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Materiality of Integrated Reports and Motivations for Publishing: Evidence from Japan

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Materiality of Integrated Reports and Motivations for Publishing: Evidence from Japan

A thesis submitted to fulfill the requirements of the degree of Doctor of Philosophy

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Declaration of Originality

The contents of this thesis (or any part of it) have not been submitted for a degree to any other higher education institution. To the best of my knowledge, this study is free from plagiarism and materials noted from other scholarly endeavors or equivalent sources have been duly referred to.

Signature:

Date: 2021/11/26

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Abstract

Corporate social reporting (CSR) in various forms, such as sustainability report (SR), integrated report (IR) and environmental report is considered a part and parcel of the mainstream business communication channel along with traditional annual reports, these days. Investors and stakeholders complain that there is too much information in these reports, yet they ask for additional information fitting to their own preferred category. This phenomenon gives rise to information overload and decreases overall information quality. The idea of 'materiality' presents a solution to these issues by offering an information filtering tool; however, materiality cannot be defined universally, and it differs based on contexts. Hence, numerous studies have been conducted to understand materiality, either from a content-element-based perception or from a principle-based perception; and, interestingly, even if Japan is one of the top practitioners of integrated reporting in the world, it is a bit overlooked in the corporate social reporting-based research horizon. To fill these gaps, by embracing a manual interpretive content analysis, this study has integrated both categorized materiality variables (CMV) and materiality disclosure quality variables (MDQV)—covering both content-element-based and principle-based grounds—and considered Japanese integrated reports. By analyzing 29 English IRs from the Japanese electric equipment industry, this study has concluded that IR preparers from this industry are pressing more on the CMVs and yet to understand the impact of MDQVs on CMVs. These companies are disclosing environmental and governance information in an appropriate manner; however, the social category of information is largely absent, and befitting materiality framework-based information is disclosed by a few companies. Additionally, they vouch for a 'financial materiality' of sustainability position by disclosing rich economic information; and their ESG-indicators related disclosures lack (objective) measurable facts, for both the CMV and MDQV sets. These findings beget another issue, i.e., what is the motivation of the IR-preparers for offering this specific pattern of information? To unearth this issue, an institutional theory-based thematic analysis is conducted by attaching three isomorphic—coercive, normative and mimetic—mechanisms to the elements of the Japanese institutional setting of CSR. Assessment suggests that motivation of the Japanese report prepares can mostly be explained by normative isomorphism; feeble influence of the existing reporting laws, voluntary CSR reporting platform, social responsibility attached corporate philosophy, and environmentally friendly societal value of the Japanese people stand as evidence of this logic. However, mimetic and coercive isomorphisms have moderate and low explanatory angles, respectively, while dissecting the motivation of the Japanese IR-preparers. Generalization of the study may get hampered due to the very subjective nature of interpretive and thematic analysis and the typicality of the Japanese context. Researchers of the CSR-arena, report-preparers and related framework or guideline setters may benefit from the output of this study.

Keywords: Corporate Social Reporting (CSR), Integrated Reporting (IR), Materiality, Disclosure quality, Content analysis, Institutional theory, Managerial motivation, Japanese company

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List of Acronyms

Acronyms	Elaboration
AASB	Auditing and Assurance Standards Board
ACB	Anti-corruption and Bribery
BC	Board Compensation
BCP	Business Continuity Plan
BMPD	Business Model and Product Design (Innovation)
BSD	Board Structure and Diversity
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMV	Categorized Materiality Variable
CSR	Corporate Social Report/Reporting
DISE	Digital Inclusion and Social Enabling
DS	Data Security
ECA	Environmental Communication Award
EDI	Employee Diversity and Inclusion
EM	Energy Management (Consumption/ Efficiency)
EMAS	EU Eco-Management and Audit Scheme
EMS	Electronic Manufacturing Services / Environmental Management System
ERA	Environmental Reporting Award
ESG	Environmental, Social and Governance
FASB	Financial Accounting Standards Board
FEE	Fédération des Experts Comptables Européens
FSA	Financial Services Agency
FSC	Forest Stewardship Council

