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From voluntary to mandatory non-financial disclosure following Directive 2014/95/EU: an Italian case study

This study investigates the non-financial disclosure in an Italian banking group following Directive 2014/95/EU over a period of eight years, from its voluntary (2013-2017) to mandatory (2018-2020) implementation. The paper relies both on primary and secondary data sources. It first adopts a content analysis on non-financial reports while considering other relevant available material. Second, the study relies upon semi-structured interviews and seminars to gather primary data. The analysis has been interpreted in light of institutional theory in order to understand the institutional forces driving non-financial disclosure. Results show that non-financial disclosure significantly increased in quantity after the regulation; however, the improvement in quality is fairly low, with the exception of themes relevant to the company under investigation. Through the lens of institutional theory, it emerges that an interplay of institutional mechanisms co-existed within the bank, during two periods of reporting for different topics of disclosure.

Keywords: Directive 2014/95/EU; regulation; non-financial disclosure; institutional theory; voluntary; mandatory

1. Introduction

In recent decades, companies have started to voluntarily provide Social and Environmental Disclosures (SED) with the aim of extending financial accountability to shareholders with non-financial information (NFI) for a broad set of stakeholders (Gray et al., 1996). SED involves a variety of non-financial reporting mechanisms, disclosing a company's broad social and environmental impacts to stakeholders and society at large. Today, SED is provided both at voluntary and mandatory levels in different contexts and countries (Carrots & Sticks, 2020). Following European Directive 2003/51/EC regarding non-financial disclosures (NFD), the European Commission intervened in the broad debate about regulating companies' SED by introducing Directive 2014/95/EU (hereafter Directive). As a legal requirement that affects all European Union (EU) countries, the latest Directive seems to have opened a new stream of research into the inter-connected arenas of accountability, disclosure, and regulation.

Several previous studies have investigated the role of SED both in mandatory (Criado-Jiménez et al., 2008; Larrinaga et al., 2002) and voluntary regimes (Kolk 2005; KPMG, 2011), but there remains no consensus regarding the proper way to undertake SED. On one hand, many scholars favour mandatory SED because it is believed to ameliorate the lack of neutrality, objectivity, and comparability among companies (Hibbitt & Collison, 2004; Jeffrey & Perkins, 2013). On the other hand, several other studies, favour voluntary SED because often companies fail to comply with disclosure mandates (Criado-Jiménez et al., 2008; Larrinaga et al., 2002; Llena et al., 2007), and when they do comply, the quality of SED remains fairly low (Criado-Jiménez et al., 2008). More recently, several studies have examined the Directive's effect on NFD as a mandatory requirement across EU countries (La Torre et al., 2018; Manes-Rossi et al., 2018; Matuszak & Różańska, 2017; Tarquinio et al., 2020; Venturelli et al., 2017), broadly highlighting the Directive's impacts both on the quantity and quality of overall disclosure. These preliminary studies have investigated differences in disclosure in the years prior to and after the Directive's implementation, but the need for a longitudinal analysis remains (Cosma et al., 2021; Dumitru et al., 2017; Korca & Costa, 2021; Tarquinio et al., 2020; Venturelli et al., 2017). Despite calls to undertake a longitudinal analysis, no studies have focused on banks and how NFD has developed during two reporting regimes. Because financial institutions must comply with the Directive (EU, 2014) and are crucial to sustainable development (Lentner et al., 2015; Löw et al., 2020), it is particularly relevant to examine their NFD processes, both in a voluntary and mandatory setting. To fill this gap in the literature, the current case study addresses the following research question: How has the NFD evolved during two different regimes (voluntary and mandatory) in terms of both quantity and quality? To address this question, this paper investigates the process of NFD's implementation both before and after the introduction of

Directive 2014/95/EU and analyses the quantity and quality of NFD by interpreting the results using institutional theory.

The research is based on a single case study (Yin, 2014) conducted from 2013 until 2020 on an Italian banking group. This banking group is one of the largest in Italy and has been disclosing NFI on a voluntary basis since 2013. According to the Directive, starting from 2018, the bank was required to disclose NFI on a mandatory basis, with reference to the financial year of 2017. The data needed for analysis included both primary and secondary data. The analysis was first conducted on eight non-financial reports in both voluntary and mandatory regimes, and other available material is consulted. Second, as primary data, semi-structured interviews have been conducted with the company's CSR manager and seminars are attended to better understand the rationales and processes underlying the NFD in the Italian context. This study adopts institutional theory (DiMaggio & Powell, 1983) to frame the case and to provide meaning to both periods; this analysis sought to provide insight into how voluntary and mandatory reporting processes have been driven by external pressures for the organisation to become isomorphic with the environment in which it operates.

This study contributes to the SED literature in three main ways. First, with the longitudinal analysis of non-financial reports, the study aims to explore how the quality and quantity of NFD changed in two reporting regimes (voluntary and mandatory) for different topics of disclosure. The unique contribution of this approach is that instead of considering only one year (Dumitru et al., 2017; Matuszak & Różańska, 2017; Venturelli et al., 2017) or one year prior to and after the Directive (Mion & Adaui, 2019; Sierra-Garcia et al., 2018), the current study employs an analysis covering eight years, both before and after the Directive. This examination over a longer time horizon sheds light on NFD development in Europe (Manes-Rossi et al., 2018), which leads to the second contribution of the study. The debate on voluntary versus mandatory reporting (Costa & Agostini, 2016; Quinn & Connolly, 2017; Szabó & Sørensen, 2015) has been ongoing for many years now; however, the introduction of the Directive has fuelled the debate by encouraging a new strand of research in this direction. The longitudinal analysis contributes to this debate, increasing our understanding of how two reporting regimes contribute to the development of NFD (Chelli et al., 2018), both in terms of quantity and quality. Finally, this study provides a theoretical reflection on the transition of reporting from voluntary to mandatory by employing institutional theory. Instead of considering the NFD as a homogenous process, this study reflects on NFD as a process occurring in two periods and for different topics with unequal organisational relevance. Thus, through the lens of institutional theory, an interplay of institutional mechanisms could explain the complex development of NFD.

The remainder of this paper is structured as follows. Section 2 discusses the current literature on NFD in Europe, with a focus on the latest Directive. Section 3 outlines institutional theory, while section 4 presents the background and context of this study. Section 5 describes this study's research design and methods before moving into sections 6 and 7 which offer a presentation and discussion of our findings. Finally, section 8 concludes the study.

2. Voluntary and mandatory disclosure and Directive 2014/95/EU

2.1 The recent Directive 2014/95/EU and its impact on corporate SED

In the European context, NFD has been encouraged for almost three decades through voluntary and, more recently, mandatory regimes. The EU's most prominent initiative was a programme entitled, "Towards Sustainability." Introduced in 1992, it aimed to encourage the idea of passing on the environment and resources to future generations by ensuring sustainable development (EC, 1992). In 2001, the European Commission released recommendations on the recognition, measurement, and disclosure of environmental issues in companies' annual accounts and reports (EC, 2001). These recommendations were then followed by Directive 2003/51/EC (Costa & Agostini, 2016), the so-called Accounting Modernisation Directive (Hibbit & Collison, 2004). Several additional regulations have focused on non-financial and diversity information disclosure, including Directive 2013/0110 and Directive 2014/95/EU, the latter of which includes greater specificity in terms of its requirements (Costa & Agostini, 2016).

Though many companies across Europe had acknowledged the importance of NFD and transparency, there remained a need for mandatory disclosure. Mandatory reporting was reinforced with the Directive 2014/95/EU on non-financial and diversity information disclosure. The European Parliament recognised the importance of companies' reporting non-financial and diversity information to identify sustainability risks and increase investor and consumer trust (EU, 2014). As stated in the Directive, "Disclosure of non-financial information is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection" (EU, 2014, paragraph 3). Its scope of adoption includes certain large undertakings, such as public interest entities (PIEs) with 500 or more employees during the financial year. As defined by the Accounting Directive (EU, 2013, article 2(1)), PIEs include listed companies, credit institutions, insurance companies, and other entities defined by member states in varying ways. The Directive requires that the information in the report cover environmental, social, and employee-related matters, respect for human rights, and anti-corruption and bribery concerns (EU, 2014). This information can be disclosed based on national, union-based, or international frameworks; the Directive left this decision open to the undertakings. To provide guidance on the methodology for reporting NFI, the European Commission has offered non-binding guidelines with the aim of supporting companies in disclosing high-quality, relevant, useful, consistent, and comparable information (EC, 2017). Each European country had to integrate the Directive into national laws by 2016. Following this change, Aureli et al. (2019) offered insights into the transposition of the EU Directive in three countries: the UK, France, and Italy. The Italian government transposed the Directive into national law on the 30th of December 2016. Thus, undertakings falling into the Directive's scope had to comply with the regulation starting in 2018, with reference to the financial year 2017.

