sustainability

MDPI

Article

Sustainability Engagement and Earnings Management: The Italian Context

Francesco Grimaldi [1,*], Alessandra Caragnano [2], Marianna Zito [2] and Massimo Mariani [2]

1 Department of Economics and Finance, University of Bari Aldo Moro, 70124 Bari, Italy
2 Department of Management, LUM Jean Monnet University, 70010 Casamassima (Bari), Italy; caragnano.phdstudent@lum.it (A.C.); zito.phdstudent@lum.it (M.Z.); mariani@lum.it (M.M.)
* Correspondence: francesco.grimaldi1@uniba.it

Received: 26 May 2020; Accepted: 11 June 2020; Published: 15 June 2020

check for updates

Abstract: This study aims at exploring the effect of sustainability engagement on earnings management (EM) practices with particular reference to the Italian context in the year 2018, after the implementation of Legislative Decree No. 254/2016 on the disclosure of non-financial information. This is in line with the Sustainable Development Goals (SDGs) promoted by United Nations in 2015 and specifically with SDG 12 and relative target 12.6 focusing on the adoption of sustainable practices and the integration of sustainability information into reporting on the behalf of companies. We analyzed a sample of 60 companies listed on the Italian Stock Exchange. Our results suggest that there is a slight negative relationship between sustainability engagement and earnings management practices. Indeed, our evidence shows that companies characterized by higher level of sustainability engagement are less prone to advance EM practices. To the best of our knowledge, this is the first research to investigate the effect of the sustainability engagement on EM practices with reference to a sample of Italian listed companies.

Keywords: sustainable development; SDGs; sustainability engagement; ESG score; financial information; non-financial information; earnings management

1. Introduction

In the last years, we have witnessed an ever-increasing attention to the adoption and implementation of strategic decisions with a high social and environmental impact on the behalf of firms, investors and different capital markets' players [1]. The topic of sustainable development is particularly conceptualized at the macro-economic level [2] and it is based on three different principles commonly known as the three sustainability pillars: environmental integrity, economic prosperity and social equity [3,4].

Therefore, the proactive engagement on the behalf of firms is a necessary condition in order to shift to a process for the achievement of sustainable development at 360° and thus, the role of firms is crucial as they represent the main economic productive resource [5].

Originally, the concept of sustainability was linked to an environmental commitment as stressed during the several United Nations' conferences over the 1970s and 1980s. The key concept of sustainable development is strongly related to the needs of present and future generations, as highlighted by the World Commission on Environment and Development (WCED) in 1987.

In this scenario, the Triple Bottom Line (TBL) plays a crucial role defining a framework to measure economic and financial performances as well as corporate strategies through three different lines, namely economic, social and environmental to underline the business success [6–8]. Therefore, the TBL explains the integration of the aforementioned lines into the environmental agenda [9].

The Sustainable Development Goals (SDGs) promoted in 2015 by United Nations in the 2030 Agenda for Sustainable Development represent a milestone to align behaviors, not only in developed countries, but especially in emerging ones. The aforementioned Agenda embraces 17 goals and 169 targets aiming at promoting human well-being, economic prosperity and environmental safeguarding. These goals and targets attempt to respond to the worldwide emergency of sustainable development [10] and thus, to face important challenges for people, and provide measures and phases to follow-up and monitor [11].

The Agenda 2030 is set up as a real action plan as it aims at strengthening global peace, eradicating all forms of poverty and fostering collaboration among countries. Goals and targets intend to encourage strategies and actions in a timeframe of 15 years with particular reference to critical issues such as prosperity, climate change, safeguarding of environment, poverty, peace, and partnership [12].

In this perspective, a particularly relevant objective is represented by the SDG 12 that calls for "responsible consumption and production". Specifically, this goal aims at decoupling economic growth from environmental impacts and the consequent exploitation of natural resources. At this purpose, the adoption of sustainable practices in business processes is fundamental for reaching sustainable development [13]. Within this goal, the target 12.6 is aimed to "encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle". This aspect has become extremely relevant, as the sustainability report in its various forms has intended to respond to the growing need to disclose information on ESG (environmental, social and governance) performance [14].

In this way, we explored the relationship between non-financial information and financial information disclosure.

In this sense, the implementation of sustainable practices and the communication of these through non-financial information represent a focal point of this study aiming at focusing on the effect of sustainability engagement on earnings management (EM) practices. With regard to EM practices, managers could have an incentive to carry on these practices to misrepresent the performance of the company, due to the presence of conflicting interests and asymmetric positions among company's stakeholders [15].

Previous empirical researches studying the association between CSR (Corporate Social Responsibility) and EM show inconclusive results deriving from the heterogeneous theoretical perspectives, bidirectional links and different measurements for CSR and EM. Moreover, previous studies on the aforementioned relationship are mainly related to firms from common law countries and Asian countries, thus, we aim to fill this research gap by observing the Italian context.

Our investigation focused on the Italian context, and in this way, we deal with a civil law country characterized by the following peculiarities: few listed companies, high ownership concentration by State and families, the use of control enhancing mechanisms to amplify the divergence between ownership and control, the use of shareholders' agreements and low investor protection [16–18]. Moreover, our choice is also in line with the recent promotion of non-financial information disclosure through the Legislative Decree No. 254/2016, which implemented Directive 2014/95/EU in the Italian legal system. Finally, to the best of our knowledge, this is the first research to examine—through appropriate proxies—the relationship between sustainability engagement and EM practices of listed companies. We referred to a sample of 60 companies listed on the Italian Stock Exchange and we implemented an OLS regression analysis. Our results suggest that the sustainability engagement of companies has a slight influence on the board's monitoring capacity regarding the prevention of the adoption of EM practices. Indeed, our evidence shows that companies characterized by higher level of sustainability engagement are less prone to advance EM policies.

Our findings provide a contribution on the relationship between sustainability engagement and EM practices, extending the existing debate focused on common law and Asian contexts. We fill this research gap by referring to a sample of Italian listed companies for the first time.

The remainder of this paper is set out as follows. The next section reviews the most relevant literature and develops the research hypothesis. This is followed by the presentation of data and research methodology used in the analysis. The fourth section shows the empirical results. The final section discusses the results and provides some concluding remarks, implications and limitations of the study.

2. Literature Review and Hypothesis Development

2.1. Genesis and Evolution of the Debate on Sustainable Development

In the last years, there has been a growing debate about how business leaders, managers and policymakers can contribute to a transition that allows the society to carry out more responsible actions and strategies towards the environment and the community [19,20]. These aspects include the identification and determination of issues concerning the economic, environmental and social dimensions, and moreover, the effort lies in the definition and identification of specific sustainability strategies such as, for example, strategies that focus on internal/external orientation of sustainability commitment.

Several scholars have focused on integrating sustainable development strategies that necessarily involve economic, social and environmental dimensions into corporate strategies [6–8]. These three dimensions interact with each other and thus, it is fundamental to consider not only their dimensions but also the possible interrelationships [21]. At this purpose, for instance, firms could implement different sustainable strategies that are strongly anchored to the different sectoral, local and territorial dimension of belonging, however, critical decisions regarding environmental sustainability and social responsibility must therefore represent a key step in a well-defined strategic path that supports and promotes environmental sustainability in management practices [22].

