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Sustainable but Not Accountable? A Quality Assessment of Sustainability Disclosure in Benefit Corporations

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ABSTRACT

Benefit corporations are businesses characterised by a dual purpose: profit and the common good. While these businesses are expected to pursue a high level of transparency, some studies have noted ambiguous and inconsistent behaviour in the quality of their reports and communication with stakeholders. The literature proposed reporting quality indexes and identified explanatory factors, although specific research on disclosure quality among benefit corporations is lacking. This study aimed to fill this gap by proposing a methodology to assess the quality of sustainability disclosure in benefit corporations. Drawing from a sample of their sustainability reporting in Italy, the study applies qualitative content analysis to create the disclosure quality index and uses a regression model to test potential antecedents. The findings indicate a generally low level of disclosure quality and limited impact of third-party certification and control mechanisms. These results raise questions on the accountability of benefit corporations and the limitations of their mandatory reporting.

1 | Introduction

Benefit corporations have emerged as a new trend of business legal form (Kirst et al. 2021; Stecker 2016). They represent a form of hybrid organisation in an attempt to combine financial, social and environmental performance (Cantele, Leardini, and Piubello Orsini 2023). Some countries, such as many US states, Italy and France (Riolfo 2019), introduced in their legislation the legal form of benefit corporations, providing ground for these ‘triple bottom line-purpose’ companies.

Benefit corporations are expected to develop a sustainable business model and to account for the impact created on stakeholders (Gazzola and Ferioli 2023). In some legislations, like in Italy, benefit corporations have the mandatory obligation to publish an impact report to account for the social and environmental impact achieved and future goals (Galli, Torelli, and Tibiletti 2021). The impact report is considered a new form of sustainability reporting (Mion 2020; NIBR [Italian Network Business Reporting] 2019), contributing to the emergence of a

‘multiverse’ of regulations (Baboukardos et al. 2023). This reflects the growing demand for non-financial information from various stakeholder groups that has led regulators and standard setters to develop frameworks, tools and guidelines for sustainability reporting (Abeysekera 2022).

Through sustainability disclosure, corporations search for legitimacy vis-à-vis their stakeholders (Deegan 2007). However, there is always the risk of an imperfect alignment between disclosed sustainability and actual sustainability practices, paving the way for the phenomenon of greenwashing (Khan et al. 2021). In the context of benefit corporations, this risk can be related to the prevalence of an instrumental logic in the balance of the profit maximising and common good objectives to be pursued (Baudot, Dillard, and Pencle 2020). Some authors see the risk of greenwashing phenomena where benefit corporations do not adopt transparent behaviour, despite having a business model that should be oriented towards transparency by design (Liute and De Giacomo 2022; Stecker 2016). Khan et al. (2021) argued that assessing a low quality of sustainability disclosure can be

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a red flag for 'greenwashing' practices. Considering the benefit corporations' particularities, it might be more useful to talk about 'benefit washing' referring to cases where benefit corporations do not fully commit to their declared social and environmental missions, instead using their legal status primarily as a marketing tool. This raises concerns about the true accountability of these organisations and whether their impact reports reflect a genuine effort in balancing profit with purpose or whether unclear, generic disclosure is constructed to mask a poorly sustainable performance. A suspect of benefit washing can emerge when the level of disclosure quality in benefit corporations' impact reports is low.

Several factors can impact reporting quality (Arkoh, Costantini, and Scarpa 2023): regulation, board composition (e.g., independence, gender), as well as firm characteristics (e.g., industry, age, size). Reporting quality is also associated with transparency and accountability (Fernandez-Feijoo et al. 2014) and managing the relationship between a company and its stakeholders (Donkor, Djajadikerta, and Mat Roni 2021). However, few studies have evaluated the quality of mandatory disclosure (Arkoh, Costantini, and Scarpa 2023; Comyns 2016) and, to the best of our knowledge, even less in the field of benefit corporations.

Recent studies have emphasised the importance of investigating the quality of benefit corporations' disclosure in the context of non-certified and certified benefit corporations and the variables influencing reporting practices. For example, Esposito et al. (2025) analysed a sample of 132 Italian benefit corporations, using manual content analysis and regression models and finding a positive relationship between firm size, financial leverage and profitability on the quality of impact reports. In their conclusions, the authors suggest a more detailed analysis of impact reports, focusing on common good-related disclosures and incorporating additional firm-level variables. In another study, De Luca et al. (2024) focus on a set of Italian certified benefit corporations, examining CSR disclosure through corporate websites and developing a disclosure index. The study demonstrates that non-financial performance significantly influences CSR disclosure levels in certified benefit corporations. Moreover, De Luca et al. (2024) highlight how certified benefit corporations contribute to CSR disclosure, pointing to the necessity of further research on non-certified entities. Given the limited presence of studies on the quality of benefit corporations' impact reports and the propensity to promote the accountability of these companies (Ebrahim, Battilana, and Mair 2014), this study aims to analyse the disclosure practices of benefit corporations through their impact reports, assessing the quality of disclosure and investigating some explanatory factors of their quality. A quality index for impact reports is proposed as an adaptation of Michelin, Pilonato, and Ricceri (2015) and applied to the case of Italian benefit corporations, where the publication of an annual impact report is mandated by law since 2016 (Riolfo 2019). Besides, the effect of third-party control mechanisms (the Bcorp certification and the presence of an auditor) is tested on reports' quality indexes.

Our findings show a low level of compliance of benefit corporations with the mandatory requirement of publishing the impact report. Furthermore, the quality index developed in this study

shows that there is a low-quality level of the impact reports analysed. Finally, quality does not have a significant correlation with variables relating to B Corp certification and the presence of an auditor in corporate governance, except for some specific sub-indexes, which allows us to make some reflections on the developed hypotheses.

In this context, the study contributes to the growing debate over the quality of mandatory sustainability reporting at the academic, regulatory and managerial levels (Pistoni, Songini, and Bavagnoli 2018; Donkor, Djajadikerta, and Mat Roni 2021). The limited diffusion and low-quality level of disclosure give rise to new insights around the theme of accountability of benefit corporations, posing doubt on the real intentions and impact behind the choice of this emergent legal status.

The paper is structured as follows: Sections 2 and 3 present the theoretical framework, specifically discussing the benefit corporations' impact reports and the quality of disclosure in sustainability reporting. In Section 4, the hypotheses tested in the proposed model are developed. Section 5 proposes the development of a quality index for evaluating the quality of disclosure, methodology and results. In the last two sections, we discuss the results and offer concluding remarks.

2 | Benefit Corporations and Sustainability Disclosure

Benefit corporations are companies that embrace a dual purpose in their bylaws, aiming to create value both for shareholders and stakeholders (Riso et al. 2024). In recent years, many studies have examined the emergence of benefit corporations from various perspectives (Blasi and Sedita 2022; Diez-Busto, Sanchez-Ruiz, and Fernandez-Laviada 2021). These include analyses of the motivations behind a company's choice of this business model (Baudot, Dillard, and Pencle 2020), its financial performance (Parker et al. 2019) and its relationship with stakeholders (Riso et al. 2024).

Given the dual purpose of benefit corporations, research has shown the challenges in terms of mission drift and accountability (Ebrahim, Battilana, and Mair 2014) and the risk of 'greenwashing' (Liute and De Giacomo 2022) or 'benefit washing'. Stecker (2016) emphasised how it is essential to ensure that benefit corporations hold substantial significance and that their annual reports are a useful tool for monitoring the consistency between what companies say and what they do.

The annual report of benefit corporations is instrumental in communicating to stakeholders the common benefit pursued in the reporting year through the implementation of sustainability practices: The annual report of benefit corporations, therefore, is added to other forms of sustainability disclosure (Mion 2020; NIBR, 2017).