Despite that the Directive is considered as an essential step toward corporate transparency in Europe (EU, 2014), some researchers remain sceptical about the level of enhancement it will provide to sustainability (Doni et al., 2020; Quinn & Connolly, 2017; Szabó & Sørensen, 2015). Consequently, the latest Directive has received considerable attention, opening up novel avenues for research. On one hand, Quinn and Connolly (2017) state that the Directive will likely fail to stimulate companies to become more socially responsible. Given that most EU countries have set the provision of assurance as optional, La Torre et al. (2018) expressed concerns that the Directive will fall short of enhancing organisational accountability via NFD. The Directive's minimum requirements, which are not supported by detailed rules, are expected to have little or no effect on achieving its goals (Szabó & Sørensen, 2015). On the other hand, considering previous European attempts to regulate NFD, the latest Directive is perceived to be more specific in terms of its structure, setting clearer requirements (Costa & Agostini, 2016; Szabó & Sørensen, 2015). Further, the Directive requires the information provided to be reliable; ultimately, it must be verified by an assurance service provider (Aureli et al., 2020; EU, 2014).

2.2 Voluntary and mandatory disclosure debates surrounding Directive 2014/95/EU

While the debate on voluntary versus mandatory reporting has been ongoing for many years (Chauvey et al., 2015; Cordazzo et al., 2017; Larrinaga et al., 2002; Luque-Vílchez & Larrinaga, 2016), the issuance of the Directive has introduced a new dimension to the discussion. Many researchers question whether or not companies should be allowed to decide on the publication of non-financial statements or if these disclosures should be regulated from higher institutional bodies (Doni et al., 2020; La Torre et al., 2020). In this regard, some scholars have acknowledged the importance of mandatory reporting as a driver to enhancing the quality and quantity of NFD (Deegan, 2002; Matuszak & Różańska, 2017). For instance, Matuszak and Różańska (2017) have investigated how mandatory reporting of NFI (following the Directive) impacts both the extent and quality of information. Their results suggest that, due to the introduction of the Directive, disclosure quantity and quality has been enhanced among Polish-listed firms (Matuszak & Różańska, 2017). However, some scholars remain pessimistic about the impact of regulation in fostering NFD. According to La

Torre et al. (2018), regulating NFD does not necessarily lead to greater accountability and higher quality reporting. Along the same lines, Doni et al. (2020) have confirmed that the transition from voluntary to mandatory NFD failed to result in greater organisational accountability regarding social and environmental matters. The varying findings on this matter once again emphasize the fact that there is no agreement on voluntary versus mandatory reporting. This discussion continues in the literature considering previous normative frameworks; however, with regard to the Directive, there remains much to investigate. Fully grasping the implications of the last European Directive on NFD requires longitudinal observation (Cosma et al., 2021; Dumitru et al., 2017; Korca & Costa, 2021; Venturelli et al., 2017).

Though there is a vast number of studies analysing NFD during both voluntary and mandatory regimes (Dumitru et al., 2017; Manes-Rossi et al., 2018; Tarquinio et al., 2020; Venturelli et al., 2017), no longitudinal study has yet covered a range of years involving both voluntary and mandatory reporting, with a focus on the Directive. Within this context, Venturelli et al. (2017) analysed Italian companies' compliance through their level of NFD at the end of 2015. Most recently, Tarquinio et al. (2020) assessed how the quantity of non-financial information has changed because of the Directive. Compared to other studies considering one year prior to and one year after the Directive (Mion & Adaui, 2019; Sierra-Garcia et al., 2018), Tarquinio et al. (2020) instead analysed these changes over a period of three years. Although the present studies contribute to our understanding of the Directive's effects on short-term reporting, none have yet responded to calls for a longitudinal analysis in this direction (Korca & Costa, 2021). The current case study fills this gap by taking a longitudinal approach (Yin, 2014), analysing the non-financial reporting practice of an Italian banking group over eight years of disclosure (2013-2020). It aims to analyse how a bank's NFD developed during two reporting regimes, voluntary (2013-2017) and mandatory (2018-2020), while investigating the institutional forces impacting such disclosure.

3. Institutional Theory

Researchers have applied institutional theory to understand an organisation's behaviour when performing standardisation and compliance (see DiMaggio & Powell, 1983; Scott, 1995). The main elements of institutional theory are 'institutions' and 'organisational fields', including rules, regulations, ideas, and cultural frameworks shaping organisational behaviour (Higgins & Larrinaga, 2014). This process of organisational changes in rules and structures as a response to institutional pressures is called isomorphism (DiMaggio & Powell, 1983; Higgins & Larrinaga, 2014). As classified by DiMaggio and Powell (1983), there are three main types of isomorphism: mimetic, coercive and normative. These three forces can occur concurrently within an organisation (de Villiers et al., 2014); therefore, it might be empirically impossible to distinguish their impacts in isolation (DiMaggio & Powell, 1983). Mimetic isomorphism refers to the practice of organizations emulating each other when facing uncertainty (DiMaggio & Powell, 1983), especially if one perceives the other to be successful. According to Tolbert and Zucker (1983), organisations tend to mimic more successful and legitimate organisations. An example of mimetic isomorphism involves firms adopting the GRI framework because they perceive it to be the standard for sustainability reporting (Higgins & Larrinaga, 2014). For instance, the GRI framework is being used by most companies in Europe (Alliance for Corporate Transparency Research Report, 2019), and companies have therefore come to believe that failing to adopt frameworks like the GRI will threaten their legitimacy. When companies mimic successful competitors, it results in the creation of rules (DiMaggio & Powell, 1983) that continue to guide the company in the future. The coercive type of isomorphism instead results from stringent laws and regulations (DiMaggio & Powell, 1983); it is a more formalized requirement for organisational change and institutionalization. It thus includes rule setting, process monitoring, and punishment in cases of non-compliance (Higgins & Larrinaga, 2014). Coercive isomorphism pushes organisations to change and comply with rules, laws, directives, and other types of regulation. An example of a coercive mechanism impacting NFD in Europe would be Directive 2014/95/EU, the subject of this study. The other institutional mechanism is normative isomorphism, which is driven by professionalisation, professional networks, and formal education pushing individuals to behave according to certain norms and values (DiMaggio & Powell, 1991). An illustration of normative isomorphism can be seen in US-based philanthropy. Society expects that organisations will donate to various causes (Higgins & Larrinaga, 2014) to demonstrate their social responsibility because it is a "standard" or "proper" behaviour embedded in the organisations' culture over time. Therefore, normative isomorphism might help in explaining processes when organisations undertake actions according to the norms created by the environment, they make part of.

Several previous studies have applied institutional theory to explain the SED of organisations (de Villiers et al., 2014; Higgins & Larrinaga, 2014; Montecalvo et al., 2018). Higgins and Larrinaga (2014) describe how the three central mechanisms of isomorphism (mimetic, coercive, and normative) can explain the processes of institutionalisation in SED; they conclude that companies' SED can involve a combination of the three mechanisms, with different impacts at various periods of reporting. Some authors frame the institutional theory in SED studies as a process that starts with the mimetic approach and proceeds to the coercive one before the organisation eventually develops a normative approach. According to de Villiers et al. (2014), when companies face uncertainty, they try to mimic other successful companies in order to overcome uncertainty. Over time, the pressures from a broad set of stakeholders, for instance, increase such that organisations are "forced" to comply with certain rules and structures. Mimetic and coercive forces introduce a field and institutionalise it as the first phase (de Villiers et al., 2014). However, for a field to reach maturity, the normative mechanism has to play a role (Tuttle and Dillard, 2007). Complying with rules over a long period of time leads organisations to transform such practices into professionalised norms within the organisation, a process presented in Table 1.