GCE	GHG and/or Chemical Emission
GHG	Green House Gas
GPIF	Government Pension Investment Fund
GRI	Global Reporting Initiative
HEWM	Hazardous Materials and/or Electronic Waste/Waste Management
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IOSCO	International Organization of Securities Commission
IR	Integrated Report
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
JACSES	Japan Center for a Sustainable Environment and Society
JASDAQ	Japan Association of Securities Dealers Automated Quotation
JEA	Japan Environmental Association
JPX	Japan Exchange Group
KPI	Key Performance Indicator
KPMG	Klynveld Peat Marwick Goerdeler
LCD	Liquid Crystal Display
LPWC	Labor Practice and Working Condition
MAP	Materiality Assessment Process
MDP	Materiality determination (assessment) process with stakeholder engagement
MDQV	Materiality Disclosure Quality Variable
METI	Ministry of Economy, Trade and Industry
MNC	Multinational Corporation
MOE	Ministry of the Environment
NER	Network for Environmental Reporting
ODM	Original Design Manufacturing
OHS	Occupational Health and Safety
PCA	Political Contribution and Accountability
PDCA	Plan-do-check-act
PR	Public Relation
PRTR	Pollutant Release and Transfer Register
PTT	Targets and/or progress towards targets or goals
PWC	Price Waterhouse Coopers
RM	Recycling Management
ROE	Return on Equity
SASB	Sustainability Accounting Standards Board
SCIM	Supply Chain Integrity and Management
SEA	Social and Environmental Reporting
SEC	Security Exchange Commission
SMS	Separate materiality section describing material issues
SR	Sustainability Report
SRO	Identification and description of the system of risk and opportunities
TCFD	Task Force on Climate-related Financial Disclosures
TD	Training and Development
TDnet	Timely Disclosure Network
TSE	Tokyo Stock Exchange
UNGC	United Nations Global Compact
VCP	Company's unique value creation process or story
VHS	Video Home System
VRF	Value Reporting Foundation
WBCSD	World Business Council for Sustainable Development
WWM	Water and/or Wastewater Management

Chapter 1

Introduction

Annual reports have been the go-to source of information for the intended users for years; however, nowadays, other forms of corporate reporting platforms—integrated reports, sustainability reports, stand-alone environmental reports—are on the verge of hitting the mainstream (Cuganesan et al., 2010; Guthrie and Abeysekera 2006; Unerman, 2000). For the last couple of decades, these non-financial reporting channels have been heading towards an institutionalized status, which is especially true for the listed companies (Cho et al., 2015). Non-financial reporting platform is praised for its transparency and accountability for it fuels environmental and social impacts (Burrell and Roberts, 2014). On the flip side, it is marked as an impression management-based public relations tool and criticized for its legitimacy seeking objective and greenwashing attempts; to add, companies may over-report positive disclosures and under-report the negative ones exploiting the (mostly) voluntary nature of corporate social reports (hereafter, CSR) (Cho et al., 2015; Lock and Seele, 2016; Marquis et al., 2016).

Report users often complain that the CSRs offer an overwhelming volume of information, yet they keep looking for additional categories of disclosures. This contradictory scenario gives rise to the 'information overload' issue (AccountAbility, 2006; Gelmini et al., 2015). Materiality offers a befitting solution—a data-filtering function—to this issue by providing content selection principles that aid the stakeholders in grabbing relevant information (Diouf and Boiral, 2017; Eccles et al., 2012; Lubinger et al., 2019; Zhou, 2017). Furthermore, it can be employed to manage potential negative impacts on business and can assist in expressing sustainability strategies to external stakeholders (Puroila et al., 2016). Still, materiality can also be used as an expectation management tool and to portray a narcissistic firm-image in CSRs (Edgley, 2014; Stubbs and Higgins, 2018).

