management; safety and asset integrity; equal opportunities for all people; combating climate change (GHG reduction, energy efficiency); local development / local content and promoting access to energy; technological innovation.	staff training; industrial relations; remuneration and incentive policies; atmospheric emissions; waste management and environmental impact; research and innovation; customer satisfaction; eco-efficiency and product quality management; managing relationships with suppliers; health and safety of personnel.	efficacy of the governance model; integrity and transparency in Corporate Conduct; mitigation of visual impact; safeguarding biodiversity; management and monitoring of electromagnetic fields; climate change, emissions and responsible use of resources; responsible use of resources; health and safety of workers and correct working practices; developing human resources.	corporate identity; financial education; employee's development; human rights; performance management; work-life balance; risk culture; environmental impact; responsible finance; employment; innovative bank; fair business behaviour; community proximity; clear approach to market; diversity and inclusion; compliance; simplicity and transparency; quality and value; financial stability; support to business; customer proximity; fair business behaviour; innovative bank; future trends; research and innovation.

As underlined in Table 7, we found a growing extension of the main materiality areas that the selected companies identified.

According to the integrated thinking implementation, the companies' internal control system was adapted and new key performance indicators (KPI) were introduced in order to disclose both financial and non-financial performances. The selected companies have also implemented an integrated approach in order to interpret such new indicators.

With reference to the literature mentioned in Paragraph 2 we examined to what extent the integrated thinking approach has led the selected companies to draw an integrated report overcoming the issues raised by different authors on the Framework.

Table 8. – The selected companies' integrated report with regard to the main criticism of the Framework

Authors	Year	Framework's weakness	Atlantia's <IR>	Eni's <IR>	Sabaf's <IR>	Terna's <IR>	Unicredit's <IR>
Brown and Dillard	2014	Unsuitable in stimulating more responsible behaviour; little attention to the social, political and economic context.	Atlantia believes that the integrated report has encouraged the adoption of more responsible behaviour over time.	Eni believes that the integrated report has encouraged the adoption of more responsible behaviour over time.	Sabaf believes that the integrated report has encouraged the adoption of more responsible behaviour over time.	Terna believes that the integrated report has encouraged the adoption of more responsible behaviour over time.	Unicredit believes that the integrated report has encouraged the adoption of more responsible behaviour over time.
Higgins, Stubbs and Love	2014	The approaches to reading are often conflicting, thus limiting the role of the integrated report with respect to the assertion of more responsible management behaviour.	The integrated report constitutes a useful tool for learning more thoroughly about the reality of the business.	The integrated report constitutes a useful tool for learning more thoroughly about the reality of the business.	The integrated report constitutes a useful tool for learning more thoroughly about the reality of the business. However, the reading of the document in question can vary depending on how evolved the third party readers are.	The integrated report constitutes a useful tool for learning more thoroughly about the reality of the business.	The integrated report constitutes a useful tool for learning more thoroughly about the reality of the business.
Rensburg and Botha	2014	Secondary value of the integrated disclosure with respect to traditional economical and financial communications.	The integrated report is intended as a single document in which to bring together both the financial and non-financial information.	The integrated report is intended as a single document in which to bring together both the financial and non-financial information.	The integrated report is intended as a single document in which to bring together both the financial and non-financial information.	The integrated report is intended as a single document in which to bring together both the financial and non-financial information.	The integrated report is intended as a single document in which to bring together both the financial and non-financial information.
Flower	2015	Little attention to the issue of sustainability. The content of the Framework's requirements is poorly binding.	Great emphasis is given to sustainability.	Great emphasis is given to sustainability.	Sabaf gives prominence to the issue of sustainability.	Great emphasis is given to sustainability.	Great emphasis is given to sustainability.
Thomson	2015	A lack of adequate appreciation of the sustainability aspect.	Great emphasis is given to sustainability.	Great emphasis is given to sustainability.	Sabaf gives prominence to the issue of sustainability.	Great emphasis is given to sustainability.	Great emphasis is given to sustainability.

Table 8 suggests that the selected companies' integrated report overcomes, for the most part, the criticism of the Framework's guidelines, especially in terms of a great focus on sustainability issue and of encouraging more responsible behaviours over time. In this regard, the implementation of the integrated thinking approach led to a general improvement of the corporate's disclosure mainly in terms of greater focus on sustainability issues.

6. Conclusion

In this paper we aimed to contribute to the social and environmental accounting literature by providing field-based case study evidence collected from the Italian listed companies about the implementation of the integrated reporting where currently there is a distinct lack of research. In this sense, the present study differs from the previous empirical studies focused on the evaluation of the companies' integrated report compliance to the Framework or on their business model disclosure practices.

The case studies we examined in this paper portray the Italian listed companies' transition towards the integrated reporting. In detail, this paper attempted to answer to two research questions: on the one hand we wonder why the selected Italian listed companies have moved to integrated reporting, on the other we are interested in exploring which main changes the selected Italian listed companies experienced through the implementation of integrated reporting.

On the first question, our analysis showed that the companies' choice in drawing up the integrated report was mainly an answer to a cultural and – in some cases - reputational need in terms of sustainability and social responsibility that the selected companies decided to satisfy, according to a continuous improvement approach.

As for the second question, the change due to the adoption of the integrated report can be regarded as a transition from a stand alone approach to integrated thinking, as well as a transition from an implicit to a more explicit approach to sustainability. More precisely, our findings showed that the change experienced by the selected companies was related to these main aspects: the implementation of a connectivity approach; the extension of the set of company's value relevant capitals; the improvement of the corporate sustainability approach; the adjustment of the internal control systems; the review of company's materiality vision; the company's effort to overcome the literature criticism.

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Notes

Note 1. *Large companies*: undertakings which exceed the limits of at least two of the three following criteria on the balance sheet date :

- balance sheet total: € 20,000,000;
- net turnover: € 40,000,000;
- average number of employees during the financial year: 250.

Note 2. *Star* is the market segment of the Italian Stock Exchangeequity market (MTA) dedicated to medium-sized companies with a capitalization of less than 1 billion euros and who voluntarily adhere to and comply with the following strict requirements:

- high transparency and high disclosure requirements;
- high liquidity (minimum 35% of free float);
- corporate governance in line with international standards.

Italian and foreign institutional investors as well as private investors appreciate the high quality of the STAR segment. The companied listed on STAR are leaders in their industry.

Note 3. The FTSE MIB is the primary benchmark index for the Italian equity markets; it measures the performance of 40 Italian equities and seeks to replicate the broad sector weights of the Italian stock market. Each stock is analysed for size and liquidity, and the overall index has appropriate sector representation.

Note 4. The Italian early adpoters include Generali as well.