In this scenario, the UN document declaring the 17 SDGs and their targets advances important challenges for societies [12]. The document is particularly focused on the use of terms such as "sustainable development", "inclusive", "inclusive societies", "inclusive growth" and "inclusive and sustainable economic growth" [11]. In fact, the SDGs are considered the most complete expression of positive aspirations for human development, a key point to necessarily guarantee the sustenance of future generations. Considering the nature underlying the SDGs, the potential advantages for European firms do not only reside in taking part in a process of sustainable value creation but also in identifying the opportunities offered by the market, driving growth and innovation, and creating new businesses [23].

In the academic debate, SDG-related studies have been emerging in different fields of research and under different perspectives [24–26]. For example, Bebbington et al. [24] have stressed that Sustainable Development Goals are fundamental in highlighting social and environmental dimensions in accounting. Moreover, Bebbington and Unerman [25] emphasized the role of academic research, especially in the accounting field, in promoting the implementation of policies and actions to completely incorporate SDGs.

In this sense, some scholars have also focused on the role of sustainability reporting in supporting the implementation and communication of sustainable practices carried out by the firms in order to signal the sustainability commitment to stakeholders also in the public sector [27–29]. Specifically, Rosati and Faria [28] defined the peculiarities of firms that are more prone to implement sustainability reporting such as large organizations, with a higher level of intangible assets and with external assurance; and concerning the corporate governance attributes, younger and with a higher proportion of female members of board of directors. Furthermore, according to extant literature, sustainability standards are viewed as relevant governance tools in order to advance social and environmental challenges, and in this perspective, managers are required to adopt and integrate sustainability principles into their strategic decisions [30].

2.2. Non-Financial Information Disclosure

In meeting the goals of 2030 Agenda, institutions, governments and firms should firstly understand the importance of these values and objectives, and secondly, advance actions that are compliant to the goals [31]. In fact, the SDGs constitute a fertile ground to reconsider the function of accounting in relation to the issues posed by sustainable development policies, for instance, accounting technologies in SDGs' analysis, re-discovering topics of relevance, and re-examining conceptual commitments, among others [25].

In particular, in the last years, we have witnessed the need to have greater non-financial reporting and then to systematize it within the corporate reporting process which was characterized, up to the first decade of the 21st century, in an almost totalitarian manner by the presence of quantitative or financial data. In this context, disclosure quality seems to be a critical factor in the removal, or at least in the reduction, of information needs, often asymmetric, by the stakeholders [32].

The academic debate on the non-financial reporting has focused on several theories, mainly agency, institutional, legitimacy and stakeholder theories.

According to agency theory perspective, since all stakeholders have the same opportunities to act in the market [33], companies could reduce the information asymmetries and therefore, conflicts —between principals and agent—using the disclosure of information. However, this perspective of analysis, although widely followed in past decades, has some limitations.

First, it focused on financial considerations and on the role of investors. Second, it does not take into account environmental and social information requested exponentially by stakeholders. In fact, especially in the last years, some scholars [34,35] argue against this theory, characterized by the individualistic and self-serving views that firmly contrast with the pillars that connote the modern perspective of social accounting [35].

Therefore, in order to exceed the limits of the agency theory, it is appropriate to utilize the other three most cited theories in literature, which can justify the disclosure of non-financial information.

In general terms, institutional theory postulates that the formal structures of many companies in a post-industrial era are oriented on an ideal vision of its institutional environment rather than on real needs of their activities [36] and therefore, these are processes that should drive social behaviors [37]. Consequently, in the institutional theory perspective, the non-financial information can be perceived as norms and/or rules that companies adopt in reaction to social pressures. In other words, the voluntary and/or mandatory disclosure of non-financial information are driven by instrumental relations, ethical/moral motives and thus, different actors can facilitate or even hinder the disclosures.

Moreover, the increasing relevance of non-financial information disclosure can be explained through the legitimacy theory. Legitimacy is a situation that exists when a company operates according to a system of rules and values that coincides with that of its macro-environment [38]. In this perspective, the corporate performance reflects the expectations of relevant stakeholders [39]. Otherwise, it is observed that a legitimacy gap exists.

To eliminate or reduce the legitimacy gap, companies could put in place different instruments to become legitimate [32,39–41]. In particular, non-financial information disclosure can be used by a company to mitigate threats and reduce the legitimacy gap [42].

Finally, non-financial information disclosure can be explained with reference to the stakeholder theory, that conceives the company as an organization composed of interdependent parts and with opposite interests. According to this perspective, company activities could satisfy the stakeholders' expectations and try to resolve conflicts. In particular, sustainability engagement disclosure could be a tool to fulfill the information requests coming from different stakeholders [41,43].

In other words, the skill of companies to reach sustainable goals, in environmental and social terms, is a consequence of their capacities to balance the interests of the various stakeholders and their willingness to accept a medium- to long-term business strategy [43].

2.3. Policies on Non-Financial Information Disclosure

In the last decades, governmental organizations, regulators, firms, investors, non-governmental organizations and academics have paid more attention to disclosure of sustainability engagement. In addition to the role played by 2030 United Nations [12], this appears to be determining the commitment of the European Union through the EU's Agenda for sustainable development, aimed at ensuring consistency between human rights, corporate social networks' responsibility, and responsible business conducts.

The relevance of SDGs in the EU agenda has had relevant effects. In particular, companies have begun to attribute greater importance to aspects related to the sustainability of their activities and to the possibility of achieving greater value with an alignment between their strategy and SDGs [23].

These effects were specifically induced by European policies and initiatives contributing to the SDGs, with particular reference to sustainability engagement and the private sector: (i) EU Policy on CSR; (ii) European Commission (EC) multi-stakeholder platform on SDGs; (iii) Europe 2020 Strategy; (iv) Circular Economy Package; (v) EU 2030 Climate and Energy Policy Framework; (vi) Directive 2014/95/UE.

Ultimately, it can be observed that among these policies and initiatives, Directive 2014/95/UE, which requires public-interest entities (PIEs) to disclose sustainability information into the reporting cycle, is certainly in line with what is required to private sector transparency, recalled in the target SDG 12.6.

2.4. Earnings Management Practices: Definitions and Implications

Since the last global financial crisis, stakeholder engagement has been rapidly increasing, especially in the large and transnational companies. This phenomenon led to an increase in non-financial reporting and consequently, to a greater focus on ESG performance [44].

In the light of the increasing relevance assumed by ESG performance, companies should be more prone to disclose non-financial information and, moreover, this should increase financial and ESG performance [45].

However, on the one hand, while stakeholders' demands increased in the last decade, on the other hand, the board of directors could influence non-financial information [46–48] through information overload and greenwashing [47].

Moreover, standard-setters and regulations initiatives—national, supranational and international—on non-financial information could have different effects, in terms of direction and intensity, on financial disclosure, through earnings management practices.

Many studies have provided a definition of earnings management (EM) but, given the generality of the term, it is almost impossible to give an all-encompassing definition to frame such a complex phenomenon [49]. Thus, there is not a unique reference for EM.