Table 1. Maturation and convergence in the field of sustainability disclosure

	Mimetic isomorphism	*Coercive isomorphism*	*Normative isomorphism*
Description	Early stages characterised by uncertainty around the appropriate response to pressures	Early stages but pressures are starting to formalise around new regulations and demands from influential stakeholders	Moving towards maturity through professionalisation driven by training and social interaction between professionals
Processes	Benchmarking and identifying best practices	Formal and informal influence	Internalisation of new norms

Adopted from de Villiers et al. (2014, p. 12).

The current study adopts institutional theory and the three different forms of isomorphism in order to understand how an Italian banking group managed the transition from voluntary to mandatory NFD in light of the recent Directive 2014/95/EU. Specifically, it considers how institutional forces have impacted the bank's disclosure process and contents, both during voluntary and mandatory regimes.

4. Background and context: the Italian banking system and the NFD

The 2008 financial crisis drew attention to the CSR activities of the financial sector and reinforced society's demand for trust, transparency, and accountability in business. In those years, banking systems underwent profound transformation, moving away from a standardised and impersonal model toward a more relationship-based banking model (Ayadi et al., 2010). These transformations have pushed banks and financial institutions to deal with SED to ensure accountability and transparency. Indeed, even if banks have a rather small direct impact on the environment because of their low levels of direct emissions and relatively limited use of resources compared to other industries (Löw et al., 2020; Weber et al., 2014), the banking sector's commitment to more sustainable practice has relevant implications. In fact, banks play an important role in economic development (Forcadell & Aracil, 2017) because they decide how to allocate financial resources to different firms and sectors, thus promoting the adoption of sustainable practices by potential borrowers. In this way, banks are crucial catalysts for sustainable development (Lentner et al., 2015; Löw et al., 2020).

Despite the role of banks in promoting more responsible and sustainable development (Lentner et al., 2015), research on the SED of banks remains quite limited (Weber et al., 2014). The existing body of literature on SED in the banking sector can be grouped into two main strands. The first strand adopts content analysis to examine SED themes, locations, and trends in banking institutions' annual and/or stand-alone social and environmental reports (Bravo et al., 2012). The second strand of literature investigates the relationship between corporate social performance and corporate financial performance (Mallin et al., 2014; Wu & Shen, 2013). While many recent studies have investigated how increasing SED can enhance firm reputation and performance (Forcadell & Aracil, 2017), few researchers have investigated how financial institutions and banks provide social and environmental disclosure. Recently, Löw et al. (2020) investigated the determinants of non-financial reports in 76 banks for the years 2017 and 2018, before and after the implementation of the EU Directive. The study highlighted two major issues. First, Italian banks obtained the highest score both in 2017 and in 2018 in terms of the extent of disclosure, compared to other European banks. Second, the researchers noted that it was very difficult to understand the implementation of the EU Directive analysing only two years, particularly given conflicting results. Therefore, Löw et al. (2020) reinforced the need to more thoroughly investigate the process through which Italian banks more extensively produce the NFI required by the EU Directive. In this sense, a wider time frame is needed in order to better comprehend the development of NFD from the voluntary regime (until 2017) to the mandatory regime (since 2018).

Finally, it is important to remember that, in 2006, the ABI (Italian Banking Association) developed an industry-specific standard as a guide for developing stand-alone SED in the overall Italian banking system, for both commercial and cooperative banks (Costa et al., 2019). Therefore, the Italian experience in the NFD anticipated both the GRI industry-specific standards for the financial sector and the recent EU Directive.

5. Research design and methods

5.2 Research methods

This paper adopts a single case-study (Yin, 2014) which allows for a thorough examination of the bank's reporting practice and NFD. Both primary and secondary data are used in obtaining a holistic view of the bank's reporting practices over an eight-year time horizon. First, a content analysis (Hooks & van Staden, 2011) is performed on non-financial reports and available online material such as interviews is consulted. Further, as primary data, semi-structured interviews are conducted, and seminars are attended. To analyse the NFD development in two reporting regimes (voluntary and mandatory), the study first examines NFD undertaken on a voluntary basis from 2013 to 2017; it then turns to the mandatory NFD from 2018 to 2020.

The bank under investigation has indeed been reporting their social and environmental actions since 2013 when no formal requirement for such reporting existed. Since the introduction of the Directive and Italian Legislative Decree in 2016, the bank has been required to report on a mandatory level. Thus, in 2018, the bank issued its first consolidated non-financial statement in response to the requirements set forth in the Directive and Italian Legislative Decree 254/30. The latest available consolidated non-financial report is from 2020 with reference to financial year 2019.

5.2.1 Content analysis

Content analysis is a technique enabling the researcher to extract information within reports and make valid inferences as to the contexts of their use (Krippendorf, 2004). While accounting studies have thoroughly explored the reporting quantity (Doni et al., 2020; Matuszak & Różańska, 2017; Venturelli et al., 2017), research has shown that measuring reporting quality also provides rich insights (Beretta & Bozzolan, 2004; Chauvey et al., 2015). As a result, this study employs both an extent-based and quality-based approach (Hooks & van Staden, 2011) with the purpose of measuring the quantity and quality of NFD. Consequently, this study includes eight non-financial reports from 2013 to 2020. In order to assess the quantity of reporting, the number of sentences serves as the unit of measurement. Unerman (2000) noted that quantification may take many forms, such as the (a) number of documents referring to one particular category of disclosure, (b) number of words, (c) number of characters, (d) number of sentences, (e) number of pages, (f) proportion of report pages reserved for particular categories, and (g) proportion of NFD to total disclosure. Despite the variety of approaches, many consider numbering the sentences to be more accurate than counting words (Costa et al., 2019; Pesci & Costa, 2014). Therefore, for the purposes of this study, the number of sentences serves as the unit of measurement.

To measure the quality of reporting, this study focuses on the analysis of completeness (Al-Tuwaiijri et al., 2004). The variable *completeness* assisted in assessing the comprehensiveness of information with regard to the categories derived from the coding protocol. It thus analyses how many sentences (per category) are presented vaguely (*mention*), descriptively (*descriptive*), and more extensively and numerically (*evaluation*). Following Al-Tuwaiijri et al. (2004), weights (from one to three) have been assigned to each completeness sub-category according to its perceived structure. For instance, a weight of one is assigned for *mention* sentences, a weight of two for *descriptive* sentences, and a weight of three for *evaluation* sentences. If a disclosure related to a given item is absent, a score of zero is assigned. The weight is multiplied by the number of sentences, arriving at a score called the "product". Finally, a total score is developed by dividing the sum of product values (mention, description, and evaluation) by the sum of sentences per type (mention, description, and evaluation). Higher total scores refer to more complete information, which is also presented in numerical terms. Prior research has suggested that detailed NFD presented quantitatively might actually be more than an impression management element (Cho et al., 2015). Table 2 offers further details on the scoring system, including examples.

Table 2. Completeness used as the variable to assess NFD quality (with examples from sustainability reports)

Variable	Category	Weight	Example
COMPLETENESS	Mention	1	'Our group has always promoted event and projects with a high social return'
	Description	2	'The rationalization and modernization of the group's fleet, based on green criteria, has continued for a number of years: whenever a vehicle comes to the end of its lifecycle, it is replaced by a new bi-fuel, hybrid or electric vehicle'.
	Evaluation	3	'In 2019, the vehicle fleet of our group consists of 200 cars for business use and 220 cars for mixed personal-business use'.

The analysis was undertaken by reading the eight non-financial reports and codifying the information according to a coding protocol developed while taking into consideration the Directive's requirements for NFD (both 2014/95/EU and Italian Decree 254/30/2016). Both the measurement of quantity and quality of reports followed the coding protocol (Table 3). Table 3 provides examples taken from non-financial reports for each category of the coding protocol. The researchers conducted manual coding of the quantity and quality because it complemented the inductive nature of the study and enabled the researchers to better interpret the findings (O'Dwyer, 2004). In order to ensure reliability (Gray et al., 1995; Unerman, 2000), the three authors independently conducted the content analysis, discussing and resolving any discrepancies.