The journey of materiality started in a quantitative form—threshold-based judgment—to protect the investors depending on financial information (Jebe, 2019). Unfortunately, the financial accounting genre of materiality is unable to address the diversified environmental, social and governance (hereafter, ESG) related information-demand of multi-stakeholder groups; hence, various standard-setting and guideline providing bodies are putting herculean efforts to reconceptualize materiality, covering the ESG horizon (Zadek and Merme, 2003; Zhou, 2017). Interestingly, the role of judgment in a non-financial context, while defining and applying materiality, is heavier compared to the financial counterpart; to add, dearth of clear guidance and experience construct exploiting loopholes for the report preparers (Guthrie and Parker, 1990; Lai et al., 2017).

Among the non-financial reporting platforms, IIRC's[1] proposition of integrated report (IR) is enabling stakeholders to make informed decisions by harnessing linked financial and non-financial information. IR has received substantial attention from researchers and practitioners; numerous firms are employing their resources to formulate this (Eccles and Krzus, 2010; Lai et al., 2017; Mio et al., 2020). Nevertheless, the greatest challenge of the IR platform is the conceptualization and implementation of materiality (AICPA and IIRC, 2013; Gerwanski et al., 2019). Interestingly, capital channeling decision from the investors are dependent on what is (or is not) included—determined by materiality assessments—in the reports; despite intensive efforts from several scholars a clear distinguishment between the material and immaterial items are still unavailable (Deegan and Rankin, 1997; Kitsikopoulos et al., 2018; Whitehead, 2017). Considering all these, IR-setting happens to be a befitting domain for exploring the idea of materiality (Lai et al., 2017).

Since 2002, Japan is one of the advanced countries in the world, from the perception of practicing corporate social reporting (CSR) and nowadays, it is the second-ranked country in the world in publishing IR (Reporting Exchange, 2019; Schrader, 2019). Although Japan has a quite rich history and culture of environmental reporting/corporate social reporting/integrated reporting, compared to the Anglo-Saxon countries—the USA, the UK and Australia—it is severely understudied (Mata, et al., 2018). To add, Japan is a nation with an interesting institutional setting; it has traditionally been configured with a *J-firm* (featured with a main bank, cross-shareholding and intensive focus on employees as major stakeholders) corporate governance code (Aoki, 2007), a guideline dominated voluntary CSR context (Lewin et al., 1995; Choi and Aguilera, 2009), a code-law based legal framework (Aman et al., 2021) and positive mindset of the companies towards social responsibility (Boardman and Kato, 2003) and related reporting (Schaede, 1999). Except the *J-firm* corporate governance code, other features of the Japanese institutional settings denote a fertile ground for the development of integrated reporting (García-Sánchez et al. 2013; Vaz et al., 2016); interestingly, through the influence of globalized corporate practice, *J-firm* governance is largely modified now (Aoki, 2007; Aguilera et al., 2017) and gradually becoming suitable for CSR. For all the said grounds, the Japanese integrated reporting arena is a befitting scope for conducting this study.

Subsequently, the main objective of this study is to assess the existence of materiality in the Japanese electric equipment industry's IRs by applying interpretive manual content

[1] International Integrated Reporting Council

analysis and referring to selected materiality variables. The mentioned industry is chosen because the Japanese electric equipment industry is the highest IR-reporting one for five years on the trot (KPMG, 2019). Logically, motivation for this paper is coming from a threefold source: vulnerability of materiality-conceptualization in the non-financial reporting horizon, IR's inherent challenge—despite its broad acceptance—of implementing the materiality concept, and stakeholders' ever-growing dependency on relevant ESG information. Consequently, the first research question of this study is "are the Japanese electric equipment companies disclosing material information in their IRs?"