More in general, sustainability disclosure refers to the process by which organisations transparently communicate their environmental, social and governance (ESG) performance to stakeholders (Aureli et al. 2020). This reporting includes

information on an organisation's impacts and initiatives related to sustainability, aiming to enhance accountability and support decision-making for investors, regulators and the broader stakeholders (Nasreen, Baker, and Rezanian 2023). Sustainability disclosure can take the form of standalone reports or be integrated into annual financial statements, following established frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) or IFRS (International Financial Reporting Standards) (Pizzi, Principale, and De Nuccio 2023). Effective sustainability reporting helps organisations manage ESG-related risks, improve corporate reputation and align with global sustainability objectives like the UN Sustainable Development Goals (SDGs) (Kolk 2008; Eccles et al. 2014).

In some legal frameworks (e.g., some US states), benefit corporations must produce and publish a report to account for their social and environmental achievements (Kurland 2017). Similarly, in Italy, legislation obligates benefit corporations to disclose an annual report, ensuring transparency and accountability regarding their results and goals (Galli, Torelli, and Tibiletti 2021).

More in-depth, the Italian law provides that benefit corporations must evaluate annually the impact generated using standards defined by an independent third party (Riso et al. 2024). Furthermore, benefit corporations should produce and publish an annual report—commonly named ‘impact report’ (Mion 2020; NIBR, 2017)—through which they account for the social, environmental and financial results and impacts achieved and the objectives to pursue for the subsequent year. Finally, benefit corporations are obliged to appoint an impact manager, who will assist in defining the sustainability strategy and reporting (Galli, Torelli, and Tibiletti 2021). A benefit corporation can also become a certified B Corp via certification from a third-party entity (Carvalho, Wiek, and Ness 2022; Riolfo 2019), assessing the company profile in five areas (i.e., governance, workers, community, environment and customers) (Cantele, Leardini, and Piubello Orsini 2023).

Despite the mandatory impact report, there has been limited research into the reporting practices of benefit corporations. Gazzola and Ferioli (2023) analysed the sustainability information disclosed in the Italian fashion industry and showed how most of the B Corps publish much information on their sustainability strategy with reference to the SDGs. Other researchers have concluded that the benefit corporations' business model should be oriented towards greater communication and engagement on their impact with stakeholders (Nigri and Del Baldo 2018). Galli, Torelli, and Tibiletti (2021) examined the presence of impact reports on the corporate websites. These authors showed that only 60% of benefit companies in the sample published an impact report as required by the legislation and that the number of topics disclosed in those reports was low. The same study indicates that most benefit corporations do not have a website or lack of adequate reporting with a risk of ambiguity (Galli, Torelli, and Tibiletti 2021). Furthermore, Nass (2014) argued how impact reports can prove to be a crucial measure for stakeholders to determine corporate actions, despite the low presence in the benefit corporations' websites of impact reports or information. The lack of disclosure poses doubts over the

beneficial impact of benefit corporations (Nass 2014). Finally, Palladino et al. (2022), in their analysis of the quality of impact reports on a limited sample of 6 benefit corporations, showed a formal commitment of benefit corporations to disclosure obligations but without a clear connection to the company strategy and mission.

3 | Quality of Disclosure in Sustainability Reporting

As described in the previous section, very few studies have investigated the content and the quality of the impact reports of benefit corporations in a comprehensive manner. The impact report is relevant for benefit corporations to disclose how financial and non-financial performances are balanced in line with ESG principles (Miller-Stevens et al. 2018). In the Italian context, the required impact report is coherent with ESG contents (Sciarelli, Cosimato, and Landi 2020). Other studies argued that the impact report can be considered a form of sustainability reporting (Dimes and Molinari 2023; Gazzola and Ferioli 2023). Therefore, to address our aims, we now turn to the literature on sustainability reporting.

The debate about disclosure quality has followed two main trends (Afeltra et al. 2023; Minutiello and Tettamanzi 2022): Some scholars have been investigating means to assess disclosure quality (Costa and Agostini 2016; Michelin, Pilonato, and Ricceri 2015), while others have analysed how to improve the quality of both mandatory and voluntary disclosure (Romero, Ruiz, and Fernandez-Feijoo 2018). The particular interest in the quality issue derives from the role and relevance of disclosure in the relationship between companies and stakeholders (Deegan 2007). Indeed, ensuring quality in sustainability reporting reduces the risk of decoupling between the practices developed and the information disclosed (Beattie, McInnes, and Fearnley 2004). However, the quality of reporting could depend partly on the presence of a regulatory framework for sustainability reports; according to Farvaque, Refait-Alexandre, and Saïdane (2011) and Michelin, Sealy, and Trojanowski (2020), the legislative guidance provides for high-quality disclosure, as companies tend to comply with normative guidelines. The quality of reporting also depends on the quality of regulation (Hummel and Szekely 2022). In this respect, Dinh, Husmann, and Melloni (2023) found that common-law countries have more high-quality reports compared to countries with a code-law system. Further, Qian et al. (2020) argued that the quality of reporting is influenced by the motivations for which the companies produce a report. In particular, in the absence of a culture of stakeholder consideration, mandatory disclosure prompts companies to disclose only to comply but without any real engagement with stakeholders. This means that mandatory sustainability reporting may not be sufficient without instilling awareness regarding the significance of reporting (Qian et al. 2020).

When sustainability reporting is voluntary, researchers found controversial results. Lai, Melloni, and Stacchezzini (2016) showed how companies adopting integrated reporting have concretely addressed non-financial disclosure, while Pistoni, Songini, and Bavagnoli (2018) found the quality of the disclosure

to be poor. This difference in results could arise from different definitions of the concept of 'quality'. In assessing the quality of voluntary disclosure, researchers do not have a standardised list of quality items of reference. This means that studies on disclosure quality may not have a homogeneous analytical framework (Garegnani, Merlotti, and Russo 2015).

Different approaches to assessing the quality of disclosure exist in the literature (Castilla-Polo and Ruiz-Rodríguez 2021). Some authors have created rating scales' analysis (Lee 2017), assessing clarity and accuracy, timeliness and stakeholder engagement, comparability and reliability in the reports; other studies have developed composite indexes based on content analysis (Cantele, Tsalis, and Nikolaou 2018; Michelon, Pilonato, and Ricceri 2015; Romero, Ruiz, and Fernandez-Feijoo 2018). Odera, Scott, and Gow (2016) extensively discussed the advantages of content analysis in terms of objectivity, external validity and reliability. Indeed, many authors, including Michelon, Pilonato, and Ricceri (2015), Menassa and Brodhäcker (2017) and Romero, Ruiz, and Fernandez-Feijoo (2018), used content analysis as an analytical tool.

Moreover, De Luca et al. (2024) found that certified benefit corporations tend to exhibit higher quality CSR disclosure, as their sustainability performance plays a role in defining the reporting quality. Since certification is granted to companies demonstrating high non-financial performance, these entities are more likely to provide detailed and transparent CSR disclosures. This suggests that the certification process, by selecting companies with strong sustainability commitments, contributes to improving the overall disclosure quality.

From a theoretical perspective, stakeholder theory asserts that organizations do not operate in isolation but are influenced by a network of stakeholders (including investors, customers, employees, regulators and communities) with varying interests and expectations regarding corporate behaviour (Freeman 1984). Freeman (1984) emphasises that companies must consider and address these diverse expectations to maintain long-term sustainability and legitimacy. Stakeholders pressure organisations to provide high-quality environmental and social information (Manes-Rossi et al. 2021), thereby increasing accountability and transparency (Donkor, Djajadikerta, and Mat Roni 2021). Companies respond to these pressures by adopting disclosure practices that align with stakeholder expectations, as transparent reporting enhances trust and mitigates reputational risks.

This aligns with legitimacy theory, which suggests organizations seek to maintain their legitimacy by conforming to societal norms and expectations (Deegan 2007): In this sense, high-quality sustainability disclosure serves as a tool for companies to reinforce their legitimacy. Despite the growing and significant debate in the literature about the disclosure quality of sustainability reporting, the attention to the specific context of benefit corporations is still scant. In trying to fill this gap and contribute to the general debate, this study posed the following research question:

RQ1. What is the present level of the disclosure quality of impact reports?