Given the depth of the phenomenon itself and the assumptions and implications connected, there are multiple and multifaceted definitions proposed by academics and professionals, related to earnings management [50–52].

In non-exhaustive terms, the policies of EM represent a set of managerial practices that result in the decision not to report the real value of the profits for the period, as known only by the managers [53], in order to obtain desirable and/or otherwise not obtainable results.

Following this definition of EM, it is possible to deduce the extension of the implementation methods of the same policies [54].

In other words, the EM could directly and/or indirectly affect the annual reporting. In the first case, the real earnings management is realized through methods directly connected to company operations; in the second case, methods are related to disclosure through the classificatory and accrual earnings management in the financial statements.

2.5. Hypothesis Development

In the last three decades, a myriad of studies has examined the relationship and the level of influence, often bidirectional, between different factors and EM policies, with particular reference to the reliability of the accounting results. Specifically, it is possible to distinguish four factors capable of affecting EM practices: (a) regulatory system [55]; (b) financial system [56]; (c) corporate governance [57] and (d) control system [58].

Moreover, in the light of the growing sensitivity of public companies and investors towards ESG issues [59], another stream of research has focused on the relationship between financial and non-financial information adopting different theoretical perspectives and analysis methods [44].

Although Corporate Social Responsibility (CSR) by definition is not associated with financial performance [60], it is possible to detect, in the last three decades, the increasing attention on the behalf of scholars in examining the relationship between activities linked to CSR and financial performance [61–69].

Instead, in the same period, few studies have focused on the relation between EM and CSR [70] and vice versa with mixed results. From a theoretical perspective, although many theories have explored the aforementioned relationship, the majority of researchers adopt the stakeholder theory in order to deepen this topic.

According to the stakeholder theory framework [71,72], there are two relevant effects to be taken into account. Firstly, the disclosure of ESG information could allow companies to satisfy stakeholders' expectations. Secondly, stakeholders could support companies in accepting corporate strategy and performance in a long-term orientation and thus, guaranteeing companies' continuity [73].

With reference to CSR and EM, most of the empirical analysis found a negative relationship [60,74–82].

However, positive relationships are observed in several studies [73,83,84]. Moreover, there are researches that found non-significant links [85] or heterogeneous results [86–88], often with different causal impacts [70]. These conflicting results could be explained by heterogeneous theoretical perspectives, bidirectional links and different earnings management, and ESG performance proxies [44,70,74,89–93].

Ultimately, according to stakeholder perspective and former empirical study results, we propose the following hypothesis:

Hypothesis 1. *There is a negative relationship between sustainability engagement and earnings management practices.*

3. Data and Research Methodology

3.1. Sample Selection and Data

To test our hypothesis, we used a sample of companies listed on the Italian Stock Exchange in 2018. As in previous studies [57,94,95], we excluded companies from the financial and insurance sectors because they respect different regulations due to their peculiar business, financial nature, and consequently, specific accounting and accrual practices [96].

We excluded the non-Italian companies and companies for which both non-financial and economic-financial information was not available. Furthermore, to reduce biases that could statistically invalidate the analysis, we eliminated outliers. After considering these criteria, the final sample was made of 60 companies listed on the Italian Stock Exchange in the year 2018.

To collect data, we recurred to several data sources. Firstly, to obtain non-financial data, we used the Datastream database by Refinitiv (until October 2018 by Thomson Reuters), which is the world's most comprehensive historical financial time series database. Secondly, we referred to Datastream and AIDA database by Bureau van DijK (Moody's Analytics Company) to obtain economic-financial variables.

Thirdly, we hand-collected data regarding corporate governance by analyzing each company's corporate governance reports in the year 2018.

We refer to the Italian context for the following motivations. First, previous studies on the relationship between CSR and EM have examined companies operating in common law countries, in Asian countries and, with reference to the European context, in Spain and Germany. Our study specifically analyzes Italy, which is a civil law country, that has been traditionally characterized by few listed companies, high ownership concentration by State and families, the use of control enhancing mechanisms to amplify the divergence between ownership and control, the use of shareholders' agreements and low investor protection [16–18]. Second, Italian policymakers have recently enforced the disclosure of non-financial information. Legislative Decree No. 254/2016, which implemented Directive 2014/95/EU in the Italian legal system, promotes the disclosure of non-financial information on the behalf of European firms [42]. Third, to the best of our knowledge, this is the first research to investigate, through appropriate proxies, the relationship between sustainability engagement and EM practices of Italian listed companies.

In this way, by choosing the Italian context, we extend the research field, and fill the gap of the previous research largely focused on other contexts.

3.2. Measurement of Variables

To verify the hypothesis formulated in this study, we first identified and estimated the earnings management variable (dependent variable), which is more suitable for representing the context and the reference sample. Subsequently, the independent and control variables were identified.

3.2.1. Measurement of EM Variable (Dependent Variable)

To calculate EM, as in prior studies analyzing the link between earnings management and sustainability engagement [57,83,96–98], we used an appropriate proxy. In particular, in order to achieve a better analysis of the link examined, in relation to Italian context [99–101], we used discretionary accruals as proxy for EM, starting from DeFond and Park [102] model.

However, in this research, in order to achieve a better understanding of the phenomena examined, we proceeded with the same variables of DeFond and Park model but considered these on an annual basis.

This proxy of the original model allows to define the following configuration of EM variable, called AWCA (abnormal trade working capital accruals):

$$AWCA_t = WC_t - [(WC_{t-1}/S_{t-1}) \times S_t] \tag{1}$$

where t refers to current year and t-1 to preceding year while WC is the trade working capital and St is the sales.

According to configuration 1, AWCA is calculated for each examined company.

Finally, in an effort to define a research model as free as possible from constraints, we used, in the statistical analyses that follow, the abnormal trade capital accruals in absolute values and scaled by total asset [97].

3.2.2. Measurement of Sustainability Engagement (Independent Variable)

In order to measure the sustainability engagement, as a proxy, we refer to ESG Score from Refinitv. Through this score, it is possible to define corporate ESG performance on the basis of information reported by the companies. This information formed the three Pillars Scores that regard environmental, social and corporate governance dimensions [103].

The final ESG Score that represents the company's ESG performance ranges from 0 to 100, where 0 indicates firms with inexistent sustainability profile and, on the contrary, 100 for firms with the best sustainability performances. In this research, in order to maximize the objectivity of the relationship between sustainability engagement and EM, we have considered the median as it is a robust measure of central tendency and it is in line with the calculation methodology implemented by Refinitiv with regard to the qualitative component of each category. Finally, we include a dummy variable, that is equal to 1 if the score is greater than or equal to the median, 0 otherwise.

3.2.3. Measurement of Control Variables

In order to remove the problem of endogeneity, we included some variables that could also influence the earnings management policies [104–106].

Firstly, we considered two corporate governance variables, namely, size of board of directors and age of company. These variables were retrieved from each company's corporate governance report in the year 2018 and by using the company's investor relations website.