For answering the first research question, initially, categorized materiality variables (CMV)[2] and materiality disclosure quality variables (MDQV) are accumulated from various related and major sources. The sample[3] contains 29 English integrated reports from the Japanese electric equipment industry, representing 2019's CSR. Data are collected, coded and interpreted by pursuing a manual interpretive content analysis methodology and two different disclosure indexes for the two variable sets. Results and related interpretations depict that sampled companies gave more importance to categorized materiality variables and yet to comprehend the impact of materiality disclosure quality variables; individually, the social impacts of business and materiality framework are largely overlooked. Moreover, their perception of materiality is highly influenced by local guidelines, they embrace 'financial materiality' of sustainability, and ESG-indicators in their reports lack measurable facts.

Now, the question remains: "why the Japanese integrated report publishers are publishing such specific types of disclosures in IRs, i.e., what is their motivational source?" This is the second question, and it can be answered through three fundamental theories, such as legitimacy, stakeholder and institutional theories. Legitimacy theory projects itself from an interest-based (survival) motivational source, stakeholder theory presses on the idea of powerful stakeholders' demand and institutional theory focuses on three—coercive, normative and mimetic—mechanisms to explain managerial motivation to publish corporate social reporting. Interestingly, institutional theory is the only one that can cover the explanatory angles of the other two theories and stretch to additional grounds (Mahmud, 2020). Therefore, this portion of the study prefers an institutional theory-based thematic analysis and focuses on the institutional setting of the Japanese CSR arena to understand the managerial motivation of publishing IRs. The output of the thematic analysis shows that normative isomorphic

[2] See section 4.3, table 4.3 and table 4.4 for further understanding regarding CMV and MDQV
[3] See section 4.4 for understanding the logic behind sample-framing

mechanism is the strongest candidate to explain the said motivation, whereas coercive isomorphism is a feeble contender, and the mimetic counterpart is a moderate one in the same platform. In Japan, the dominance of a voluntary corporate social reporting platform, low influence of the law, and the existence of a positive corporate and societal philosophy make the normative mechanism an ideal microscope to focus on managerial motivation.

In the process of answering the questions regarding Japanese IR-materiality and motivation behind publishing IRs, this study contributes by accumulating materiality variables from multiple (standard setters, guideline providers, regulators, scholars) sources, by employing two different kinds of variable-sets, by conducting the first-ever non-financial-materiality based investigation considering the Japanese electric equipment industry's IRs and by offering a framework for dissecting the typical Japanese motivational standpoints of IR-preparers.

The rest of the study is structured as follows: chapter 2 provides a theoretical background (basics of legitimacy, stakeholder and institutional theories, comparison among these theories and reasons for choosing the institutional theory to explain the motivation for publishing IR) and related knowledge bases (materiality conceptualization in a non-financial context and content analysis in the CSR-arena); chapter 3 discusses the history of the Japanese corporate social reporting along with its institutional setting; chapter 4 holds the methodological approaches by which the said two questions are answered; chapter 5 offers findings and related discussion; and, finally chapter 6 enumerates concluding remarks, limitation of this study and future research opportunity.

Chapter 2

Theoretical Framework and Background

There is an unavoidable interdependency between firms and society, which binds these parties into a 'social contract'. According to Mathews (1993), there remains a social contract between corporations and individual members of the society. Additionally, Shocker and Sethi (1974) postulated that, any social institution or business runs in society, without any exception, via a social contract; in which, the survival of the business depends on the capability of delivering socially desirable good and service; and at the same time, the business expects some economic, social and political benefits from the community they serve. Notably, failure to respect such a contract forces a firm towards several negativities. A failed firm will face difficulties accessing required resources, its cost of capital will increase, share price will decrease, the government will bind it with tighter regulation and hefty penalties; then ultimately, it may cease to exist (Cao et al., 2010; Deegan and Rankin, 1996; Dirk, 2007; Lott et al., 1999; Longenecker et al., 2007). Logically, to keep operating and profiting, firms want to legitimize themselves, which ignites the idea of 'organizational legitimacy'.