Another relevant field of research concerns the factors that impact disclosure quality. Arkoh, Costantini, and Scarpa (2023) highlighted how quality is influenced by profitability, leverage, firm size and age, industry, regulations, ownership, board characteristics (e.g., size, independence, gender) and stakeholders' involvement. Further, Romero, Ruiz, and Fernandez-Feijoo (2018) and Alberici and Querci (2016) showed how quality improved when the report followed the Global Reporting Initiative (GRI) framework. Moreover, several studies investigated the impact of the assurance process, explaining how the relationship between quality and assurance was positive (Donkor, Djajadikerta, and Mat Roni 2021; Pflugrath, Roebuck, and Simnett 2011). Farooq, Azantouti, and Zaman (2023), in their literature review, explained how policymakers should consider implementing regulations to review the corporate governance of companies, such as increasing the presence of auditors on the companies' board and assurance activity (Farooq, Azantouti, and Zaman 2023).

In this regard, De Meyst et al. (2024) provided empirical evidence that assurance mechanisms significantly improve the accuracy of CSR disclosures, particularly in contexts where firms have incentives to invest in sustainability. Their experimental study on buyer-seller markets demonstrated that companies subject to assurance are less likely to misrepresent their CSR investments, reducing the risk of greenwashing. Furthermore, they highlighted how assurance enhances the credibility of disclosed information, leading to greater trust among stakeholders and, consequently, better market positioning for firms committed to sustainability. These findings reinforce the argument that assurance is crucial in strengthening disclosure quality by discouraging opportunistic behaviours and fostering transparency. To better understand what factors impact the quality of disclosure of impact reports, a further research question is formulated, while the related hypotheses are described in the following section:

RQ2. Does the presence of a third-party control mechanism positively impact the disclosure quality of impact reports?

4 | Hypotheses Development

4.1 | B Corp Certification and Impact Reporting Quality

A benefit corporation can opt to become a certified B Corp through an external independent entity review. Being a B Corp requires following a specific standard for the impact report, named B Impact Assessment (BIA). Some scholars believe that disclosure complying with the BIA can be considered a form of reporting that exposes the companies' environmental and social performance to stakeholders (Gazzola and Ferioli 2023; Nigri and Del Baldo 2018; Shields and Shelleman 2017).

Gazzola and Ferioli (2023) argued that B Corps are inclined to integrate the results of their BIA score within the non-financial disclosure or integrated report. In previous studies, Nigri and Del Baldo (2018) explained how the BIA can be a tool to implement sustainability reporting, while Shields and Shelleman (2017) showed that the BIA framework can be a tool for disseminating

sustainability reporting, showing the results and outcomes to evaluate B Corps' behaviour.

Benefit corporations can use the BIA framework to assess their impact, but unless they are certified B Corps, the impact score remains a self-assessment without third-party validation (Kirst et al. 2021). B Corp certification thereby increases the benefit corporations' assurance regarding their level of transparency, thanks to the validation process carried out by an independent third party. On the other hand, the absence of the validation process can expose benefit corporations to the risk of reduced accountability and benefit washing (Baudot, Dillard, and Pencle 2020; Kurland 2017). Moreover, as explained by Hunter and De Giacomo (2023), B Corp certification could be a way to increase the legitimacy of its status to stakeholders. Nonetheless, the authors found that some certified companies, in particular SMEs, act more toward social practices while misregarding environmental practices, opening up to the hypothesis of greenwashing.

Based on previous research on the BIA framework and how it increases the transparency of B Corps compared to non-certified benefit corporations, this study's first hypothesis was expressed as follows:

H1. *The reporting quality of Impact reports is higher for benefit corporations that are B Corp certified.*

4.2 | Reporting Quality and Auditor Presence in Companies' Governance Structure

In accounting literature, many authors agree that the assurance activity conducted by auditors has a positive effect on the quality of reporting, whether financial or non-financial (Dragomir and Dumitru 2023; Fan et al. 2022; Gerwing, Kajüter, and Wirth 2022;). Besides, research showed how the external assurance of non-financial disclosure has a positive effect on reporting quality in both voluntary and mandatory reporting (Moroney, Windsor, and Aw 2012; Gerwing, Kajüter, and Wirth 2022). The assurance of sustainability reporting increases the credibility and legitimacy of the information disclosed (Pflugrath, Roebuck, and Simnett 2011). From the perspective of stakeholder theory, stakeholders have the power to pressure organisations to provide high-quality information, increasing accountability and transparency (Donkor, Djajadikerta, and Mat Roni 2021). Thus, the stakeholders influence the board's decisions to have information disclosed and reviewed by a third party to reduce the company's liability and increase corporate legitimacy and reputation (Farooq, Azantouti, and Zaman 2023). However, few jurisdictions have imposed the obligation of external assurance for sustainability reports (Christensen, Hail, and Leuz 2021).

While most studies showed the positive effect of assurance on sustainability reporting quality, few studies investigated the impact on the reporting quality of the presence of the auditor in the corporate governance system. Indeed, many studies mainly have investigated board characteristics such as size, independence and gender (Arkoh, Costantini, and Scarpa 2023). Farooq, Azantouti, and Zaman (2023) suggested that the presence of an auditor in corporate governance increases the companies'

propensity to ensure assurance of their sustainability reports to increase quality and credibility. More specifically, Dragomir and Dumitru (2023) investigated the quality of integrated reporting concerning corporate governance, confirming the positive effect of the presence of an auditor on reporting quality.

Finally, Nass (2014) suggested that the assurance activity by a third party is useful to increase transparency and accountability of benefit corporations. As a result, the presence of an auditor in the governance of benefit corporations is expected to have a positive impact on the quality of the Impact report, which led to Hypothesis 2:

H2. *The reporting quality of impact reports is higher for benefit corporations that have an auditor in their corporate governance.*

5 | Methodology

5.1 | Quality Index Composition

To assess quality disclosure in the Italian benefit corporations' impact reports, a revised version of the index proposed by Michelon, Pilonato, and Ricceri (2015) was elaborated. The original index evaluated two main dimensions of quality through the count of sentences: a quantitative and a semantic perspective. Delving deeper, Michelon, Pilonato, and Ricceri (2015) considered two indexes for the quantitative perspective and two for the semantic perspective; the quantitative perspective included the density (DEN) and the relative quantitative (RQT) indexes, while the semantic perspective considered accuracy (ACC) and managerial orientation (MOR). The DEN and RQT indexes provide information about the number of sentences presented in the report, whereas the ACC and MOR indexes focus on the significance of the sentences.

The quality index for the impact reports (QIIR) developed in this study considered the indexes DEN, RQT and ACC and added a new index about goal orientation (GOR) that appears more consistent than MOR in capturing information disclosed according to the Italian benefit corporations legislation. In its original version in Michelon, Pilonato, and Ricceri (2015), MOR captured information through a committed approach, counting sentences about objectives, goals, results, and outcomes. In contrast, our GOR index captures the three categories of information required by the legislation (actions and past performance, impact assessment and future goals), giving a higher weight to forward-looking disclosure.

GOR represents an innovative contribution to the quality index developed by Michelon, Pilonato, and Ricceri (2015) because it captures the propensity of the benefit corporation to disclose forward-looking information through a greater weighting of the disclosure of future objectives compared to the disclosure on impact assessments and results. This is consistent with the recent Corporate Sustainability Reporting Directive (CSRD) in Europe, which mandates the disclosure of forward-looking information to enhance transparency and accountability in sustainability reporting. Moreover, this approach reflects the increasing importance of assessing not only past performance but also the company's long-term strategic vision, a key factor for investors

and stakeholders evaluating corporate sustainability commitments (Hertl and Maniora 2024).