Table 3. Coding protocol with examples from the sustainability reports

Categories	Examples	
1.	Business model	'The Business Plan is based on five pillars supported by the same number of cross-cutting measures. Levers and actions that respond to the needs of local areas'.
2.	Due diligence	No information was provided regarding due diligence.
3.	Assurance	'Pursuant to article 3, paragraph 10, of the Legislative Decree no.254 of December 30, 2016 (hereinafter the 'Decree') and to article 4 of the CONSOB Regulation n.20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of the Group and its subsidiaries as of December 31, 2017 prepared on the basis of article 4 of the Decree and approved by the Board of Directors on March 8, 2018.'
4.	Diversity information	'In terms of equal opportunities, many activities supporting the recognition and enhancement of diversity within the Group have been in place.'
5.	Environmental matters	'Today, 88% of the paper used in the offices and branches of the Group's banks is recycled, and an additional 8% of office paper and advertising material has an environmental quality mark.'
6.	Social and employee matters	'The over 150 training proposals available to each employee, consistent with the other human capital development tools, are periodically reviewed in accordance with developments in people's jobs and roles.
7.	Respect for human rights	Despite the fact that the materiality analysis did not consider the issue of human rights to be significant, given the operational and regulatory context of the Group, it is covered by the Code of Ethics, within the Group's commitment to comply with the values of fairness and objectivity towards stakeholders.
8.	Anti-corruption and bribery matters	'There were no cases of corruption regarding group personnel in 2019'.

5.2.2 Interviews and seminars

Before conducting semi-structured interviews and attending seminars as primary data, the researchers consulted six interviews published online with regard to the bank's NFD. This type of data is considered to be secondary data, similar to non-financial reports (Costa et al., 2019; Deegan et al., 2002; Guthrie & Parker, 1990); it helped in obtaining an initial understanding of how the bank managed the NFD process from voluntary to mandatory regime over the years. Further, the secondary data helped to determine the themes for investigation during semi-structured interviews. Semi-structured interviews were conducted with the bank's CSR office manager. The interviewee was chosen based on his/her duties in planning and managing CSR activities and NFD. To conduct semi-structured interviews, an interview protocol was used to help the interviewer direct the conversation toward the topic of interest (Qu & Dumay, 2011). Therefore, the interview protocol included suggestions from the literature (Dumitru et al., 2017; Matuszak & Różańska, 2017; Venturelli et al., 2017), insights from the reports, and online interviews. Three interviews were performed from August

2018 to September 2020 (see Appendix I). The main themes were sent to the interviewee a few days in advance via e-mail in order to allow him/her to become familiar with the main points for discussion. The adoption of semi-structured interviews intended to allow the interviewee to focus less on specific questions (Montecalvo et al., 2018) and more on general themes. The conversations were recorded via a digital device and then transcribed into a narrative form. For reliability and transparency, the transcribed interviews were sent to the interviewee for verification. Drawing on O'Dwyer (2004), our data analysis process embraced three sub-processes: data reduction, data display, and data interpretation. The analysis was initiated by reading the interview transcript three times while running the tape recording. This process helped to familiarize the researchers with the data by paying close attention to details. While reading, the researchers also consulted their notes taken during the interviews. The aim of this initial process was to narrow the data and use key themes in the conversations. After identifying the main themes or patterns, the researchers undertook another round of reading, which helped to identify the "core codes" (O'Dwyer, 2004) for all themes identified in the previous step. Finally, after conducting the analysis, the researchers considered their notes taken during the interviews and drew mind maps (O'Dwyer, 2004) in order to frame the big picture of the story.

Along with the face-to-face interviews, the researchers had the opportunity to attend three seminars introducing the bank, both for its activity as a commercial bank and for its sustainable and CSR-related initiatives (see Appendix I). Questions were posed to the presenters regarding their NFD processes in order to better understand how the bank managed voluntary and mandatory reporting. The seminars, questions, and answers were transcribed and coded following a similar process as the interviews (O'Dwyer, 2004). Attending these meetings over three successive years allowed for a more thorough understanding of the bank's reporting processes.

6. Findings

6.1 The shifting path from voluntary to mandatory NFD

The bank under investigation has been established as a group since 1992; as a group, it is currently obligated to issue a consolidated non-financial statement according to the European Directive 2014/95/EU[1]. In the 2013–2017 reporting period, the bank reported NFI within an individual non-financial report. In addition to the voluntary provision of a non-financial report from 2013, according

[1] 'Public-interest entities which are parent undertakings of a large group exceeding on their balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year shall include in the consolidated management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters...' (2014/95/EU, p. 6).

to the interviewee, the banking group has long been engaged in social projects: "We, as a bank, have been contributing to social projects since a long time ago; however, our way of reporting was traditional. Anyway, seeing the market changing and others reporting non-financial information, our bank also started to think about and disclose sustainability reports" (Interview #1). However, in order to focus on sharing their social and [environmental] projects in a report, external pressure was exerted by peers and stakeholders: "We faced requests from advisors, and the stock exchange changed. Stakeholders started to ask us to do sustainability governance, and therefore, our board decided that everything we do, needs to be strictly governed in a sustainable way. Therefore, the bank created an office with employees who have competencies in this field. Currently, we are a few people working in the office, but we have collaborated with all the other employees. In the future, we plan to grow as office and continue our progress in reporting" (Interview #1). Therefore, the external pressure explains how the voluntary reporting was initiated and how, as a result, a CSR office was created inside the bank in order to manage CSR actions and, consequently, NFD. The bank under investigation experienced external pressure from a variety of stakeholders and the fact that many other banks started NFD, which led them to begin the voluntary NFD process. Indeed, according to La Torre et al. (2018), decisions regarding the NFD engagement are dependent on the degree of institutionalisation of that practice in companies operating in the same industry.

Voluntary NFD was then exercised for five consecutive years (2013–2017); in 2018, the bank was obligated to prepare a consolidated non-financial report according to the Directive's requirements (EU, 2014). According to the interviewee, this new requirement occasioned significant changes in the bank's reporting practices, as in many companies across Europe (Dumitru et al., 2017; Mion & Adaui, 2019). For the case under investigation, in addition to changes in reporting content, the process of framing the consolidated report was perceived as a challenging task: "The first impact that the new law had on our reporting practice was that it required us to frame the consolidated report instead of the individual report we had been publishing on a voluntary basis. This has required very demanding work" (Interview #1). The process of shifting from voluntary to mandatory reporting seems to have been demanding in terms of activities undertaken to comply with the regulative requests. As an interview highlighted, "Our banking group is made of 16 different companies. So, every year, each company has to give us information and data to create the consolidated report" (Interview #3). Like the interviewee, the CEO clearly emphasised the operational challenges associated with shifting from voluntary to mandatory NFD: "In terms of specific banking activities, the year 2017 marked significant operational challenges. The regulation required that, in addition to the financial statements for the year, a consolidated non-financial statement be drawn up and submitted, illustrating the measures undertaken in certain well-defined areas: environmental impacts, personnel management, returns for the company and the territory, human rights, and the fight against corruption" (CEO, Sustainability Report 2018). In order to publish the 2018 consolidated report, the banking group organised several training activities with all the companies belonging to the group. "It was very difficult because it is the first year that we are creating a consolidated report. I asked many indicators to 16 companies belonging to our group which did not see something similar before. Training has been organised but was not sufficient. The good thing is that we have been all working together in a cooperative way therefore I believe our target is achieved" (Interview #1). Mandatory NFD has been exercised in the bank since 2018, resulting in three years of NFD according to the Directive's requirements. "While the regulation is seen as a starting point, we acknowledge the importance of being positioned as a bank oriented towards sustainability" (Interview #3). In this regard, to further engage in CSR and sustainability-related actions, in 2020, the bank has started working on a sustainability plan for 2021 and began creating a CSR committee inside the bank. When asked about the sustainability plan for 2021, the interviewee stated, "In our sustainability reports, we frame our targets using the Sustainable Development Goals (SDGs). Therefore, in our sustainability plan, we are working with these targets, to put Environmental, Social and Governance in the business. This plan touches all the SDGs because it enters in the core area of the bank—credit and investments—and is not only a sponsorship of an event or project but it aims to work with corporate clients and to help them improve their sustainability" (Interview #3). To improve the sophistication with which data is collected and to prepare the consolidated non-financial report, software will be soon acquired. "We are buying new software to manage all the data with it. It will be used at different levels and a licence will be provided for colleagues that need to insert data or information" (Interview #3).