The size of board of directors (BODSIZE) is measured by total number of directors on the board of each company. In the extant literature, the results about the influence of this variable are mixed. On one hand, in the contexts characterized by Type I Agency Conflict, smaller boards could be more effective in the resolution of conflicts than large boards [107]. On the other hand, in the contexts, characterized by large controlling ownership and by conflicts of interest between them and the minority shareholders (Type II Agency Conflict), large boards could contribute to the resolution or, at least, to mitigate the company conflicts [101,108,109]. Therefore, in this research, we assumed that the expected sign of this variable is uncertain.

Following previous studies [110,111], we calculated the age of each company (AGE), expressed in years. Albeit Berger and Udell [111], with reference to small firms, observed that better earnings quality is related to older companies which are characterized by a higher disclosure; considering that most of the companies of our sample are newly established, we assumed that the expected sign of this variable is uncertain.

In addition to the two governance's variables abovementioned, we included four other accounting control variables.

Firstly, we controlled for the size of a company (SIZE) [112]. As a proxy, we used the natural logarithm of total assets to check the effect of size on EM practices [113] and assumed that expected sign of this variable is negative in accordance to Maglio et al. [110].

Secondly, we included the variable PROFITABILITY calculated as the return on assets (ROA) and assumed that the expected sign of this variable is negative.

Thirdly, we included the financial leverage (LEVERAGE), calculated as the ratio between total debt and the market value of equity. The emerging results of previous researches on this topic are conflicting [56,114,115]. Therefore, we assumed that expected sign of LEVERAGE is uncertain.

Finally, following previous studies [101,110], we included the variable LOSS, that indicates the presence or not of a loss in the period analyzed. The value is equal to 1, if there was a loss in the year, and 0 otherwise. We assumed that the expected sign of this variable is uncertain because companies could present a negative net income in order to show a positive performance in the following period [101].

3.3. Research Model

We implemented a regression analysis to examine the link between the sustainability engagement and earnings management practices using a sample of Italian listed companies in the year 2018. In Table 1, we present variables and relative measurement, expected sign and source.

The research model is structured as follows:

$$EM = B_0 + B_1 ESGSCORE + B_2 BODSIZE + B_3 AGE + B_4 SIZE + B_5 PROFITABILITY + B_6 LEVERAGE + B_7 LOSS + \varepsilon \quad (2)$$

Table 1. Variables, measurement, expected sign and source.

Variable	Measurement	Expected Sign	Source
EM (Dependent)	Proxy of the Defond and Park model (2001) based on the calculation of the abnormal accruals of the commercial working capital of each company		Datastream
ESG SCORE (Independent)	Total Score based on the environmental, social and governance information disclosed by each company	-	Datastream
BODSIZE	Total number of directors on the board at the end of 2018	?	Hand collection from companies' corporate governance report
AGE	Natural Logarithm of Age in Years	?	Company's investor relations website
SIZE	Natural Logarithm of Total Assets	-	Datastream/AIDA
PROFITABILITY	Return on Assets (ROA)	-	Datastream/AIDA
LEVERAGE	Ratio of Total Debt to Market Value of Equity	?	Datastream/AIDA
LOSS	Dummy variables equal to 1 if there is a loss in the year; 0 otherwise	?	Datastream/AIDA

4. Empirical Results

4.1. Descriptive Statistics

Table 2 shows descriptive statistics for all the variables used in this study.

Table 2. Descriptive statistics.

	Mean	Median	Range	Minimum	Maximum
EM	0.061	0.042	0.238	0.002	0.240
ESG SCORE	0.509	1.000	1.000	0.000	1.000
BODSIZE	10.712	11.000	10.000	6.000	16.000
AGE	3.211	3.135	4.212	0.693	4.905
SIZE	14.898	14.549	6.425	12.448	18.873
PROFITABILITY	7.409	7.409	34.270	−15.040	19.230
LEVERAGE	0.556	0.370	4.570	0.000	4.570
LOSS	0.119	0.000	1.000	0.000	1.000

Specifically, considering their centrality in our analysis model and the comparability with other previous studies, we observe the values taken by the following variables: EM, BODSIZE, SIZE, PROFITABILITY, LEVERAGE, LOSS.

EM has a mean (median) value of 0.061 (0.042). In comparing our EM values with those of previous studies that adopt the same EM proxy with reference to a sample of Italian listed companies, we find lower values than those of Campa and Donnelly [100].

Table 2 also shows descriptive statistics for an independent variable, that is, the ESG Score, with a mean value of 0.509. In this case, it is not possible to make any comparison with similar analyses, as, to the best of our knowledge, it is the first time that ESG Score variable is used in a research as proxy of sustainability engagement.

Looking at the board characteristics, specifically with regard to the variable BODSIZE, in our sample, the average number of directors was 10.712. With reference to different time periods [99,108,116], the size of board emerges to be in line with previous studies analyzing the Italian context.

With reference to the variables PROFITABILITY and SIZE, we find mean and median values significantly higher than those found by Ianniello [101] and Maglio et al. [110]. These differences are due to the different time span analyzed in similar researches (2005–2007 in Campa and Donnelly [100]; 2010 in Ianniello [101]; 2006-2015 in Gavana et al. [117]; 2013–2015 in Maglio et al. [110]).

Finally, with reference to the variables LEVERAGE and LOSS, we notice that mean and median values are in line with those of previous studies [102].

4.2. Correlation Matrix

Table 3 reports the results of the correlation analysis. This matrix allows us to evaluate the effect that ESG policies, measured through the ESG SCORE variable, had on the EM practices implemented in the firms examined.

Table 3. Pearson correlation matrix.

	EM	ESG	BODSIZE	AGE	SIZE	PROF	LEV	LOSS	VIF
EM	1.000								
ESG	−0.123	1.000							1.190
BODSIZE	0.086	0.048	1.000						1.195
AGE	0.162	0.087	0.285 *	1.000					1.126
SIZE	−0.190	0.381 **	0.298 *	0.130	1.000				1.372
PROF	−0.186	−0.135	−0.061	−0.063	−0.196	1.000			1.147
LEV	0.544 **	−0.102	−0.062	0.120	−0.179	−0.161	1.000		1.164
LOSS	0.134	0.046	0.082	0.029	0.119	−0.278 *	0.231	1.000	1.148

ESG is the variable ESG SCORE; PROF is the variable PROFITABILITY; LEV is the variable LEVERAGE. All significance levels are two-tailed. * Significant at the 5% level. ** Significant at the 1% level.

To test the validity of choices made, in relation to explanatory variables included in the research model and to identify the existence of multicollinearity problems, we calculated the variance inflationary factor (VIF). The VIF of each variable shows that the study has no multicollinearity issues [118]. In fact, the highest VIF is related to SIZE and equal to 1.372.

It is noted that, in accordance with expectations, the EM shows a negative correlation with ESG SCORE (−0.123) but this relationship has no statistical significance.

Thus, as argued in the previous sections, the presence of a high ESG SCORE, as an indicator of the sustainability engagement advanced by companies, involves a reduction of the use of EM practices. EM is positively related to BODSIZE (0.086), AGE (0.062), LEVERAGE (0.544) and LOSS (0.0134), while it has a negative correlation with PROFITABILITY (−0.186) and SIZE (−0.190).