The QIIR is constituted as follows:

1. RQT is the relative quantity of the observed level of disclosure for a company in the report analysed. RQT is measured as the difference (residual of ordinary least squares regression model) between the relative quantity index of disclosure ($DISC_i$) and the estimated disclosure level for company i (\widehat{DISC}_i):

$$RQT_i = DISC_i - \widehat{DISC}_i$$

Thus, the value of \widehat{DISC}_i is calculated with an OLS regression model of the disclosure, using size and industry as independent variables according to Beattie, McInnes, and Fearnley (2004):

$$\widehat{DISC}_i = \beta_0 + \sum_{j=1}^k \beta_j IND_j + \beta_{k+1} SIZE_i$$

2. DEN is the density index for company i ; it is the number of sentences for each item (x) (the items ' x ' are reported in Table 2) on the number of all sentences (K_i) presented in the impact report analysed for company i :

$$DEN_i = \frac{1}{K_i} \sum_{x=1}^{k_i} x_i$$

3. ACC is the accuracy index for the company as the results of the evaluation scale:
4. The GOR index measures the goals orientation of the disclosure, in line with what is required by the legislation.

$$ACC_i = \frac{1}{n_i} \sum_{x=1}^{n_i} (w * x_{ij})$$

where ACC_i is the accuracy index for company i and n_i is the number of sentences containing information about the items ' x ' in the document analysed for company i . Moreover, $x_{ij} = 1$ if the sentence j in the document analysed for company i contains information about the items (reported in Table 2), while the value is 0 otherwise. Finally, $w = 1$ if the sentence disclosure is only qualitative, $w = 2$ if it contains quantitative information and $w = 3$ if it contains monetary data. In this way, the coded sentences that belong to the topics reported in Table 2 are qualified and valued according in terms of not only presence/absence of the specific item but also with reference to the nature of the information, specifying if it is qualitative, quantitative or monetary.

Indeed, the law provides for every impact report to have three kinds of information disclosure: first, performance measurement of past objectives and actions performed; second, use of the third-party assessment standard to measure the impact; and last, new objectives for the next year. Therefore, the GOR index is measured as follows:

$$GOR_i = \frac{1}{n_i} \sum_{x=1}^{n_i} (s * x_{ij})$$

TABLE 1 | Interval minimum–maximum values for indexes.

Index	Min-max
RQT	Continuous value
DEN	0–1
ACC	0–3
GOR	0–3

Source: Our elaboration.

where GOR_i is the goals orientation index for company i and n_i is the number of sentences containing information about item ' x ' in the document analysed for company i . Moreover, $x_{ij} = 1$ if the sentence j in the document analysed for a company i contains information about the items, while the value is 0 otherwise. Finally, $w = 1$ if the sentence j in the document analysed for a company i refers to a past action or to an obtained result, $w = 2$ if the sentence is reported in the assessment tool and $w = 3$ if the sentence contains future aims and is therefore forward-looking. As reported above, in this way, we have valorised the presence of information on future objectives and the impact tool compared to the previous year's results, as these last are already valorised in the index ACC. To better understand the coding process of the items that make up the GOR index, the sentences on the item 'stakeholder engagement' (which has the code G.2., as reported in Table 2) had the code 'G.1.GOR.1.' for the sentences on the results on this topic, 'G.1.GOR.2.' for the sentences on the assessment tool and 'G.2.GOR.3.' for future goals. In calculating the index, the number of sentences emerging from this coding represents the items ' x ', which are then multiplied by the respective weights (1, 2 and 3).

The range values for all indexes are shown in Table 1.

Finally, according to Beretta and Bozzolan (2004), to avoid scale effects, each index was standardised into a value between 0 and 1 according to the following formula:

$$IND_i^s = \frac{IND_i - \min_i(IND_i)}{\max_i(IND_i) - \min_i(IND_i)}$$

where IND_i^s = standardised index and IND_i = observed index for company i .

The quality index for the impact reports $QIIR_i$ is the arithmetic mean of the four standardised indexes, thus resulting in a range between 0 and 1:

$$QIIR_i = \frac{1}{4} (RQT_{s_i} + DEN_{s_i} + ACC_{s_i} + GOR_{s_i})$$

5.2 | Dimensions and Items

To capture information disclosed in the reports, the analysis has been developed through the impact report 'layout' provided by Law No. 208 (2015) and the framework proposed in the document 'Guidelines for the Reporting of the Benefit corporations' published by the Italian Network for Business Reporting in 2017, as reported in Table 2.

TABLE 2 | Items for the impact reports provided by the Italian legislation.

Dimension	Item	Code of items	Description
Governance	Company scope	G.1	Definition of the common good pursued
	Stakeholder engagement	G.2	Disclosure of practices and policies proposed to engage stakeholders
	Other information	G.3	Other governance information not reported above (i.e., information about governance structure)
Workers	Wages and benefits	W.1	Disclosure on wages and benefits provided to workers
	Training	W.2.	Description in terms of hours of training, topics covered, expense amount
	Professional growth	W.3	Description of professional path growth
	Quality of the working environment	W.4	Disclosure of practices and policies proposed to increase quality of the working environment
	Internal communication	W.5	Description of the practices of internal communication
	Flexibility and security	W.6	Disclosure of practices and policies proposed to increase flexibility and security
	Other information	W.7	Other information not reported above
Other stakeholders	Suppliers	S.1	Disclosure of policies and practices about supplier selection
	Territory and local communities	S.2	Description of action to promote territory and local communities
	Volunteering	S.3	Voluntary activities
	Donations	S.4	Expense amount or actions promoted
	Cultural and social activities	S.5	Expense amount or actions promoted
	Local development and supply chain	S.6	Description of action to promote local development in terms of supply chain
	Other information	S.7	Other information on stakeholders not reported above
Environment	Product or service life cycle	E.1	Description of the life cycle of its product or service in terms of sustainable impact
	Water use	E.2	Information about water use (amount of consumption, policies and practices to reduce use)
	Energy use	E.3	Information about energy consumed (amount of consumption, policies and practices to reduce consumption)
	Material use	E.4	Information about material use (amount and type of material consumption, policies and practices to reduce or improve the consumption)
	Productive processes	E.5	Description of the productive processes in terms of sustainability impacts
	Logistics and distribution	E.6	Description of the logistics and distribution of products and services in terms of sustainability impacts
	End-of-Life	E.7	Disclosure of policies and practices about the end-of-life management of the products
	Other information	E.8	Other environmental information not reported above

Source: Adapted from NIBR (2017).

5.3 | Sample and Data Collection

We analysed benefit corporations present in Italy and founded or transformed by 2021: These companies would have had to draw up the impact report together with the financial report according to the legislation. The search for company information was conducted through the AIDA-Bureau Van Dijk database using the keywords 'società benefit' or 'sb' or 's.b.' since the legislation allows companies to insert this wording within the company name.

The addition of the specification 'società benefit' or 'sb' or 's.b.' in the company name is an option and not an obligation, and therefore, the list extracted from the database does not capture the companies that did not want to include this wording; nonetheless, these 'silent' benefit corporations can be considered isolated cases, so the search in AIDA can be considered the best way to identify the benefit corporations operating in Italy.

The result of the search in May 2023 included 1569 companies born or transformed into benefit corporations. The second phase of report collection consisted of researching the websites of the companies, as the legislation imposes an obligation to publish the impact report on the company website if it exists. The result showed that 733 companies (46% of the total) do not have a website, while 836 do (54%). The last phase of report collection was carried out by analysing the available websites to search for the impact reports; 171¹ reports were found (11% of the total companies and 20% of the companies that have a website), which constitute our final sample.

The impact reports collected were analysed using the content analysis technique through the coding of the sentences (Guthrie and Abeysekera 2006; Castilla-Polo and Ruiz-Rodríguez, 2020). Furthermore, following Krippendorff (2004), the research group conducted several focus groups with independent coding tests

and comparisons of the results to guarantee a homogeneous coding process and objectivity of the content analysis, especially for the semantic analysis. So, a pilot test analysis was initially conducted on a limited number of reports. In the pilot analysis, each researcher independently searched the reports for information referring to the topics/items required by the regulations as listed in Table 2. Afterwards, the sentences were evaluated in terms of accuracy—indicating whether a sentence was qualitative, quantitative or monetary—and goals orientation, indicating whether the sentence refers to past results, the impact standard and future objectives. To do it, a coding protocol was created starting from the items proposed in Table 2. To evaluate accuracy (ACC) and goal orientation (GOR), we created a branched coding system, more specifically the items reported in Table 2 implemented with subcodes. For example, for the 'Stakeholder engagement' item, the codes G.2.ACC.1., G.2.ACC.2. and G.2.ACC.3. were created to evaluate qualitative, quantitative and monetary information, respectively, while the codes G.2.GOR.1., G.2.GOR.2. and G.2.GOR.3. were created to evaluate the information, respectively, results, assessment tools and future objectives.