The shift from voluntary disclosure (2013–2017) to mandatory disclosure (2018–2020) impacted the bank's accountability process in several ways, as is reflected in the NFD contents. Therefore, an analysis of both the quality and quantity of the NFD is offered for both voluntary and mandatory periods.

6.2 The quality and quantity of NFD in two periods (voluntary and mandatory)

Tables 4 and 5 show the analysis of the reports from both periods, voluntary (2013–2017) and mandatory (2018–2020). Table 4 clarifies the reporting path of the bank in terms of quantity (measured by the number of sentences), whereas Table 5 shows the reporting path in terms of quality (measured by the variable completeness).

Periods			Period 1 (voluntary disclosure)					Period 2 (mandatory disclosure)		
Years										
Panels	Patterns	Categories	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Panel A	**Presence to presence**	Diversity information	4	12	10	14	4	34	68	55
		Environmental matters	22	25	34	37	1	129	153	160
		Social and employee matters	95	84	113	158	42	735	392	439
		Anti-corruption and bribery matters	4	20	23	23	0	50	73	44
Panel B	**Absence to presence**	Business model	0	0	0	0	0	14	21	27
		Assurance	0	0	0	0	0	31	36	31
		Respect for human rights	0	0	0	0	0	14	20	18
Panel C	**Absent to absent**	Due Diligence	0	0	0	0	0	0	0	0

Table 4. Content analysis on quantity of non-financial information measured by the number of sentences per category

Periods			Period 1 (voluntary disclosure)					Period 2 (mandatory disclosure)		
Years										
Panels	Patterns	Categories	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Panel A	**Presence to presence**	Diversity information	2.25	2.3	2.2	2.14	2.5	1.91	1.82	1.84
		Environmental matters	2.4	2.4	2.29	2.32	2	2.07	1.98	1.98
		Social and employee matters	2.19	2.13	2.06	1.99	1.69	1.81	1.93	1.96
		Anti-corruption and bribery matters	2	2.05	1.96	1.86	0	1.92	1.9	1.88
Panel B	**Absence to presence**	Business model	0	0	0	0	0	2.07	1.95	1.96
		Assurance	0	0	0	0	0	2.06	2.05	2.064
		Respect for human rights	0	0	0	0	0	2.07	1.9	1.94
Panel C	**Absent to absent**	Due Diligence	0	0	0	0	0	0	0	0

Table 5. Content analysis on quality of non-financial information measured by the variable completeness per category

The following analysis reflects changes over the years and helped the researchers to observe and measure trends and patterns of disclosure. Ultimately, it maps out three different patterns in the regulation's implementation:

i) Panel A shows topics that were present in the voluntary disclosure (2013–2017) and remain present after the introduction of the regulation (2018–2020). These topics are labelled "presence to presence" and include diversity information, environmental matters, social and employee issues, anti-corruption, and bribery matters. The presence of such issues in both reporting periods (voluntary and mandatory) allowed for a trend analysis (see Figure 1) in mapping the reporting path in terms of both quantity and quality.

ii) Panel B shows topics introduced for the first time with regulation adoption. These topics are labelled "absence to presence" and include business model, assurance, and respect for human rights.

iii) Panel C shows topics that were absent in the voluntary disclosure period and became compulsory after regulation introduction but with which the bank did not comply. These are labelled "absence to absence" and refer to due diligence.

6.2.1 “Presence-to-presence” aspects

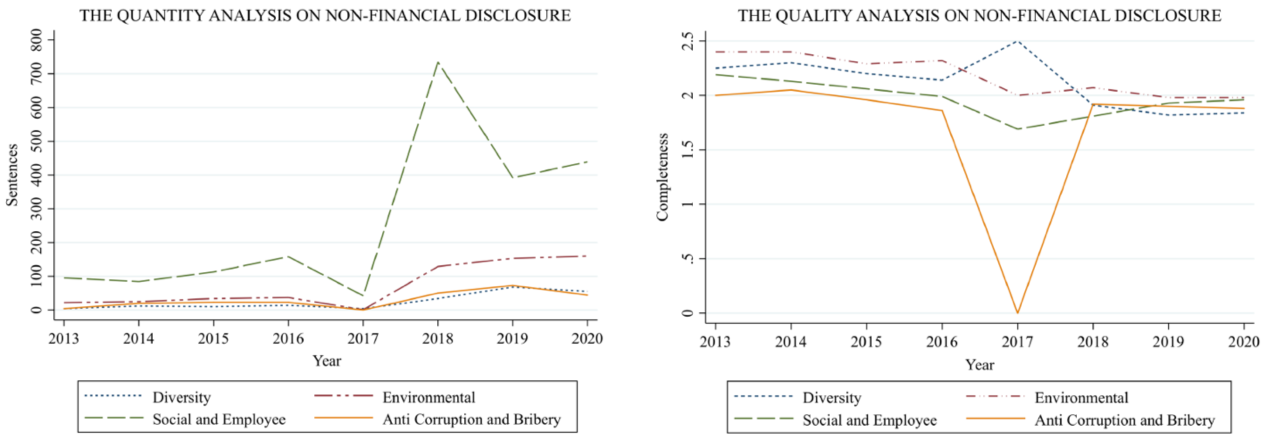

Figure 1. Trend analysis of NFD, in terms of both quantity and quality

The Directive stresses the importance of companies disclosing information about diversity matters (EU, 2014). Though some countries like the UK are proficient in disclosures regarding diversity matters (KPMG, 2017), Italy has fallen behind (Venturelli et al., 2017). Nonetheless, the Italian bank analysed in this study has been providing such information since 2013, since its first non-financial report. In terms of quantity, these disclosures increased from 2013-2020, reaching a peak in 2019 (Figure 1). The interviewee stated, “Regarding diversity, we have seen that human resources are quite compliant with the Directive, and we cannot notice any inequality in our bank. The report may not talk specifically about diversity information, but there is information about it throughout the report” (Interview #1). As for the quality analysis, diversity information seemed to become less complete following the EU legal intervention. Figure 1 shows how the quantity of diversity information has increased during the mandatory period, while the quality of such disclosures has been stable.

The category of environmental matters contains the second largest amount of information in the reports. In this study, reports increasingly share environmental information, except for 2017, when virtually no textual information was presented. During the mandatory period, there has been a significant increase in the amount of environmental information (Table 4, panel A) provided compared to the voluntary period. This result aligns with Manes-Rossi et al. (2018) who found a high degree of compliance by EU companies with regard to environmental disclosure. The increasing amount of disclosure regarding environmental matters also reflects the various pressures faced by the bank. As the interviewee pointed out, “The European Commission is working hard on environmental matters. Thus, the EU asked the financial institutions to work on these topics and to include climate change matters in all the areas of the bank" (Interview #3). While coercive forces have driven the quantity of such information (DiMaggio & Powell, 1983), the quality of environmental information has not followed suit. A comparison of the quality between voluntary and mandatory periods (Figure 1), reveals no improvement since the arrival of mandatory reporting (Table 5, panel A). Indeed, the quality of such information appears to be lower since the legal intervention. The interviewee stated that "the most difficult topics for the bank are environmental ones because we are a bank, and we have a social impact" (Interview #3). As a result, our findings underscore an increase in the quantity, but not in the quality of information as a response to various pressures.