4.3. Regression Results

To test the research hypothesis, an OLS analysis was performed in which a proxy of the earnings management measure was assumed as the dependent variable. The ESG SCORE, used as a proxy for the sustainability engagement, was the independent variable while BODSIZE, AGE, SIZE, PROFITABILITY, LEVERAGE and LOSS were considered as model control variables (Table 4).

Table 4. Results of the regression analysis.

	Expected Sign	Coefficient	*p*-Value
CONSTANT		0.082	1.192
ESG SCORE	(−)	−0.005	0.734
BODSIZE	(?)	0.003	0.274
AGE	(?)	0.006	0.499
SIZE	(−)	−0.006	0.224
PROFITABILITY	(−)	−0.001	0.272
LEVERAGE	(?)	0.040	0.000
LOSS	(?)	−0.002	0.942
R squared	0.352		

ESG SCORE, assumed as independent variable and measured based on the ESG information disclosed by each company, has a negative coefficient (−0.005), in adherence to our hypothesis and consistent with previous studies [60,77–79].

Specifically, it can be observed that the level of ESG policies disclosed by companies has a slight influence on the board's monitoring capacity to prevent adoption of EM policies.

Although the coefficient is not statistically significant, it is observed, however, that this result appears to be of fundamental importance, as the main objective of our research consists in evaluating whether the sustainability engagement affects EM policies.

5. Discussion and Conclusions

This study explores the effect of sustainability engagement on earnings management (EM) practices with particular reference to the Italian context in the year 2018 after the implementation of Legislative Decree No. 254/2016 on the disclosure of non-financial information. In a broader perspective, this study aims at investigating the relationship between financial and non-financial information, with reference to Italian listed companies. This investigation is linked to the implementation of the Sustainable Development Goals (SDGs) [12] and specifically with SDG 12 and relative target 12.6 that focuses on the adoption of sustainable practices and the integration of sustainability information into annual reports on the behalf of firms.

According to stakeholder theory approach, this exploratory study investigated the relationship between the sustainability engagement (measured through the ESG Score by Refinitiv) and earnings management practices founding the negative—even if not statistically significant—effect of sustainability practices on the adoption of earnings management behaviors. This evidence indicates that companies characterized by higher level of sustainability engagement are less prone to advance EM practices.

In a broader perspective, our findings provide evidence of the relevant relationship between financial and non-financial information and their disclosure as a key determinant to ensure value creation and sustainability of firms in a long-term perspective for the different categories of stakeholders [44].

To the best of our knowledge, this is the first study to investigate the effect of the sustainability engagement on EM practices with reference to a sample of Italian listed companies. In this way, we extend the research field and fill the gap of the previous researches that focused on other contexts and provided inconclusive results. Indeed, our findings are consistent with the majority of studies arguing a negative relationship between CSR and EM [60,74–82].

Concerning the practical implications, the results of this research could be particularly relevant for institutions, governments, companies and investors. In this perspective, institutions and governments should take into account the efforts that companies implemented to support social and environmental goals [31]. While making strategic decisions, the different markets' players can recur to sustainability performance information that cannot be retrieved from financial information [119].

The main limitation of this study regards the size of the sample due to the availability of ESG Score for the Italian context [120]. Moreover, another limitation concerns the adoption of the ESG Score which is an aggregate measure not allowing us to deepen on a specific component of this variable [44].

Starting from these limitations, future studies could extend the investigation on the link between the sustainability engagement and EM practices analyzing a larger sample such as unlisted public interest entities. This further analysis could allow advancing comparisons between different samples. Moreover, in the light of the second limitation of this study, future research could adopt different measures in order to catch each dimension of ESG Score to better explore the association between each dimension and the EM practices.

Author Contributions: Conceptualization, F.G., A.C., M.Z., and M.M.; Formal analysis, F.G., A.C., and M.Z.; Investigation, F.G., A.C., and M.Z.; Methodology, F.G., A.C., and M.Z.; Project administration, F.G., and M.M.; Resources, F.G., A.C., and M.Z.; Supervision, F.G., and M.M.; Validation, F.G., A.C., and M.Z.; Writing—original

draft, F.G., A.C., M.Z., and M.M.; Writing—Review & Editing, F.G., A.C., M.Z., and M.M. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

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

References

1. Eccles, R.G.; Ioannou, I.; Serafeim, G. The impact of corporate sustainability on organizational processes and performance. *Manag. Sci.* **2014**, *60*, 2835–2857. [CrossRef]
2. Hanley, N. Macroeconomic measures of 'sustainability'. *J. Econ. Surv.* **2000**, *14*, 1–30. [CrossRef]
3. Barbier, E.B. The concept of sustainable economic development. *Environ. Conserv.* **1987**, *14*, 101–110. [CrossRef]
4. Elliott, S.R. Sustainability: An economic perspective. *Resour. Conserv. Recycl.* **2005**, *44*, 263–277. [CrossRef]
5. Bansal, P. The corporate challenges of sustainable development. *Acad. Manag. Perspect.* **2002**, *16*, 122–131. [CrossRef]
6. Dyllick, T.; Hockerts, K. Beyond the business case for corporate sustainability. *Bus. Strat. Environ.* **2002**, *11*, 130–141. [CrossRef]
7. Schaltegger, S.; Burritt, R. Corporate sustainability. In *The International Yearbook of Environmental and Resource Economics 2005/2006*; Folmer, H., Tietenberg, T., Eds.; Edward Elgar: Cheltenham, UK, 2005; pp. 185–222.
8. Goel, P. Triple bottom line reporting: An analytical approach for corporate sustainability. *J. Financ. Account. Manag.* **2010**, *1*, 27–42.
9. Elkington, J. *Cannibals with Forks: Triple Bottom Line of 21st Century Business*; Capstone: Oxford, UK, 1997.
10. Sachs, J.D. From millennium development goals to sustainable development goals. *Lancet* **2012**, *379*, 2206–2211. [CrossRef]
11. Gupta, J.; Vegelin, C. Sustainable development goals and inclusive development. *Int. Environ. Agreem. Politi. Law Econ.* **2016**, *16*, 433–448. [CrossRef]
12. United Nations Department of Economic and Social Affairs. *Transforming Our World: The 2030 Agenda for Sustainable Development*; United Nations: New York, NY, USA, 2015.
13. Chan, S.; Weitz, N.; Persson, Å.; Trimmer, C. SDG 12: Responsible consumption and production. *Rev. Res. Needs* **2018**, 1–25.
14. Simnett, R.; Huggins, A.L. Integrated reporting and assurance: Where can research add value? *Sustain. Account. Manag. Policy J.* **2015**, *6*, 29–53. [CrossRef]
15. Cimini, R. How has the financial crisis affected earnings management? A European study. *Appl. Econ.* **2014**, *47*, 302–317. [CrossRef]
16. Tiscini, R.; Di Donato, F. The impact of family control and corporate governance practices on earnings quality of listed companies: A study of the Italian case. *SSRN Electron. J.* **2008**, 1–13; Available online: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1346457 (accessed on 25 April 2020). [CrossRef]
17. Magli, F.; Nobolo, A. Corporate governance and control in Italian family business: An empirical analysis. In Proceedings of the EBES Conference, Rome, Italy, 11–13 January 2013.
18. Zattoni, A. The evolution of corporate governance in Italy: Formal convergence or path-dependence? *Corp. Gov. Res. Dev. Stud.* **2019**, *1*, 13–35.
19. Porritt, J. *Capitalism as if the World Matters*; Earthscan: New York, NY, USA, 2007.
20. Jackson, T. *Prosperity without Growth? The Transition to a Sustainable Economy*; Sustainable Development Commission: London, UK, 2009.
21. Ebner, D.; Baumgartner, R.J. The relationship between sustainable development and corporate social responsibility. In Proceedings of the Corporate Responsibility Research Conference, Queens University, Belfast, UK, 4–5 September 2006.
22. Fiorentino, R.; Garzella, S.; Lamboglia, R.; Mancini, D. Strategie di sostenibilità: Dalle motivazioni ai sistemi di misurazione della performance. *Manag. Control.* **2016**, *2*, 115–142. [CrossRef]
23. CSR Europe. *The Sustainable Development Goals (SDGs): The Value for Europe. A Whitepaper by Frost & Sullivan and GlobeScan on behalf of CSR Europe*; CSR Europe: Bruxelles, Belgium, 2017.
24. Bebbington, J.; Russell, S.; Thomson, I. Accounting and sustainable development: Reflections and propositions. *Crit. Perspect. Account.* **2017**, *48*, 21–34. [CrossRef]