The pilot analysis revealed no relevant discrepancies, and alignment was reached after sharing and discussion among the researchers. Once the pilot analysis was finished, each report was analysed by mapping the number of sentences in each report useful to calculate the density index (through the 'N.SENT' code), according to the sentences-based coding approach (Milne and Adler 1999). In this way, we created the denominator ' K_i ' of the algorithm reported above. By sentence, we meant each sequence of words up to the full stop. The content analysis was developed using NVivo software (version 14).

After content analysis, the dataset with all sentences about items in Table 2 was used to calculate the indexes RQT, DEN, ACC, GOR and QIIR.

TABLE 3 | Dependent variables.

Disclosure variables	Description
RQT	RQT is the relative quantity index for company i , and it is the difference between $DISC_i$ (the observed level of disclosure for company i) and \widehat{DISC}_i (the estimated disclosure level for company i).
DEN	DEN is the density index for company i ; it is the number of sentences for each item proposed by the legislation under the number of all sentences presented in the Impact report. The value of DEN index varies between 0 and 1.
ACC	ACC is the accuracy index for company i , and it is the number of sentences containing information for each item proposed by the legislation disclosed in the Impact report for company i in terms of qualitative (value 1), quantitative (value 2) or monetary (value 3). The value of ACC index varies between 0 and 3.
GOR	GOR is the goals orientation index for company i , and it is the number of sentences containing information for each item proposed by the legislation disclosed in the document for company i in terms of past performance and actions (value 1), assessment tool (value 2) or future objectives (value 3). The value of GOR index varies between 0 and 3.
QIIR	QIIR is the quality index for company i , and it is the sum of the standardised index (RQTs, DENs, ACCs and GORs) divided by the number of indexes. The value of QIIR index varies between 0 and 1.

Source: Our elaboration.

Table 3 summarises the description of each index, adapted from Michelon, Pilonato, and Ricceri (2015) and Romero, Ruiz, and Fernandez-Feijoo (2018). Each index represents a dependent variable in the subsequent regression analysis using the software SPSS (version 26) to test H1 and H2.

5.4 | Independent and Control Variables

The multivariate analysis was developed by testing two variables for H1 and H2 together with four control variables in the regressions.

The independent variables tested the two developed hypotheses: the first, *B Corp certification*, evidenced if the company has B Corp certification,² while the second, *Auditor presence*, signals if the company has a governance system including an auditor.

Similar to previous studies, the control variables considered are *size* (in terms of the natural logarithm of revenues), *Environmental and Social Sensitive Industries (ESSI)* dummy indicating that the firm belongs to an industry that is sensitive to environmental and social issues (Brammer and Millington 2005; Cho and Patten 2007) and *GRI* evidencing that the report uses the GRI standards as the framework of reference (Michelon, Pilonato, and Ricceri 2015; Romero, Ruiz, and Fernandez-Feijoo 2018). Studies have usually shown that these variables have a positive effect on quality disclosure; more specifically, *size* can have a positive impact on quality because larger companies have surplus resources to devote to reporting (Arkoh, Costantini, and Scarpa 2023; Michelon, Pilonato, and Ricceri 2015). *ESSI* is expected to have a positive impact on quality because companies that have a greater environmental or social impact (for example, oil and gas companies) invest in sustainability reporting to reduce the reputational cost that derives from the negative impacts of their activity on the community (Arkoh, Costantini, and Scarpa 2023). Finally, as tested by Michelon, Pilonato, and Ricceri (2015) and Romero, Ruiz, and Fernandez-Feijoo (2018), enterprises that use GRI standards have a higher quality index than those that do not use it because GRI

standards enhance sustainability reporting with detailed qualitative, quantitative and monetary information.

The last control variable, *Born Benefit*, is similar to the dummy *Born B* proposed by Cantele, Leardini, and Piubello Orsini (2023), but while the latter indicated firms gaining the B Corp certification within 1 year after incorporation, *Born Benefit* indicates that the firm was born as a benefit corporation. The underlying idea is that *Born Benefit* may have more awareness of the transparency and accountability requirements of their business model, having adopted it since birth.

Table 4 synthesises the independent and control variables.

H1 and H2 were tested by running a multivariate analysis for each index through the following model:

$$\text{Disclosure index}_i = \beta_{0i} + \beta_1 BCC_i + \beta_2 AP_i + \beta_3 \text{size}_i + \beta_4 ESSI_i + \beta_5 GRI_i + \beta_6 \text{BornB}_i + e_i$$

where the *Disclosure index* is one index of the dependent variables (*QIIR*, *RQT*, *DEN*, *ACC*, *GOR*), *BCC* is *B Corp Certification*, *AP* is *Auditor Presence* and *size* and *ESSI*, *GRI* and *Born Benefit* are the control variables.

6 | Results

Table 5 summarises key data regarding the sample: 171 benefit corporations published impact reports, of which 51 hold B Corp certification, 40 included an auditor in their governance system (but only 7 companies have an assurance statement included in the report), 81 were born as benefit corporations and 32 used the GRI framework in their impact reports.

Descriptive statistics are provided in Table 6 for all variables. The maximum value of *QIIR* is 0.64, the minimum is 0, the mean is 0.273 and the standard deviation is 0.083. The mean value of *RQTs* is -0.012 . All other independent variables (standardized

TABLE 4 | Independent and control variables.

Variable	Definition
Variables tested (H1 and H2)	
<i>B Corp Certification</i>	Dummy variable equal to 1 if the company was a B-Corp at the time of impact report publication, 0 otherwise
<i>Auditor presence</i>	Dummy variable equal to 1 if the company has a governance system including an auditor, 0 otherwise
Control variables	
<i>Size</i>	Size: natural logarithm of revenues (total sales).
<i>ESSI</i>	Environmentally and socially sensitive industries: dummy variable equal to 1 if the company belongs to socially or environmentally sensitive industries
<i>GRI</i>	Dummy variable equal to 1 if the impact report contains a statement declaring GRI adoption, 0 otherwise
<i>Born Benefit</i>	Dummy variable equal to 1 if the company was founded as a benefit corporation, 0 otherwise

Source: Our elaboration.

TABLE 5 | Descriptive sample.

	Impact reports	B Corp certification	Auditor presence	Born benefit	GRI
N. observations	171	51	40	81	32
Relative frequency	100%	30%	23%	47%	19%

Source: Our elaboration.

TABLE 6 | Descriptive statistics.

	N. of obs	Min	Max	Mean	Std. dev.
<i>QIIR</i>	171	0	0.640	0.273	0.083
<i>RQTs</i>	171	-0.240	0.660	-0.012	0.137
<i>DENs</i>	171	0	1	0.396	0.213
<i>ACCs</i>	171	0	1	0.291	0.186
<i>GORs</i>	171	0	1	0.418	0.170
<i>Size</i>	171	-2.70	13.13	6.595	2.997
<i>ESSI</i>	171	0	1	0.23	0.425
<i>GRI</i>	171	0	1	0.19	0.391
<i>Born Benefit</i>	171	0	1	0.47	0.501
<i>Auditor presence</i>	171	0	1	0.23	0.425
<i>B Corp Certification</i>	171	0	1	0.29	0.456

Source: Our elaboration.

variables *DENs*, *ACCs*, *GORs*) have a minimum value of 0 and a maximum value of 1.

Finally, in Table 7, we have provided the bivariate Pearson correlation matrix, which does not report multicollinearity issues in the variables of the model. Moreover, to further verify collinearity, a diagnostic test was conducted through *Variance Inflation Factor (VIF)* in the regression model: VIF values greater than 10 reveal multicollinearity problems (Alin 2010; Michelon, Pilonato, and Ricceri 2015).