The category of social and employee matters contains the most information disclosed throughout the years. When comparing the two reporting regimes, it becomes clear that the amount of social and employee information has been higher in the mandatory period than in the voluntary one. In 2018, which marked the first year of the Directive's application, the banking group shared an extensive amount of social and employee information (Table 4, panel A). The interviewee confirmed the importance of social and employee matters for the bank, noting that "people and relationships are the most important aspect for us as a bank. It is worth mentioning that we have been engaged in social events, and we have been contributing to society for the last 150 years" (Interview #1). The CEO confirmed this observation, saying "The bank has always sought to conduct its relationships with customers, shareholders, members, employees, external staff, suppliers and, more generally, all stakeholders in a correct, formal and substantial manner" (Sustainability Report, 2015). Finally, a seminar held in 2019 again highlighted the importance of employees: "All of our stakeholders are important to our bank, but employees are the most important. The reason why is that we offer financial services, and if our employees are not satisfied, we cannot offer good services to our customers" (Seminar, 2019). In contrast to other disclosure topics, the relevance of social and employee matters to the bank is also reflected in the quality analysis (Figure 1), with an increasing trend after 2017. Dedication to the disclosure of these matters was emphasized once again when the interviewee stated, "We, as a bank, have a social impact, and therefore, it is the most important impact of our business" (Interview #3). Similar to our results, Manes-Rossi et al. (2018) found that EU companies are especially compliant with the Directive when it comes to social and employee matters disclosure.

Finally, information on anti-corruption and bribery matters has been present since the bank's first non-financial report. In contrast to Polish companies, which have dedicated little attention to anti-corruption and bribery matters (Matuszak & Rosanska, 2017), the Italian banking group in our study has been transparent on this subject for years now. Generally speaking, the amount of information on this matter has increased from 2013 to 2020, with the exception of 2017, when no information on anti-corruption and bribery matters appeared (Table 4, panel A). According to the interviewee, this increase occurred because the bank now prioritizes anti-corruption information in reporting. "For now, the topics which we have identified as a priority are anti-corruption and other related matters" (Interview #1). However, in terms of quality, the voluntary and mandatory periods were similar, with the exception of 2017 when no information was shared on this matter (Table 5, panel A).

6.2.2 "Absence-to-presence" aspects

The first absence-to-presence aspect is the business model, which is required by the Directive and represents a rather relevant subject in non-financial statements (Doni et al., 2020). Instances of business model references significantly increased between the two periods (voluntary and mandatory). From 2013-2017, there was no content dedicated to describing the bank's business model, but in 2018, the bank provided such information, as required by the Directive. According to the CEO, "In terms of specific banking activities, the year of 2017 marked significant operational challenges; one of them was the launch of the new business plan, which is now at an advanced stage of development" (Sustainability Report, 2018). Because of the introduction of the Directive, the bank was "forced" to reflect on its long-term planning and to make its business plan transparent in the 2018 non-financial report. Such information has increased in 2019 and 2020 reports. The CEO noted that "the new business plan includes, for the first time, in addition to economic objectives, some of the group's sustainability projects" (Sustainability Report, 2019). Indeed, as the CEO highlighted, the increased business model information in the 2019 report (compared to 2018) results from the introduction of sustainability information within this section. Despite the increasing amount of information on the business model (Table 4, panel B), the quality of this information has instead decreased from 2018 to 2020 (Table 5, panel B).

With reference to assurance, no information about the assurance process was shared in non-financial reports during the voluntary period. From 2018 to 2019, information about assurance followed an increasing trend due to Italy's mandatory provision of assurance in non-financial reports (Aureli et al., 2019) as required by Italian Legislative Decree 254/2016. The text volume increased from 2018 to 2019, but decreased in 2020; nonetheless, this information has remained present over the years (Table 4, panel B). While EU states were allowed to decide on this matter individually (La Torre et al., 2018), Italy chose to make assurance disclosure mandatory (Aureli et al., 2020). According to the interviewee, "Assurance was also present in previous years (during voluntarily reporting), but it was not included in the non-financial reports" (Interview #1). Thus, the assurance statement was included for the first time in 2018 and continued in subsequent years. Similar to information about the business model, the quality of assurance information during the mandatory period has also decreased in scores (Table 5, panel B). However, the nature of assurance statements does not allow for much judgement regarding numerical information because they usually contain "mention" or "description" information.

Along with business model and assurance information, another previously unreported category was information about human rights. In 2015, the non-financial report briefly mentioned human rights, but this topic only became more pronounced in the non-financial reports of 2018, 2019, and 2020 (Table 4, panel B). Therefore, the mandatory period of disclosure seems to have impacted the inclusion of such information in the reports. The interviewee commented that "an analysis is being conducted on human rights throughout the bank's value chain" (Interview #2). However, considering that it represents the least disclosed category in the reports, one might assume that this information is not a priority for the bank. This assertion finds support in the quality analysis, which shows decreasing scores from 2018 to 2020 (Table 5, panel B). Similarly, Matuszak and Różańska (2017) found that human rights disclosure received the least amount of attention from companies in the Polish context.

6.2.3 "Absence-to-absence" aspect

Due diligence seems to be a neglected category of reporting, particularly given that reports offered no information about it over the years (during both voluntary and mandatory periods). Despite the EU's legal intervention, there remains a lack of information on this matter. When questioned about due diligence, the interviewee stated, "We do not employ due diligence processes right now. However, we are currently working on developing policies inside the bank on sustainability reporting. The internal audit office suggested that once we have developed these policies of sustainability reporting, we can employ due diligence processes" (Interview #1). Because no changes occurred in 2018 or 2019 (Table 4 and 5, panel C), the second interview featured questions on the topic of due diligence, but the interviewee responded similarly: "We are working on a new policy about the way we develop sustainability reports. After getting this policy approved, we can start working on the due diligence process" (Interview #2). Because such information was not provided in 2020 either, the third interview once again included this matter, and the interviewee responded, "Well, last year, we created internal guidelines to define how to prepare the reports. This year, for the first year, compliance has asked us to explain if these processes are good or if there are some mistakes and so on" (Interview #3). It appears that due diligence processes have not been applied officially this year either. Szabó and Sørensen (2015) argue that the Directive lacks sufficient explanation on the implementation of due diligence processes, which could explain why the bank has not undertaken such action. According to the interviewee, the bank will implement this process at a future date.

In sum, diversity information, environmental issues, social and employee matters, and anti-corruption and bribery matters prevail when it comes to the topics given greater attention in the reports. Less information is shared regarding the business model, assurance, and respect for human rights. The reports share no information at all regarding due diligence processes. This finding partly aligns with the findings of Manes-Rossi et al. (2018). In their sample of 50 European companies, Manes-Rossi et al. (2018) found that the items most often disclosed include social, employee, and environmental matters. Similarly, in the current study, it seems that both social and employee as well as environmental matters remain relevant for the banking group, either because the bank itself sees them as relevant (i.e., social and employee) or because the bank needs to respond to external pressure for disclosure (i.e., EU pressures on environmental disclosure). While social, employee, and environmental information has increased since the legal intervention in terms of quantity, the same cannot be said when it comes to quality. Social and employee matters is the only reporting category that has improved in terms of quality since the regulation. In a similar vein, Cosma et al. (2021) examined the reporting quality prior to and after the Directive (2016 and 2017) and found that information quality did not increase, despite the EU legal intervention.

7. Discussion

Traditionally, the lens of institutional theory has been used to explain the institutionalisation of a field in organisations such as the SED (de Villiers et al., 2014; La Torre et al., 2018; Tuttle & Dillard, 2007). However, considering the regulations in place, such as Directive 2014/95/EU, research has not provided a thorough account of how individual NFD topics have evolved over time to become institutionalised in organisations. Based on the current case study informed by institutional theory, this section discusses the interplay between the different institutional mechanisms—mimetic, coercive, and normative—that impacted the bank's reporting in two periods, voluntary and mandatory, for certain topics of disclosure. According to Higgins and Larrinaga (2014), "It is likely that sustainability reporting is the result of a mixture of those three mechanisms, taking different weights in different contexts and in different stages of the institutionalisation of sustainability reporting" (p. 283). Therefore, examining the interplay of institutional mechanisms impacting NFD in the bank under investigation, not only over time but also in terms of disclosure content, provides new insight into institutional theory and its future use in SED studies. Consequently, the tables below explain how different institutional forces emerged to shape organisational behaviour during the two periods (Table 6) for different topics of disclosure (Table 7).