25. Bebbington, J.; Unerman, J. Achieving the United Nations Sustainable Development Goals: An enabling role for accounting research. *Account. Audit. Account. J.* **2018**, *31*, 2–24. [CrossRef]
26. Venturelli, A.; Caputo, F.; Adamo, S. SDG Accounting e informativa non finanziaria: Prime evidenze empiriche sul contesto italiano. In *Nuove Frontiere del Reporting Aziendale. La Comunicazione agli Stakeholders tra Vincoli Normativi e Attese Informative*; Corbella, S., Marchi, L., Rossignoli, F., Eds.; Franco Angeli: Milano, Italy, 2018; pp. 701–723.
27. Kaur, A.; Lodhia, S.K. Sustainability accounting, accountability and reporting in the public sector. *Meditari Account. Res.* **2019**, *27*, 498–504. [CrossRef]
28. Rosati, F.; Faria, L.G.D. Business contribution to the Sustainable Development Agenda: Organizational factors related to early adoption of SDG reporting. *Corp. Soc. Responsib. Environ. Manag.* **2019**, *26*, 588–597. [CrossRef]
29. Tsalis, T.A.; Malamateniou, K.E.; Koulouriotis, D.; Nikolaou, I.E. New challenges for corporate sustainability reporting: United Nations' 2030 Agenda for sustainable development and the sustainable development goals. *Corp. Soc. Responsib. Environ. Manag.* **2020**. [CrossRef]
30. Christensen, L.T.; Morsing, M.; Thyssen, O. License to critique: A communication perspective on sustainability standards. *Bus. Ethics Q.* **2017**, *27*, 239–262. [CrossRef]
31. Fiandrino, S. *Disclosure of Non-Financial Information. Evolutionary Paths and Harmonisation to Mandatory Requirements*; Giappichelli: Torino, Italy, 2019.
32. Venturelli, A.; Caputo, F.; Leopizzi, R.; Pizzi, S. The state of art of corporate social disclosure before the introduction of non-financial reporting directive: A cross country analysis. *Soc. Responsib. J.* **2019**, *15*, 409–423. [CrossRef]
33. Martínez-Ferrero, J.; Ruiz-Cano, D.; García-Sánchez, I.M. The causal link between sustainable disclosure and information asymmetry: The moderating role of the stakeholder protection context. *Corp. Soc. Responsib. Environ. Manag.* **2015**, *23*, 319–332. [CrossRef]
34. Gray, R.; Owen, D.; Adams, C. Some theories for social accounting? A review essay and a tentative pedagogic categorisation of theorisations around social accounting. *Sustain. Environ. Perform. Discl.* **2009**, *4*, 1–54.
35. Gray, R.; Adams, C.A.; Owen, D. *Accountability, Social Responsibility and Sustainability*; Pearson Education Limited: Edinburgh Gate, UK, 2014.
36. Meyer, J.W.; Rowan, B. Institutionalized organizations: Formal structure as myth and ceremony. *Am. J. Sociol.* **1977**, *83*, 340–363. [CrossRef]
37. Scott, W.R. *Institutions and Organizations: Ideas, Interests, and Identities*; Sage Publications: Thousand Oaks, CA, USA, 2013.
38. Suchman, M.C. Managing legitimacy: Strategic and institutional approaches. *Acad. Manag. Rev.* **1995**, *20*, 571–610. [CrossRef]
39. Lindblom, C.K. The implications of organizational legitimacy for corporate social performance and disclosure. In Proceedings of the Critical Perspectives on Accounting Conference, New York, NY, USA, 18 April 1993.
40. Dowling, J.; Pfeffer, J. Organizational legitimacy: Social values and organizational behavior. *Pac. Sociol. Rev.* **1975**, *18*, 122–136. [CrossRef]
41. Deegan, C. The legitimising effect of social and environmental disclosures–a theoretical foundation. *Account. Audit. Account. J.* **2002**, *15*, 282–311. [CrossRef]
42. Muserra, A.L.; Papa, M.; Grimaldi, F. Sustainable development and the European Union Policy on non-financial information: An Italian empirical analysis. *Corp. Soc. Responsib. Environ. Manag.* **2019**, *27*, 22–31. [CrossRef]
43. Gray, R.; Kouhy, R.; Lavers, S. Methodological themes: Constructing a research database of social and environmental reporting by UK companies. *Account. Audit. Account. J.* **1995**, *8*, 78. [CrossRef]
44. Velte, P. The bidirectional relationship between ESG performance and earnings management–empirical evidence from Germany. *J. Glob. Responsib.* **2019**, *10*, 322–338. [CrossRef]
45. Murphy, D.; McGrath, D. ESG reporting–class actions, deterrence, and avoidance. *Sustain. Account. Manag. Policy J.* **2013**, *4*, 216–235. [CrossRef]
46. Darus, F.; Sawani, Y.; Zain, M.M.; Janggu, T. Impediments to CSR assurance in an emerging economy. *Manag. Audit. J.* **2014**, *29*, 253–267. [CrossRef]
47. Pizzi, S. The Relationship between Non-financial Reporting, Environmental Strategies and Financial Performance. Empirical Evidence from Milano Stock Exchange. *Adm. Sci.* **2018**, *8*, 76. [CrossRef]