In our analysis, the highest VIF value found was 1.658, thus confirming the absence of multicollinearity in the model.

6.1 | Multivariate Results

The results of the multivariate analysis are reported in Table 8. Each column reports the results of the OLS regression for each independent variable, showing the robustness in terms of the significance of the model (*R-squared*, *F*).

The *QIIR* index results are not significant. The *RQT* index shows significant values for the control variables—*size* and *GRI*. The *DEN* index is positively associated with the *Auditor Presence* variable and negatively associated with the *GRI* variable. This means that the impact reports of benefit corporations that have an auditor in their governance system include less ‘diluted’ information compared to the other firms, whereas the opposite happens for those who apply the *GRI* framework. More

in-depth, diluted information means a low *DEN* index, as in the analysed report few sentences refer to the topics foreseen by the regulations (the items listed in Table 2), while many sentences talk about something else. The *ACC* index is significantly positive for benefit corporations that also have B Corp certification and for those who use the *GRI* framework, indicating companies that use the Benefit Impact Assessment (and are certified as B Corp) and those that use the *GRI* framework are better trained to make disclosures of information that include quantitative or monetary KPIs. Finally, the *GOR* index is significantly negative for companies that have an auditor; these companies seem to privilege disclosure on past performance, rather than forward-looking objectives, compared to the other companies in the sample.

7 | Discussion

7.1 | Quality of Sustainability Disclosure

The first evidence obtained from our analysis is the diffusion of impact reports in benefit corporations. This result appears relevant, as benefit corporations are expected to have a more transparent and accountability-oriented business model. Instead, of the 1569 companies identified, 733 companies (46% of the total) lacked a website, whereas 836 companies (54%) had one.

Then, of these companies with a website, only 171 (20.45%) published the impact report.

TABLE 7 | Correlation matrix.

	QUIR	RQTs	DENs	ACCS	GORS	Size	ESSI	GRI	Born benefit	B Corp certification	Auditor presence
QUIR	1										
RQTs	0.426**	1									
DENs	0.651**	0.133	1								
ACCS	0.356**	0.046	-0.184*	1							
GORS	0.403**	-0.187*	0.114	-0.196*	1						
Size	0.124	0.000	0.132	0.146	-0.075	1					
ESSI	0.020	0.020	0.084	-0.023	-0.058	0.175*	1				
GRI	0.032	0.369**	-0.208**	0.182*	-0.168*	0.222**	0.018	1			
Born benefit	-0.140	-0.076	-0.102	-0.107	0.029	-0.568**	-0.054	-0.245**	1		
B Corp certification	0.052	0.083	-0.070	0.238**	-0.133	0.132	0.100	0.120	-0.095	1	
Auditor presence	0.079	0.147	0.148	0.056	-0.213**	0.398**	0.184*	0.231**	-0.303**	0.009	1

Source: Our elaboration.

p-value: **p < 0.01 level; *p < 0.05.

Most benefit corporations, therefore, are not compliant with the legislation. This result seems to confirm the ambiguity mentioned by Galli, Torelli, and Tibiletti (2021): Why did these firms choose to become benefit corporations and then fail to publish the mandatory impact report? Our results confirm those in previous studies conducted in other contexts (Nass 2014), suggesting a low level of compliance, calling for a stricter form of governmental control and/or independent external assurance.

Analysing this phenomenon under the lens of stakeholder and legitimacy theories (Cho and Patten 2007; Deegan 2007; Farooq, Azantouti, and Zaman 2023), it seems that benefit corporations achieve legitimacy simply because of the ‘benefit corporation’ legal status without feeling the need to disclose the implemented actions.

Replying to RQ1, we found a low level of quality of disclosure on average (the mean value is 0.273, the maximum value is 0.64 and the standard deviation is 0.083) (see Table 6).

Although previous studies have shown that the reporting quality improved in the presence of a legal framework (Farvaque, Refait-Alexandre, and Saïdane 2011; Michelon, Sealy, and Trojanowski 2020), the present analysis indicates a different reality. In this case, the legislation has not favoured the diffusion of reporting, nor the quality, and this could depend on how the legislation was structured, the sanctions envisaged, and the forms of controls implemented.

As affirmed by Hummel and Szekely (2022) and Dinh, Husmann, and Melloni (2023), the quality of the disclosure depends on the quality of legislation. As discussed by Palladino et al. (2022), the legislation is very generic with respect to the contents of the impact report, and this is not helpful for benefit corporations in deciding what to disclose.

The other indexes also have low values on average: The DEN index had a mean value of 0.396 and a standard deviation of 0.213, which suggests that the impact reports are generally ‘diluted’, presenting a high relative frequency of sentences not addressing the topics (items) required by the legislation.

About the density index, Beretta and Bozzolan (2004, p. 272) explained how ‘it is evident that the style of writing strongly influences the effectiveness of narrative reporting’. Indeed, in our analysis, the presence of a low portion of sentences prevents the reader to easily and fully appreciate the report’s relevant content.

The ACC index suggests that the information provided in the impact reports is largely qualitative, with limited use of data; from the analysis, the mean value is 0.291 with a standard deviation of 0.186. There is a low level in line with previous results observed by Michelon, Pilonato, and Ricceri (2015).

The low level of information accuracy reduces the ability of stakeholders to assess the actual actions and results obtained by the firm and, consequently, weakens the duty of companies to be accountable (Fernandez-Feijoo et al. 2014).

Furthermore, as observed by Zharfpeykan (2021), a high level of accuracy is usually related to the level of environmental and social

TABLE 8 | Multivariate results.

Variables	QIIR	RQTs	DENs	ACCs	GORs
B Corp certification	0.007 <i>[0.631]</i>	0.016 <i>[0.457]</i>	-0.029 <i>[0.404]</i>	0.087 <i>[0.005]***</i>	-0.046 <i>[0.108]</i>
Auditor presence	0.006 <i>[0.716]</i>	0.036 <i>[0.170]</i>	0.072 <i>[0.087]*</i>	-0.003 <i>[0.940]</i>	-0.083 <i>[0.015]**</i>
Size	0.002 <i>[0.587]</i>	-0.007 <i>[0.097]*</i>	0.007 <i>[0.334]</i>	0.006 <i>[0.300]</i>	0.001 <i>[0.880]</i>
ESSI	-0.001 <i>[0.954]</i>	0.004 <i>[0.866]</i>	0.024 <i>[0.524]</i>	-0.028 <i>[0.408]</i>	-0.005 <i>[0.878]</i>
GRI	-0.003 <i>[0.841]</i>	0.127 <i>[0.000]***</i>	-0.149 <i>[0.001]***</i>	0.065 <i>[0.085]*</i>	-0.055 <i>[0.115]</i>
Born benefit	-0.017 <i>[0.293]</i>	-0.010 <i>[0.694]</i>	-0.033 <i>[0.400]</i>	-0.001 <i>[0.979]</i>	-0.023 <i>[0.464]</i>
Constant	0.269 <i>[0.000]***</i>	0.002 <i>[0.960]</i>	0.383 <i>[0.000]***</i>	0.221 <i>[0.000]***</i>	0.469 <i>[0.000]***</i>
Observations	171	171	171	171	171
R ²	0.025	0.158	0.106	0.092	0.079
F	0.692 <i>[0.657]</i>	5.114 <i>[0.000]***</i>	3.257 <i>[0.005]***</i>	2.754 <i>[0.014]**</i>	2.345 <i>[0.034]**</i>

Source: Our elaboration.

Note: Italics are used to indicate a concept (such as the p-value in the table), while bold is used for emphasis. p-value in brackets: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

practices implementation, so that firms with a lot of practices also make a more detailed disclosure, with accurate information and data. To the contrary, companies that do not have much to tell tend to disclose minimal data and prefer descriptive information.

The GOR index indicates that the information disclosed mainly concerns results and impact assessment, while limited information was provided on future objectives.