Currently, in the process of coping up with the modified scenario—additional information demand regarding ESG (environmental, social and governance) impact of the firms—of the corporate reporting world, firms are offering Corporate Social Reporting (CSR), mostly, in the form of Sustainability Report (SR) and Integrated Report (IR) (some firms are still posting such additions at the traditional annual report). There is an ongoing debate regarding whether the firms are offering such CSRs to legitimize themselves or to represent their true ESG position (Ashforth and Gibbs, 1990; Bachmann and Ingenhoff, 2016; Deegan, 2002; Deegan, 2014a). To conclude this debate, i.e., to find out the motivation of the report preparers for publishing CSRs, arguments can be posted from the perceptions of legitimacy, stakeholder and/or institutional theories. Ultimately, this study is destined to understand the presence of materiality in the Japanese integrated reports by utilizing content analysis.

Therefore, the mold of the rest of the chapter is as follows: section 2.1 and 2.2 cover discussions about legitimacy, stakeholder and institutional theories; section 2.3 tries to find the 'champion' theory to explain the said publishing motivation; section 2.4 enumerates the conceptualization of materiality focusing on the non-financial reporting context; and finally, section 2.5 presents properties of varied content analysis methods along with recent investigations in the corporate social reporting arena based on content analysis.

2.1 Legitimacy Theory: The Most Popular Theory to Explain the Motivation behind CSR Disclosures

2.1.1 Definition of Legitimacy from Previous Literature

The world of legitimacy (organizational legitimacy) is perceived by various authors from different angles, over the years. Some have tried to rationalize it by the idea of social attitude and values, whereas others have described it from the viewpoints of Justice, legislation and environmental care. Interestingly, some investigators have gone as far as to the angle of cultural aspects and organizational resources to denote organizational legitimacy.

According to Suchman (1995), legitimacy is a measure of the attitude of society toward a corporation and its activities. He also pressed that, legitimacy relies upon the values that a society holds and behaviors that society believes are acceptable. Taking the same side, Lindblom (1993) mentioned: legitimacy is a condition or status that exists when an entity's value system is on the same string as the value system of the major portion of society. Maurer (1971), took the aid of morality explaining the idea of legitimacy, stating that; legitimacy involves a process of justification, by which an organization strives to justify itself to its peers or its superordinate systems its very right to exist. Dowling and Pfefffer (1975) also supported the idea of Maurer and added that a corporation is legitimate when it is judged to be just and worthy of support by society. Suchman (1995) had almost the same idea and mentioned that legitimacy is not an abstract measure of the rightness, of the corporation, rather, a measure of societal perception of the adequacy of corporate behavior. Bansal and Roth (2000) were a bit direct and specific in explaining the idea of legitimacy. They took the side of legislation and environmental care and mentioned: legitimacy is complying with legislation, establishing an environmental committee to monitor an organization's environmental impact, conducting environmental audits, and lining up with the environmental advocates. Being an outlaw, Meyer and Scott (1983) said that legitimacy is denoted by the extent to which the array of established cultural accounts provides explanations for its existence, functioning, and jurisdiction. However, the most condensed and organizational definition of legitimacy came from Parsons (1960). According to his literature: legitimacy helps to attract resources and continued support of the constituents. Hence, legitimacy itself is a source. Suchman (1995) added on the same note stating that, legitimacy is just like money; it's a source that a business requires to operate.

All the said ideas of legitimacy hover around the concepts of 'acceptability' and 'approval'. However, much of this literature is highly theoretical and mark legitimacy as an explanatory concept rather than examining it as an empirical property (Suchman, 2008). Table

2.1 summarizes the various perceptions (variables) from which the authors have, so far, described legitimacy.