48. Mahoney, L.S.; Thorne, L.; Cecil, L.; LaGore, W. A research note on standalone corporate social responsibility reports: Signaling or greenwashing? *Crit. Perspect. Account.* **2013**, *24*, 350–359. [CrossRef]
49. Paton, W.A. *Accounting Theory, with Special Reference to the Corporate Enterprise*; Ronald Press: New York, NY, USA, 1922.
50. Beneish, M.D. Earnings management: A perspective. *Managerial Finance* **2001**, *27*, 3–17. [CrossRef]
51. Scott, W.R. *Financial Accounting Theory*, 3rd ed.; Prentice Hall: Toronto, CA, USA, 2003.
52. Miller, P.B. Quality Financial Reporting. *J. Account.* **2002**, *193*, 70.
53. Ronen, J.; Yaari, V. *Earnings Management*; Springer: New York, NY, USA, 2008; Volume 372.
54. Dechow, P.M.; Sloan, R.G.; Sweeney, A.P. Detecting earnings management. *Account. Rev.* **1995**, *70*, 193–225.
55. Leuz, C.; Nanda, D.; Wysocki, P.D. Earnings management and investor protection: An international comparison. *J. Financ. Econ.* **2003**, *69*, 505–527. [CrossRef]
56. Beatty, A.; Harris, D.G. The effects of taxes, agency costs and information asymmetry on earnings management: A comparison of public and private firms. *J. Financ. Econ.* **2003**, *69*, 505–527.
57. Klein, A. Audit committee, board of director characteristics, and earnings management. *J. Account. Econ.* **2002**, *33*, 375–400. [CrossRef]
58. Hirst, D.E. Auditor sensitivity to earnings management. *Contemp. Account. Res.* **1994**, *11*, 405–422. [CrossRef]
59. Rezaee, Z. Business sustainability research: A theoretical and integrated perspective. *J. Account. Lit.* **2016**, *36*, 48–64. [CrossRef]
60. Scholtens, B.; Kang, F.C. Corporate social responsibility and earnings management: Evidence from Asian economies. *Corp. Soc. Responsib. Environ. Manag.* **2012**, *20*, 95–112. [CrossRef]
61. Griffin, J.J.; Mahon, J.F. The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Bus. Soc.* **1997**, *36*, 5–31. [CrossRef]
62. Margolis, J.D.; Walsh, J.P. Misery loves companies: Rethinking social initiatives by business. *Adm. Sci. Q.* **2003**, *48*, 268. [CrossRef]
63. Schuler, D.A.; Cording, M. A corporate social performance–corporate financial performance behavioral model for consumers. *Acad. Manag. Rev.* **2006**, *31*, 540–558. [CrossRef]
64. Martínez-Ferrero, J.; Frias-Aceituno, J.V. Relationship between sustainable development and financial performance: International empirical research. *Bus. Strat. Environ.* **2013**, *24*, 20–39. [CrossRef]
65. Romano, M.; Onesti, T. Earnings quality in an ethics perspective. *Int. J. Bus. Gov. Ethics* **2016**, *11*, 52. [CrossRef]
66. Pozzoli, M. Il contributo della corporate social responsibility sulle performance finanziarie. In *L'azienda e la Corporate Social Responsibility. Approfondimenti Dottrinali e Riflessioni Gestionali*; Garzella, S., Ed.; Franco Angeli: Milano, Italy, 2018; pp. 102–120.
67. Taliento, M.; Favino, C.; Netti, A. Impact of environmental, social, and governance information on economic performance: Evidence of a corporate 'sustainability advantage' from Europe. *Sustainability* **2019**, *11*, 1738. [CrossRef]
68. Xie, J.; Nozawa, W.; Yagi, M.; Fujii, H.; Managi, S. Do environmental, social, and governance activities improve corporate financial performance? *Bus. Strat. Environ.* **2018**, *28*, 286–300. [CrossRef]
69. Xu, J.; Wei, J.; Lu, L. Strategic stakeholder management, environmental corporate social responsibility engagement, and financial performance of stigmatized firms derived from Chinese special environmental policy. *Bus. Strat. Environ.* **2019**, *28*, 1027–1044. [CrossRef]
70. Velayutham, E. Sustainability disclosure and earnings management. In *Research Handbook of Finance and Sustainability*; Edward Elgar Publishing: New York, NY, USA, 2018.
71. Carroll, A.B. A three-dimensional conceptual model of corporate performance. *Acad. Manag. Rev.* **1979**, *4*, 497–505. [CrossRef]
72. Freeman, R.E. *Strategic Management: A Stakeholder Approach*; Pitman: Boston, MA, USA, 1984.
73. Martínez-Ferrero, J.; Banerjee, S.; García-Sánchez, I.M. Corporate social responsibility as a strategic shield against costs of earnings management practices. *J. Bus. Ethics* **2016**, *133*, 305–324. [CrossRef]
74. Bozzolan, S.; Fabrizi, M.; Mallin, C.A.; Michelon, G. Corporate social responsibility and earnings quality: International evidence. *Int. J. Account.* **2015**, *50*, 361–396. [CrossRef]
75. Cho, E.; Chun, S. Corporate social responsibility, real activities earnings management, and corporate governance: Evidence from Korea. *Asia Pacific J. Account. Econ.* **2015**, *23*, 400–431. [CrossRef]