This represents a relevant limitation, as not only are the impact reports low in quality about past performance, but they are also low in disclosing future impact objectives and actions to be taken. As discussed by Mio, Marchini, and Medioli (2020), we can see a reluctance on the part of companies to propose detailed forward-looking information within their reporting.

One possible explanation is that assurance mechanisms, by mitigating the risk of greenwashing (De Meyst et al. 2024), may also discourage firms from reporting speculative or vague information that auditors might find difficult to verify. This raises the question of the consistency of reports with other forms of communication, such as executive speeches or investor meetings, where firms are expected to disclose their sustainability strategies in a less constrained way.

The ESSI variable is not significant; this result can be interpreted as all benefit corporations being sensitive to social and

environmental issues ‘by design’, regardless of any industry classification. While belonging to ‘critical’ sectors is considered in previous studies as an indicator of a greater propensity towards sustainability and disclosure (especially due to external pressures) (Arkoh, Costantini, and Scarpa 2023), the choice of being a benefit corporation represents a factual situation, a choice already implemented by the company in the direction of greater responsibility and transparency, regardless of the industry it belongs to.

The GRI variable is significant for the RQT, DENS and ACC indices. The RQT index is higher for GRI-adopting companies as they may be accustomed to reporting a greater volume of disclosure and KPIs. GRI is the broader and more detailed sustainability reporting standard, and those who have adopted it present a much more extensive report than those who do not use it.

Nonetheless, GRI adoption leads to low DENS because the legislation for the impact report is detached from the GRI as a standard of reference; this means that the topics envisaged by the benefit corporation legislation present limited overlap with the broader set of disclosures envisaged by the GRI.

In this sense, a low DEN index for those who use the GRI should not be viewed negatively because it is plausible that some part of the disclosure, not pertinent to the benefit business model, is in any case a disclosure focused on sustainability.

In all other circumstances, a low density indicates the presence of sentences without consistent and useful content, which therefore do not aid in making sustainability communication effective throughout the report. Furthermore, the relationship between ACCs and GRI is positive as GRI provides both qualitative as well as quantitative and monetary information.

Many of the GRI disclosures are quantitative, whereas the requirements for benefit corporations are not as precise and stringent (the legislation simply stated that the actions implemented, the impact generated must be reported). Therefore, GRI adopters are accustomed to using a wide series of quantitative indicators, for which indications on the calculation are also provided (De Villiers, La Torre, and Molinari 2022). Thus, compliance with the GRI favours the inclusion of quantitative performance indicators.

7.2 | The Role of Third-Party Certification and Assurance

Finally, we reply to the RQ2 testing the hypothesis H1 and H2. So, the testing of H1 revealed that QIIR does not have a significant relationship with the variable B Corp certification, while there is a significant relationship between B Corp certification and the ACC index. This confirms our expectations that B Corps are more oriented towards accountability than benefit corporations in general. This is associated with the validation process B Corps go through that makes them more willing to provide adequate information in both qualitative, quantitative and monetary terms.

As found for the GRI, B Corp certification is achieved by companies after a data collection process required by the BIA. Therefore, the assessment exercise makes the reporting more effective because companies are already accustomed to collecting and communicating quantitative indicators. Moreover, the B Corp certification process has a positive effect as it guides the actions of benefit corporations in disclosing information to their stakeholders, according to evidence from Gazzola and Ferioli (2023), Nigri and Del Baldo (2018) and Shields and Shelleman (2017).

A greater accuracy of information also increases the accountability of certified B Corp: Providing detailed information (i.e., quantitative and monetary indicators as well as qualitative information) increases the ability of stakeholders to assess the effective implementation of practices within the firms (Fernandez-Feijoo et al. 2014).

This is consistent with De Luca et al. (2024), who demonstrated that certified benefit corporations tend to exhibit higher quality disclosure due to their commitment to structured CSR reporting. Their findings suggest that the certification process, by requiring companies to report on their sustainability performance through standardized frameworks, contributes to a greater level of transparency and reliability in non-financial disclosures.

Moving to H2, the results revealed that the presence of an auditor has no significant relationship with QIIR, although it has a significant positive relationship with DENs. This can indicate

that the presence of an auditor drives the company to write the report in a more focused and less diluted way, reporting what is meaningful according to the regulations and, therefore, with higher DENs. In fact, the presence of a higher DEN index means that compared to the total sentences presented in the report, many refer to items proposed by the regulatory framework; therefore, the report discloses the information it is expected.

Assurance statements of non-financial reports usually evaluate the compliance of these voluntary reports to recognised standards (i.e., GRI standards). In the case of benefit corporations, the only standard is the (even scant) regulation, and therefore, a low density indicates a low correspondence of the content to the regulation.

The presence of an auditor is expected to push companies to present all required information and discourage the use of self-referential phrases or overemphasis on targeted and discretionary disclosure to avoid negative judgments from auditors who cannot endorse generic and/or potentially misleading statements (Pflugrath, Roebuck, and Simnett 2011).

Ideally, this would be verified for those firms that present an assurance statement in the impact report; unfortunately, only seven benefit corporations in the sample had this statement, and when introduced in the model, this specific *Assurance* variable was not significantly related to any quality index (probably due to the limited number of cases), while the *AP* variable remained significant.

Furthermore, the variable *AP* had a significant negative relationship with the GOR index. Considering that the GOR index is higher for the disclosure of future objectives and lower for the disclosure of past results, the negative relationship could be interpreted in the sense that the presence of an auditor encourages circumspection in reporting. In this case, the results showed that benefit corporations with an auditor tend to give more space to objective and verifiable data rather than making predictions on future aims. Indeed, forward-looking information is challenging to establish, and companies are often reluctant to provide it (Mio, Marchini, and Medioli 2020).

Firms probably fear engaging in plans that are difficult to formulate and even more difficult to maintain, and in case of implementation discrepancies, the trust of stakeholders could be affected. This phenomenon is emphasized in the presence of an auditor who needs to verify the due diligence and validity of the data presented.

Indeed, as found by De Meyst et al. (2024), assurance does not necessarily lead to improvements in all aspects of disclosure. While their study highlights that external assurance mechanisms reduce the likelihood of misleading sustainability claims, this increased scrutiny may also discourage firms from disclosing speculative or forward-looking information, as auditors may struggle to verify its accuracy. This could explain why benefit corporations with an auditor tend to emphasize measurable past performance over uncertain future objectives.

Benefit corporations probably fear receiving a negative opinion on the impact report because the auditor feels that the

conditions on which future objectives are set are not accurate and verifiable.

The regulation is not completely clear about the assurance of the impact report, so auditors can have doubts about their actual involvement in terms of responsibility and prefer being more sceptical and prudent than usual. Further, as future actions disclosed can have potential future financial effects, a careful attention to the impact report is deemed important because of its link with financial reporting, where the auditor's opinion is clearly stated by the law.

8 | Conclusions, Limitations and Future Research

8.1 | The Quality of BC Sustainability Disclosure and the 'Benefit-Washing' Risk

This work aimed at assessing the quality of impact reporting by benefit corporations, identifying some explanatory factors. In so doing, the contributions of the paper are threefold.

First, this study developed an adaptation of the methodology proposed by Michelon, Pilonato, and Ricceri (2015) to evaluate the disclosure quality of the sustainability disclosure of benefit corporations. The developed analysis showed how the index can be adapted to the specific reality of benefit corporations by revisiting the concept of disclosure indexes DEN and ACC and including a goals orientation index (GOR) that can be seen as a bespoke version of managerial orientation (MOR).

The second contribution is the provision of an assessment of the disclosure quality of benefit corporations' impact reports. Findings demonstrate a generally poor quality of disclosure, despite a specific regulation requiring the reporting and description of the essential topics to be disclosed.

There are many plausible explanations for these results: First, as suggested by Qian et al. (2020), mandatory disclosure does not always have a positive impact on quality if it is not accompanied by awareness-raising and training on why it is important to make quality disclosures.