2.1.2 Various Conceptualizations of Legitimacy

The concept of organizational legitimacy may be built by referring to various notions. To get a grasp of this idea in a comprehensive manner, various viewpoints for conceptualizing organizational legitimacy may be referred to, such as institutional (macro), regulatory, political (moral/normative), cognitive and strategic (organizational/pragmatic).

Table 2.1: Diversified variables to describe legitimacy by various authors

Author(s)	Variable(s)
Suchman (1995)	Social acceptance, social value, rightness of corporation, operational resource
Parsons (1960)	Resource attraction
Bansal and Roth (2000)	Legislation and environmental care
Lindblom (1993)	Social value system
Maurer (1971)	Morality, the process of justification
Dowling and Pfefffer (1975)	Just and support-worthiness
Meyer and Scott (1983)	Established cultural accounts

In the institutional layer, the concept of legitimacy is derived from various macro variables (institutions). According to Tilling (2004), major macro variables are government, religion, societal belief and economic distribution system. To make it more specific one can refer to this simple instance: an individual from the USA may perceive a democratic government with a capitalist economic system as a legitimate one, whereas someone from Russia may perceive a nationalist government with a socialist economic system as a legitimate one. Suchman (1988), denoted institutional legitimacy in a specific manner by tagging it only with cultural and constitutive beliefs. However, regulatory legitimacy is related to conformity with rules, laws and sanctions. Scott (1995), elaborated that regulatory legitimacy refers to ‘doing things correctly’ by aligning with the laws and norms of an industry association, governments, professionals, organizations and other like institutions. On the other hand, political (moral/normative) legitimacy depends upon the notion of right-wrong of a given society. Melé and Armengou (2016) stated that this type of legitimacy-conceptualization focuses on intrinsic value, and it convinces the firm’s stakeholders and the general public regarding the ethical acceptability of an institution or its activities/projects. Waddock (2004), added the concept of civil standards and mentioned that an organization can achieve such

legitimacy by offering the social community ethical activities that involve communicating, reporting and meeting civil standards. Vaara and Tienar (2008) provided a simplified description, i.e., such a type of approach is associated with moral legitimacy. Interestingly, Song and Zeng (2011) combined the idea of normative legitimacy and moral legitimacy on the same string by postulating that normative legitimacy is related with 'doing the right thing', which can also be termed as moral legitimacy. People try to legitimize an organization by reconciling it with the social values and moral standpoints that are shared by all the stakeholders. On another note, Suchman (1995) identified cognitive legitimacy as the most durable and most efficient one. He stretched his position by stating that: cognitive legitimacy can be broadly defined as how well organizations execute their activities from the stakeholders' perceptions. DiMaggio and Powell (1983) suggested that people have some preset universally acceptable notion related to the activities of an organization. They visualize an organization to behave in their 'acceptable' way and they take for granted that a certain organization will act accordingly, regardless of context.

Strategic legitimacy is the viewpoint, from which most of the accounting researchers tend to conceptualize legitimacy (Tilling, 2004). According to Suchman (1995), legitimacy is an operational resource that an organization extracts from its surroundings, which, end of the day, is being used to pursue its goals. He also marked this strategic understanding of legitimacy as pragmatic legitimacy. Pfeffer (1981) also focused on the point of attaining goals and mentioned that managers utilize legitimacy associated with culture, social norms and ethical values to reach their tangible goals, such as sales, revenue and profits. To Dowling and Pfeffer (1975)—who focused on the competition issue— this sort of legitimacy is used by companies to strengthen their competitive standing and to distinguish themselves from others in the same industry. Captivatingly, Ashforth and Gibbs (1990) and Vogel (2005), offered a transparent, yet straightforward marking of such concept of legitimacy, i.e., from strategic perception, legitimacy is planned and calculated. Hence, organizations tend to adapt their strategies to get themselves tagged with legitimacy and they do it in varied manners by their perceived legitimacy. This idea can be marked with three typical contexts:

Establishing/Extending: In this context, an organization wants to establish itself or try to justify its entry into a new domain (such as new/alternative healthcare products). Here the management remains aggressive and proactive (Ashforth and Gibbs, 1990). The organization tries to pursue the extending strategy when they and/or the society are unsure of the technology

used and or product/output and when there are major risks involved (Hannan and Freeman, 1984; Meyer and Scott, 1983; Singh et al., 1986).