7.1 Mimetic and coercive mechanisms (period-wise)

According to DiMaggio and Powell (1983), mimetic isomorphism occurs when organisations tend to model themselves after counterparts perceived to be examples of success. Thus, organisations tend to create some sort of benchmark to follow while operating in a certain field. In contrast, coercive isomorphism is driven by both formal and less formal forces (DiMaggio & Powell, 1983). Less formal coercive forces may be considered requests from investors or other stakeholders, while formal coercive forces include those mandated by law (Tuttle & Dillard, 2007). Considering both primary and secondary data, this study observes that mimetic and coercive mechanisms were present during the voluntary reporting period. The bank's voluntary disclosure was driven by "how others are doing it" as well as by other, less formal coercive forces, such as pressure from stakeholders. In terms of mimetic mechanisms, the data highlights that the bank started to formally prepare a nonfinancial report by emulating other competitors and peers. Therefore, it is a voluntary change performed by one entity while conforming with actions of another benchmark company (Tuttle & Dillard, 2007). The banking group has been engaged in social projects for a long time, but in terms of disclosure, they maintained only traditional financial statements. However, seeing the market and other companies change and thus embrace SED, the banking group initiated the same action. As Dumay et al. (2015) emphasised, organisations tend to practice voluntary NFD when their counterparts are doing the same. During the same time period (2013–2017), the bank faced various pressures from external stakeholders to introduce sustainable governance, which caused the banking group to create the CSR office and start their path into NFD. Therefore, voluntary reporting was brought about by both mimetic and informal coercive forces, which guided the bank for a period of five years before the regulations were put in place.

Table 6. Institutional forces on two different reporting regimes

Two reporting regimes	Institutional forces
Voluntary (2013–2017)	Mimetic and coercive forces
Mandatory (2018–2020)	Coercive forces

Since the Directive came out, NFD became mandated by law for certain undertakings, and some specific content and issues became compulsory. One of the requirements of this formal coercive force is for the banking group to develop a consolidated report that includes information about environmental, social, and employee issues as well as human rights, anti-corruption, and bribery matters (EU, 2014). As the data analysis indicates, producing a consolidated report is considered one of the main impacts of the Directive, which has significantly changed the approach to reporting in the mandatory period. Thus, in contrast to the publication of an individual report in the voluntary period, the banking group had to draw a consolidated report starting in 2018. The data highlights that 2017 marked a challenging year for the bank considering the regulations in place and the requirement to prepare a consolidated report and to report on particular topics, such as environmental issues, human rights, fighting corruption and others. Considering the changes that resulted from binding requirements in the Directive, it is clear that coercive forces influenced the bank's NFD from 2018 to 2020, the mandatory period (DiMaggio & Powell, 1983). According to Dillard and Tuttle (2007), formal influences exerted by powerful bodies have the possibility to become mandated and lawful requests. The banking group sees the regulation as a starting point, although they acknowledge the importance of being positioned as a sustainable bank. Both the interviews and the non-financial reports highlight the changes during mandatory NFD; coercive forces influenced the disclosure of certain topics over others, as will be highlighted in the next section.

7.2 Mimetic, coercive, and normative mechanisms (content-wise)

In terms of the topics disclosed within the three patterns (presence to presence, absence to presence, and absence to absence), we noticed an interplay between the three different mechanisms: mimetic, coercive, and normative (Table 7).

Table 7. Institutional forces on various topics of disclosure

Topics of disclosure	Institutional forces
Social and employee matters	Mimetic, coercive and normative forces
Environmental matters Diversity information Anti-corruption and bribery matters Business model Assurance Respect for human rights	Mimetic and coercive forces
Due diligence	No forces

Observing both the quantity and quality of NFD through the lens of institutional theory (DiMaggio & Powell, 1991) provided insights on how NFD is presented differently for certain topics of disclosure and how specific contents become a norm in terms of disclosure. In the literature, NFD is usually considered to be a homogenous process within an organisation; however, our longitudinal observation of NFD provides insights on how the different institutional mechanisms interact and co-exist at different times and for different topics of disclosure such that normativity is produced (Bebbington et al., 2012).

The data on NFD volume indicates that initially, mimetic and coercive forces prevailed, encouraging the continuous reporting of diversity, environmental, social and employee, and anti-corruption matters. After legally binding requirements acted as coercive mechanisms (DiMaggio & Powell, 1983), other topics began to be disclosed, such as business model, assurance, and respect for human rights. This finding is consistent with La Torre et al. (2018) who noted that companies disclose NFI because they are obliged to do so by law, a coercive force. Therefore, regulation has played a role in mandating the disclosure of certain topics that were completely neglected during the voluntary regime. Finally, due diligence seems to be a neglected item of disclosure, as this information was never emphasised during eight years of reporting. Analysing this situation through the lens of institutional theory, none of the three forces seem to have influenced the disclosure of due diligence.

The data on NFD quality has further enriched our understanding of how institutional forces foster the bank's disclosure. It was possible to analyse trends in quality for the topics that have been disclosed voluntarily and continued to be disclosed on a mandatory basis (Figure 1). As such, the reporting category showing a relatively high score during the voluntary period and continuing to follow an increasing trend during the mandatory period is *social and employee information*. Both the primary and secondary data have highlighted the importance of these matters to the bank. The banking group considers people and relationships highly relevant, and social and employee disclosure therefore prevails. Although all the topics of disclosure may have been impacted by either mimetic or coercive mechanisms, to publish complete information on a certain topic, it has to be perceived as a moral obligation (Bebbington et al., 2012) rather than simply a ticking box (La Torre et al., 2018). For instance, the banking group is under pressure from the European Commission to be transparent regarding environmental matters, among other issues, and it consequently responds to such pressures. The reports' analysis indicates that there is a great deal of information regarding environmental matters, but the quality of disclosed information is decreasing. As highlighted from the data analysis, environmental matters are challenging to report on because as a bank, they emphasize and believe in their social impacts compared to environmental ones. Thus, the creation of norms is strictly related to internal morality (Bebbington et al., 2012) and the belief that actions need to be undertaken because they are appropriate (March & Olsen, 2006) depending on the context and setting. Environmental matters are disclosed continuously because of the experience of various pressures, in contrast to social and employee disclosure, which is seen as "high stakes" considering the role of the banking sector in the society. Despite regulatory pressures, companies do not fully conform if they are not considered appropriate and legitimate (Bebbington et al., 2012).

This discourse illustrates that the quality of information disclosed depends on the topic and the context of operation for the company. According to Scott (1995), social actions are impacted by the context and the setting in which they take place. It seems that regulation, in this case the EU Directive, might cause the disclosure of certain topics; however, it simply mandates the presence of certain information, rather than inducing complete and comprehensive disclosure. Considering how the bank feels about social and employee matters and its close relationship with people, the disclosure of such information seems to be mediated by normative mechanisms (Bebbington et al., 2012). The banking group believes that people and relationships make a crucial part of them and therefore attention is given to ensure best practices for stakeholders. A field evolves because of the beliefs and norms internalised by organisational members (DiMaggio & Powell, 1991). According to March and Olsen (2006), normative mechanisms are strictly related to what the organisation sees as the most appropriate action to undertake. Consequently, the banking group has been providing the requested information in most areas but places more emphasis on the disclosure of information material to them (social and employee matters), thus highlighting how the production of normativity is strictly related to the bank's internal values and beliefs (Bebbington et al., 2012).

This study, therefore, proposes a different form of adopting institutional theory to explain NFD evolution in organisations. The utilisation of institutional theory to inform how a field evolves over time and reaches maturity (de Villiers, 2014; Tuttle & Dillard, 2007) should embrace a more contemporary approach that looks beyond the development of a field as a whole. NFD consists of the disclosure of various items, which may hold various weights in an organisation and occur at different times. The data highlighted that not all areas of disclosure in the non-financial reports hold the same importance for the bank. Despite that mimetic and coercive forces have played a role in the disclosure of the majority of topics, however, complete and comprehensive information provided on specific matters is impacted by normative mechanism. Thus, NFD might come to a point where normative mechanisms emerge, but mimetic and coercive mechanisms remain (de Villiers et al., 2014). Specifically, social and employee disclosure, like most of the other disclosure topics, might have been prompted by mimetic and coercive mechanisms, but over time, normativity has been constructed as a manifestation of internal morality (Bebbington et al., 2012) and appropriateness (March & Olsen, 2006).