As the absence of reporting is not sanctioned by the regulations, a lot of these companies decided not to disclose it on their website, while others could have a perception that if the lack of reporting is not punished, limited compliance with the suggested reporting content may not be an issue. However, if one reflects on the sense of the benefit corporations' law and on the purpose that distinguishes this peculiar form of business, this lack of respect towards regulation appears disappointing and contradictory. This evidence raises doubts about the effectiveness of benefit corporations' business model and regulation in promoting the implementation of sound sustainability practices and operating in an accountable and transparent manner.

Although sustainable firms are not necessarily asked to become benefit corporations, those that expressly opt for this form are expected to be compliant with the related provisions, whereas firms with purely instrumental and opportunistic behaviours may prefer not to engage in the duties related to this designation.

As our results show, the level of compliance in publishing the impact report is quite low, signalling the risk that the transformation into a benefit corporation represents an opportunistic choice while running the business as usual.

The literature has started to highlight 'benefit-washing' practices as a consequence (Hunter and De Giacomo 2023). To tackle this issue, institutional actions could involve implementing external assurance mechanisms or control. Besides the cluster of opportunistic firms, another phenomenon requires further investigation. Some firms could consider the pure acquisition of the benefit corporation status being enough to be legitimised in the eyes of stakeholders. It could be argued that these firms can consider themselves as 'legitimised by design', simply by having acquired a formalised status. However, legitimacy must be achieved and maintained over time through the actions taken and implemented (Deegan 2007). If verified, this hypothesis could indicate the presence of a 'short circuit' in the way these benefit corporations legitimize themselves, which can be dangerous because it presumes accountability being assured without disclosure.

Additionally, cultural initiatives must reinforce the ethical foundation of becoming a benefit corporation and emphasise the inherent value of such a status. This includes reflecting that the benefit status is to be seen as an effective business model for sustainability and firm-stakeholder relationships.

In this scenario, it would be advantageous to provide impact managers training that goes beyond the scope of benefit corporation legislation and covers the existing authoritative and updated reporting standards, particularly when newer, stricter regulations are not yet in place. A training and support role should be requested to prevent a decoupling between the externally created report and its internal decision-making use in the organisation.

8.2 | Regulatory Challenges and the Role of Third-Party Assurance

Another likely explanation for the low reporting quality may be a lack of clarity and limited effectiveness of the legislation regarding the impact report content. If the legislation does not provide a valid reference standard, a diverse landscape with a larger population of low-quality cases is a distinct possibility.

Mandating compliance through regulations without providing clear guidelines on required content, indicators, or references to existing standards can lead to poor adherence and low-quality outcomes. At a time when sustainability reporting is converging, at least at the European level, it is critical to emphasise that a benefit corporation is fundamentally a sustainable enterprise that formalises its commitment to sustainability. For example, the European Union's Corporate Sustainability Reporting Directive (CSRD) addresses this by introducing detailed disclosure requirements and establishing mandatory European Sustainability Reporting Standards (ESRS) to ensure companies report comparable and reliable sustainability information (Pizzi, Venturelli, and Caputo 2024).

Integrating benefit corporation reporting with other regulations mandating sustainability reporting or voluntary standards could be more effective than creating divisions that hinder the dissemination and quality of reporting practices.

Regarding the use of the GRI frameworks as a reference for the impact reports, it is evident that the absence of a reporting standard in the benefit corporations' regulation has created a significant content gap. This reporting quality gap is noticeable between those who have been preparing sustainability reports even before the transition into benefit corporations and those who are preparing reports for the first time, with only the benefit corporations' legislation as a guide. To close this gap, it is necessary to recognise the validity of available reporting standards to complement the scant legal provisions.

Harmonising the GRI framework and the impact report contents could prove beneficial.

As reported above, this is particularly clear from the contemporary advancements in sustainability reporting demonstrating a path towards mandatory disclosure expansion (e.g., CSRD in EU), and efforts by several standard setters (IFRS, ESRS, GRI) to harmonise (Pesci, Vola, and Gelmini 2023; Vigneau and Adams 2023). A harmonisation of regulations is also necessary to avoid what has been named the 'multiverse' of regulations (Baboukardos et al. 2023).

Excluding benefit corporations from this process of enhancing disclosure and harmonisation would be equivalent to regarding them as a specific and segregated occurrence. However, the essence of benefit corporations is broadly consistent with the principles followed by other CSR and sustainability-committed firms.

This study's third contribution resides in evaluating the impact of third-party control mechanisms on the quality of disclosure. Results indicated that the presence of B Corp certification does not improve the overall quality but positively affects the accuracy of the information reported in the impact reports, according to De Luca et al. (2024), which demonstrated how non-financial performance significantly influences disclosure quality. Indeed, their findings highlight how certification is associated with more structured reporting practices, as certified benefit corporations tend to integrate sustainability metrics within their disclosures.

This supports the idea that firms obtaining certification—due to their sustainability performance—are more likely to provide transparent and high-quality CSR disclosure. Similarly, an auditor's presence in benefit corporations' governance does not enhance overall quality but positively affects the density of disclosed information. In addition, an auditor's presence negatively influences goal orientation because benefit corporations usually prioritise reporting outcomes over future goals. Indeed, while external assurance reduces the risk of greenwashing and enhances the credibility of disclosures according to De Meyst et al. (2024), it may also discourage companies from including forward-looking statements.

This could explain why benefit corporations with an auditor tend to focus on measurable past performance rather than

disclosing future objectives, as assurance mechanisms may make firms more cautious in their reporting strategies. These findings contribute to envisioning the limited role of third-party external control mechanisms in enhancing reporting quality.

Currently, the Italian legislation does not mandate the assurance of impact reports nor the validation of impact assessment through a third-party certification (Riolfo 2019).

This study's results suggest that it may not be worthwhile or even counter-productive, in terms of overall reporting quality, to consider making these third-party control mechanisms mandatory.

8.3 | Limitations and Future Research

The study is not without limitations that may also open pathways to further studies. First, this research focused on a sample of Italian companies subject to a specific national law. However, Italy was one of the first countries to introduce a benefit corporations regulation requiring the publication of an impact report (Galli, Torelli, and Tibiletti 2021). This analysis could provide a general methodological framework for further studies assessing the quality of reports in other countries or across countries. In particular, further studies on the regulatory approaches of other countries that introduce mandatory reporting practices for benefit corporations could provide valuable insights into fostering a more coherent and functional reporting ecosystem.

Second, our sample is numerically limited, as the phenomenon of benefit corporations is recent; further, some corporations and the related reports may not have been detected in Bureau van Dijk's AIDA database because the benefit corporation reference is not mandatory in the company name; nonetheless, this appears to be the most complete procedure to search for Italian benefit corporations, as there is no official or public list on them. Further, only seven assurance statements were found in the analysed impact reports, thus limiting the possibility of using reporting assurance as a variable in the regression model. It would be useful in the future to monitor this phenomenon to see whether companies will opt for assurance in their reports over time.

Given the limited research currently available on the topic, significant new possibilities emerge for investigation. Further studies on the reporting practices of B Corps could provide valuable insights, assessing, for instance, if the B Corp certification affects reporting quality, even in the absence of legal status for benefit corporations. It may also prove beneficial to conduct qualitative research to explore the real motivations that push benefit corporations to adopt this status, as well as the actual practices implemented to achieve the dual purpose. This can help understand the potential sources of benefit washing and how legislation may contribute to or deter the proliferation of such phenomena. Specifically, in-depth studies on benefit corporations that do not publish the report are necessary to comprehend the reasons for noncompliance and to observe the evolutionary path of this phenomenon. Finally, new studies could focus on the attributes of the impact manager and top managers, and how these can be related to benefit corporations' approach to reporting.

Conflicts of Interest

The authors declare no conflicts of interest.

Endnotes

¹ The latest impact report available on the website was collected. This choice allows us to have a larger sample. No variations in the guidelines of 2017 by the Italian Network for Business Reporting (NIBR) occurred; therefore, the reports published in the last few years can be considered similar in terms of content quality.

² Data available from <https://data.world/blab/b-corp-impact-data>.

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