Maintaining: When organizations have a certain level of acceptance in society, they tend to maintain it for ongoing activity. Most of the organizations find themselves in this context. According to Ashforth and Gibbs (1990), organizations go for symbolic assurance and prepare for potential hindrances. Additionally, they try to send warm signals to the society by letters to shareholders, trade shows, CSR activities, advertising, press releases, speeches and so on.

Defending: Organizations follow this strategy when their legitimacy is in dire straits and their mere existence is threatened (such as the deforestation industry). They become aggressive again, but with a reactive approach (Ashforth and Gibbs, 1990). In such a scenario, often, organizations invest heavily in symbolic legitimacy (Hirsh and Andrews, 1986). Interestingly, they try to manage legitimacy by providing an increased amount of social and/or environmental disclosures (Deegan et al., 2000). Most of the accounting researchers focus on this phase of legitimacy and it also offers the greatest opportunity to study the critical correlation between legitimacy and resources (Tilling, 2004).

To sum up, various stakeholders may conceptualize legitimacy from diversified viewpoints, and it depends on the individual, firms, institutions/systems, organizational life cycle/strategic context, morality, socially/universally acceptable norms/culture, and even on legislative standpoints. If anybody wants to link the idea of legitimacy and CSR and tries to test the relationship from different angles, understanding the dynamics of legitimacy conceptualizations becomes essential. Hence, this section provides vital building blocks for the core segment of this paper, e.g., legitimacy and CSR.

2.1.3 How Organizations Manage their Legitimacy?

Organizations have various ways by which they may want to manage legitimacy. To Ashforth and Gibbs (1990), there are two broad ways: a) Substantive management and Symbolic management. In these approaches, multiple paths are available for an organization to follow.

Substantive Management: Organization may perform various roles—ensuring ROE for shareholders, job security for employees, quality products for consumers—that are expected from the perception of various major stakeholders (Nord, 1980). They may pursue coercive

isomorphism and conform to values, norms and expectations, e.g., formal planning and sophisticated technology of the constituents (DiMaggio and Powell, 1983; Nystrom and Starbuck, 1984). They can also make themselves flexible with alternative resource dependencies by having long-term contracts or having various suppliers (Pfeffer and Salancik, 1978). When forced, they may rather push social practices and norms towards organizations' ends and means, such as tobacco coalition funding for medical research (Miles, 1982).

Symbolic Management: In this method organizations fabricate their legitimacy management. Sometimes, they fake their conformity towards social values without believing those (Snow, 1979). To add, they may suppress information regarding activities negative to legitimacy, e.g., filing for voluntary bankruptcy (Sutton and Callahan, 1987). Occasionally, they offer fresh interpretation to legitimacy-related issues (Pfeffer and Salancik, 1978) and/or may tag the issue with other actors/values/symbols that are themselves legitimate (Dowling and Pfeffer, 1975). Organizations also offer excuses and justifications through various communication channels, such as managers' explanations at the 'letter to shareholders' section) (Bettman and Weitz, 1983). Interestingly, when they do not have any other option left, they may also apologize accepting partial responsibility for a negative incident to gain sympathy and to maintain managerial credibility (Sutton and Callahan, 1987). However, in befitting cases, they also opt for ceremonial conformity and align with highly visible social expectations, i.e., forming corporate ethics committee and investigation task force (Meyer and Rowan, 1977; Ashforth and Gibbs, 1990).