76. Choi, T.H.; Pae, J. Business ethics and financial reporting quality: Evidence from Korea. *J. Bus. Ethics* **2011**, *103*, 403–427. [CrossRef]
77. Dhaliwal, D.S.; Radhakrishnan, S.; Tsang, A.; Yang, Y.G. Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *Account. Rev.* **2012**, *87*, 723–759. [CrossRef]
78. Gras-Gil, E.; Manzano, M.P.; Fernández, J.H. Investigating the relationship between corporate social responsibility and earnings management: Evidence from Spain. *BRQ Bus. Res. Q.* **2016**, *19*, 289–299. [CrossRef]
79. Kim, Y.; Park, M.S.; Wier, B. Is earnings quality associated with corporate social responsibility? *Account. Rev.* **2012**, *87*, 761–796. [CrossRef]
80. Lee, D. Corporate social responsibility and management forecast accuracy. *J. Bus. Ethics* **2015**, *140*, 353–367. [CrossRef]
81. Martínez-Ferrero, J.; Garcia-Sanchez, I.M.; Cuadrado-Ballesteros, B. Effect of financial reporting quality on sustainability information disclosure. *Corp. Soc. Responsib. Environ. Manag.* **2013**, *22*, 45–64. [CrossRef]
82. Yoon, B.; Kim, B.; Lee, J.H. Is Earnings quality associated with corporate social responsibility? Evidence from the Korean market. *Sustainability* **2019**, *11*, 4116. [CrossRef]
83. Gargouri, R.M.; Shabou, R.; Francoeur, C. The relationship between corporate social performance and earnings management. *Can. J. Adm. Sci. Rev. Can. Sci. Administration* **2010**, *27*, 320–334. [CrossRef]
84. Muttakin, M.B.; Khan, A.; Azim, M.I. Corporate social responsibility disclosures and earnings quality. *Manag. Audit. J.* **2015**, *30*, 277–298. [CrossRef]
85. Liu, M.; Shi, Y.; Wilson, C.; Wu, Z. Does family involvement explain why corporate social responsibility affects earnings management? *J. Bus. Res.* **2017**, *75*, 8–16. [CrossRef]
86. Chih, H.L.; Shen, C.H.; Kang, F.C. Corporate social responsibility, investor protection, and earnings management: Some international evidence. *J. Bus. Ethics* **2007**, *79*, 179–198. [CrossRef]
87. Hong, Y.; Andersen, M.L. The relationship between corporate social responsibility and earnings management: An exploratory study. *J. Bus. Ethics* **2011**, *104*, 461–471. [CrossRef]
88. Riahi-Belkaoui, A. The impact of corporate social responsibility on the informativeness of earnings and accounting choices. *Adv. Environ. Account. Manag.* **2004**, *2*, 121–136.
89. Velte, P. Corporate social responsibility and earnings management: A literature review. *Corp. Ownersh. Control.* **2020**, *17*, 8–19. [CrossRef]
90. Dechow, P.; Ge, W.; Schrand, C. Understanding earnings quality: A review of the proxies, their determinants and their consequences. *J. Account. Econ.* **2010**, *50*, 344–401. [CrossRef]
91. Lock, I.; Seele, P. Quantitative content analysis as a method for business ethics research. *Bus. Ethics A Eur. Rev.* **2015**, *24*, S24–S40. [CrossRef]
92. Mutuc, E.B.; Lee, J.S.; Tsai, F.S. Doing good with creative accounting? Linking corporate social responsibility to earnings management in market economy, country and business sector contexts. *Sustainability* **2019**, *11*, 4568. [CrossRef]
93. Oh, H.M.; Park, S.B.; Ma, H.Y. Corporate sustainability management, earnings transparency, and chaebols. *Sustainability* **2020**, *12*, 4222. [CrossRef]
94. Peasnell, K.V.; Pope, P.F.; Young, S. Board monitoring and earnings management: Do outside directors influence abnormal accruals? *J. Bus. Finance Account.* **2005**, *32*, 1311–1346. [CrossRef]
95. Pucheta-Martínez, M.C.; Gallego-Álvarez, I. An international approach of the relationship between board attributes and the disclosure of corporate social responsibility issues. *Corp. Soc. Responsib. Environ. Manag.* **2018**, *26*, 612–627. [CrossRef]
96. Buertey, S.; Sun, E.J.; Lee, J.S.; Hwang, J. Corporate social responsibility and earnings management: The moderating effect of corporate governance mechanisms. *Corp. Soc. Responsib. Environ. Manag.* **2019**, *27*, 256–271. [CrossRef]
97. Warfield, T.D.; Wild, J.J.; Wild, K.L. Managerial ownership, accounting choices, and informativeness of earnings. *J. Account. Econ.* **1995**, *20*, 61–91. [CrossRef]
98. Jordaan, L.A.; De Klerk, M.; de Villiers, C.J. Corporate social responsibility and earnings management of South African companies. *South Afr. J. Econ. Manag. Sci.* **2018**, *21*, 1–13. [CrossRef]
99. Marra, A.; Mazzola, P.; Prencipe, A. Board monitoring and earnings management pre-and post-IFRS. *Int. J. Account.* **2011**, *46*, 205–230. [CrossRef]

100. Campa, D.; Donnelly, R. An assessment of corporate governance reforms in Italy based on a comparative analysis of earnings management. *Corp. Gov. Int. J. Bus. Soc.* **2014**, *14*, 407–423. [CrossRef]
101. Ianniello, G. The effects of board and auditor independence on earnings quality: Evidence from Italy. *J. Manag. Gov.* **2013**, *19*, 229–253. [CrossRef]
102. DeFond, M.L.; Park, C.W. The reversal of abnormal accruals and the market valuation of earnings surprises. *Account. Rev.* **2001**, *76*, 375–404. [CrossRef]
103. REFINITIV. Environmental, Social and Governance (ESG) Scores from Refinitiv. April 2020. Available online: https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/esg-scoresmethodology.pdf (accessed on 25 April 2020).
104. Hermalin, B.E.; Weisbach, M.S. The effects of board composition and direct incentives on firm performance. *Financ. Manag.* **1991**, *20*, 101–112. [CrossRef]
105. Boone, A.L.; Field, L.C.; Karpoff, J.M.; Raheja, C.G. The determinants of corporate board size and composition: An empirical analysis. *J. Financ. Econ.* **2007**, *85*, 66–101. [CrossRef]
106. Merendino, A.; Melville, R. The board of directors and firm performance: Empirical evidence from listed companies. *Corp. Gov. Int. J. Bus. Soc.* **2019**, *19*, 508–551. [CrossRef]
107. Jensen, M.C. The modern industrial revolution, exit, and the failure of internal control systems. *J. Financ.* **1993**, *48*, 831–880. [CrossRef]
108. Di Pietra, R.; Grambovas, C.A.; Raonic, I.; Riccaboni, A. The effects of board size and 'busy'directors on the market value of Italian companies. *J. Manag. Gov.* **2008**, *12*, 73–91. [CrossRef]
109. Allegrini, M.; Greco, G. Corporate boards, audit committees and voluntary disclosure: Evidence from Italian listed companies. *J. Manag. Gov.* **2011**, *17*, 187–216. [CrossRef]
110. Maglio, R.; Rey, A.; Agliata, F.; Lombardi, R. Connecting earnings management and corporate social responsibility: A renewed perspective. *Corp. Soc. Responsib. Environ. Manag.* **2019**, *27*, 1108–1116. [CrossRef]
111. Berger, A.N.; Udell, G.F. Relationship lending and lines of credit in small firm finance. *J. Bus.* **1995**, *68*, 351–381. [CrossRef]
112. Eisenberg, T.; Sundgren, S.; Wells, M.T. Larger board size and decreasing firm value in small firms. *J. Financ. Econ.* **1998**, *48*, 35–54. [CrossRef]
113. Ali, W.; Frynas, J.G.; Mahmood, Z. Determinants of corporate social responsibility (CSR) disclosure in developed and developing countries: A literature review. *Corp. Soc. Responsib. Environ. Manag.* **2017**, *24*, 273–294. [CrossRef]
114. Dechow, P.M.; Skinner, D.J. Earnings management: Reconciling the views of accounting academics, practitioners, and regulators. *Account. Horiz.* **2000**, *14*, 235–250. [CrossRef]
115. DeFond, M.L.; Jiambalvo, J. Debt covenant violation and manipulation of accruals. *J. Account. Econ.* **1994**, *17*, 145–176. [CrossRef]
116. Prencipe, A.; Bar-Yosef, S. Corporate governance and earnings management in family-controlled companies. *J. Account. Audit. Finance* **2011**, *26*, 199–227. [CrossRef]
117. Gavana, G.; Gottardo, P.; Moisello, A.M. Earnings management and CSR disclosure. Family vs. non-family firms. *Sustainability* **2017**, *9*, 2327. [CrossRef]
118. Hair, J.F.; Anderson, R.E.; Babin, B.J.; Black, W.C. *Multivariate Data Analysis: A Global Perspective*; Pearson Education Limited: Upper Saddle River, NJ, USA, 2010.
119. Rogers, J. Why Investors should Look Beyond a Company's Financials. *Fortune* **2015**. Available online: https://fortune.com/2015/08/11/why-investors-should-look-beyond-a-companys-financials/ (accessed on 20 April 2020).
120. Doni, F.; Martini, S.B.; Corvino, A.; Mazzoni, M. Voluntary versus mandatory non-financial disclosure. *Meditari Account. Res.* **2019**. [CrossRef]