8. Conclusion

This study reflects on a longitudinal NFD process in an Italian banking group during two main periods, voluntary and mandatory. The bank has been reporting NFI on a voluntary basis since 2013. However, when the EU issued Directive 2014/95/EU, the bank fell within its scope, requiring the bank to comply with the Directive's requirements beginning in 2018. Considering this reporting process, the paper contributes to previous studies in three different forms. First, it extends previous research on the effect of Directive 2014/95/EU on NFD by considering the reporting period from 2013 to 2017 as *voluntary* and from 2018 to 2020 as *mandatory*. Second, while examining how the reporting has developed over time for specific areas of disclosure, this study also contributes to the broad debate on voluntary versus mandatory reporting (Costa & Agostini, 2016; Quinn & Connolly, 2017; Szabó & Sørensen, 2015). Finally, following institutional theory (DiMaggio & Powell, 1983), it becomes clear that NFD is a complex process rather than a homogenous field that develops linearly which can be explained through an interplay of institutional mechanisms.

The analysis illuminated three patterns of disclosure. The "present-to-present" pattern indicates that certain categories of disclosure were present in both the voluntary and the mandatory periods. The "absent-to-present" pattern refers to certain categories of disclosure that emerged only in the mandatory reporting period. Finally, the "absent-to-absent" pattern indicates that the disclosure of some categories remained unaffected by the law and thus never appeared in non-financial reports. In general, the shift from voluntary to mandatory has caused NFD volume to increase, but the same development has not occurred in terms of the quality of information offered, which is in line with Chauvey et al. (2015). Compared to previous studies investigating the preliminary effects of the Directive on the Italian context (Caputo et al., 2019; Mion & Adaui, 2019), the current paper points out that the Directive's impact can vary depending on the topics of disclosure. In contrast to Caputo et al. (2019) who highlighted that the Directive does not necessarily lead to greater NFD quality, the current case study clearly points out that the Directive has been able to enhance both the quantity and quality of disclosure for social and employee matters. Therefore, the paper emphasises that changes in the NFD from the voluntary to the mandatory regimes may have been affected by the internal morality (Bebbington et al., 2012) and sense of appropriateness (March & Olsen, 2006) developed by an organisation on specific topics of the disclosure.

Understanding how the bank reacted to the shift from voluntary to mandatory, both in terms of NFD quantity and quality, has also provided new insights that could enrich the ongoing debate regarding voluntary versus mandatory reporting (Costa & Agostini, 2016; Quinn & Connolly, 2017; Szabó & Sørensen, 2015). In SED studies, two main attitudes prevail with regards to the settings in which NFD takes place. While some scholars are in favour of regulations to mandate NFD (Hibbitt & Collison, 2004; Jeffrey & Perkins 2013), others believe voluntary disclosure to be more appropriate (Criado-Jiménez et al., 2008; Larrinaga et al., 2002; Llena et al., 2007). The current study falls somewhere in the middle, acknowledging the importance of both regimes. According to Bebbington et al. (2012, p. 90), "formal legislation alone cannot be sufficient to create a norm"; therefore, the current analysis of the bank's NFD over time reveals that there is no single "best" approach.

Voluntary experience with NFD allows organisations to become familiar with the process before experiencing and responding to mandatory requirements. The findings indicate that some important topics for the bank have been present in voluntary reports, and after the Directive, disclosure on these topics increased in volume. Thus, it seems that both voluntary and mandatory NFD play an important role in organisations. An interplay between regulatory and non-regulatory regimes is seen as useful for triggering and enhancing NFD (Chelli et al., 2018). On the one hand, the voluntary reporting period allowed the organisation to introduce certain areas of disclosure before the emergence of legal requirements. Some topics reported on a voluntary basis over the years were embedded in the organisation as priorities such that after the legal intervention, these items achieved advanced levels of development (i.e., social and employee matters). At the same time, the impact of the Directive is obvious. Topics like business model, assurance, and respect for human rights were completely neglected during voluntary reporting; however, these items began to appear in 2018 when they became mandatory.

The paper contributes to the theoretical development of institutional theory by pointing out that an interplay of institutional mechanisms exists and guides the bank's NFD. Contextualising institutional theory at two different periods and for different NFD topics, this study offers a new conceptualisation of the theory, as reflected in Adams and Larrinaga (2019). Thus, institutional forces do not have a linear impact in the homogenization process; rather, there is an interplay between various mechanisms. The data highlights that voluntary reporting was driven by counterparts undertaking the same actions. Thus, a mimetic mechanism seems to have played a role in driving the organisation into voluntary non-financial reporting. In addition, when there exists an actual law (i.e., the Directive), coercive forces dominate (La Torre et al., 2018) in the organisational processes. Therefore, from 2018 to 2020, coercive influences were ubiquitous for the bank. Regarding the topics of disclosure, the Directive has caused the appearance of certain topics in non-financial reports, whereas some others, such as due diligence matters, remained unaddressed. In terms of NFD quality, it appears that the introduction of the regulation caused little improvement. Social and employee matters represents the only category present since 2013 that has increased in quantity and, after the legal intervention, increased in quality as well. The insights garnered from the data suggest that social and employee matters are particularly relevant for the bank because they acknowledge their impact on society and people in general. As such, institutional theory enables the insight that although mimetic and coercive mechanisms remain in place (de Villiers et al., 2014), social and employee disclosure is influenced by normative forces. It is particularly important to acknowledge that institutional mechanisms co-exist and that it is therefore possible to produce normativity (i.e. regarding social and employee disclosure). Normativity is a result not of one single regime but a mix of institutional pressures (Chelli et al., 2018) and beliefs. Therefore, its production needs to be traced via the previous elements contributing to that achievement (Bebbington et al., 2012).

In addition to our study's contribution to the literature in the inter-connected arenas of accountability, disclosure, and regulation, some policy and practical implications can be drawn. The findings suggest that the regulation has been effective in extending the NFD and introducing new topics of disclosure that were absent prior to regulation. However, to make the regulation effective, the legislation should be clear in its purpose and content. Indeed, the results presented in this research highlight that, where the regulation is not clear and specific (i.e., regarding due diligence), the organisation tends to not comply, thus making the regulation ineffective. In response to this issue, the Alliance for Corporate Transparency Research Report (2019) supports the mandatory due diligence disclosure as a future action in the EU agenda. In terms of practical implications, the paper points out that organisations need to experience voluntary reporting in order to gain more experience and respond to mandatory requirements; more generally, companies should experience both the voluntary and then the mandatory reporting path (Chelli et al., 2018) in order to potentially develop a normative approach to SED.

Certainly, no research is exempt from limitations, including the current study. Though the paper contributes with a longitudinal analysis of NFD, it was not possible to access further interviews with other bank employees. However, after a few informal conversations with experts in the SED field who were connected to the interviewee and the bank, it was possible to confirm that the interviewee was the main person in charge of the bank's CSR activities. Furthermore, the seminars attended helped to complement the information gathered from interviews. Considering the limitations of the current study, future avenues of research might focus again on longitudinal analyses, consider a multiple case study, and try to understand how the interplay of institutional forces impacts NFD in multiple organisations. Specifically, considering that concerns about quality on a mandatory disclosure remain high, studying multiple companies using a longitudinal approach might help to reveal whether the quality of NFD is enhanced as part of the normativity scheme. The current study has determined that normativity (Bebbington et al., 2021) regarding social and employee matters is produced because it has long been disclosed by the bank and has been considered relevant in both voluntary and mandatory periods. Future studies could assess whether the quality is being enhanced as a result of experiencing different institutional forces, such as coercive ones (i.e., those exerted by the Directive), to later achieve normative levels at which the entities themselves consider high-quality disclosure appropriate (March & Olsen, 2006) and necessary. Much more investigation is needed to understand how institutional theory can support the interpretation of different accountability and reporting paths within a variety of organisations.

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Appendix I

Type of primary data	Duration	Location	Length of interview transcription
Interview #1	60 min	The Bank's headquarters	1,600 words
Interview #2	60 min	University premises	1,800 words
Interview #3	60 min	Online due to Covid-19	2,700 words
Seminar #1	45 min	University premises	2,000 words
Seminar #2	45 min	University premises	2,100 words
Seminar #3	45 min	University premises	1,850 words
Total	315 min		12,050 words transcription