Even if the organizations have so many ways to gain legitimacy, in most cases, they pursue the easier—symbolic management of legitimacy—option. Substantive management is perceived as a luxury and not considered as a legitimacy management approach by most of the managers, because those managers are myopic towards the growth of their firms.

2.1.4 Legitimacy and Corporate Social Reporting (CSR)

In the previous sections, the idea of legitimacy was constructed from diversified viewpoints and reasonings. Now, having got the idea of legitimacy, in this section, one can figure up the rationales behind CSR's adjacency to legitimacy, configuration of a legitimacy-focused CSRs, and what may happen if only legitimacy-intention drives CSR offering.

Communication is the way by which an organization wants to validate its legitimacy (Coopers and Lybrand, 1993; Dowling and Pfeffer, 1975). There are numerous ways that

companies use to do so: a) advertising, b) public relation brochures, c) employee newsletter, d) annual report. Buhr (1998) added on this point saying that, annual report is the most accepted and recognized corporate communication vehicle. To add, since the annual report is credible to the users, it can be used to project a customize impression of a company; and thus, it may serve as a legitimizing instrument (Abrahamson and Park, 1994; Guthrie and Parker 1989). Corporate Social Reporting (CSR) is used to be a part of the annual report. However, nowadays, as a CSR tool, a composite report―Integrated Report (IR)―holding traditional annual report along with ESG (Environmental, Social and Governance) information; and a separate ESG report―Sustainability Report (SR)―are also becoming popular.

Corporate Social Reporting (CSR) is expected to disclose information that enables the user to a) measure the social and environmental consequences of corporate actions, b) measure the effectiveness of corporate social and environmental programs, c) understand how corporates discharge their social responsibilities and d) have a picture of all corporate resources that may have an impact on society or environment (Parker, 1986). To Niskala and Schadewitz (2010), responsibility reporting, i.e., CSR is a communication tool for the company to reduce information asymmetry between managers and investors; that may, consequentially, assist in the market valuation of a firm. However, Hooghiemstra (2000), postulated in a contrasting manner, stating that companies use corporate social reporting as a communication tool to influence people's perception of the company. According to Gray et al., (1995), companies use social reporting to maintain a healthy relationship with the related parties, so that, they may continue to profit and grow. In recent ventures, authors are more direct and suggest that in a dynamic political and social environment CSR is increasingly interpreted as a means, with which companies can obtain organizational legitimacy (Bachmann and Ingenhoff, 2016; Castelló and Galang, 2014).

2.1.5 Salient Features of Legitimacy-focused CSR

To understand the relationship between CSR and legitimacy seeking of companies, one may want to delve into the following salient features:

Adaptive disclosures: Hogner (1982), did a study on the US steel corporation for more than 80 years and concluded that there are variations in the extent of social disclosures and such variations represent the adaptiveness of the companies' disclosures with the society's expectations. Guthrie and Parker (1989) also investigated the disclosures of a large Australian

company (BHP Billiton) from 1885 to 1985 and concluded positively on the 'reactive' attitude of BHP Billiton's disclosure policies towards major social and environmental events. These studies drew a conclusive figure of the adaptiveness of CSR to stakeholders' anticipations.

Defending unrest: Occasionally, CSRs are utilized to mitigate industry-specific unrest and to cover for company-specific allegations. Patten (1992), concluded that, after the Exxon Valdez[4] incident in Alaska in 1989, companies in the North American petroleum industry increased the amount of environmental disclosure. On an adjacent note, Deegan and Rankin (1996) found that around the time of environmental prosecution, the guilty company tends to post more environmental disclosure of favorable nature to offset the negative consequence of the prosecution, compared to the non-persecuted companies.

Media agenda-setting theory: Ader (1995), explained the term 'media agenda-setting theory'[5] postulating that individuals in the society follow the amount and distribution of media coverage among numerous issues and tend to focus on the issues that are covered by media in a major manner. Therefore, media sets the agenda of discussion in society. Brown and Deegan (1998) extended this concept and suggested that if media focuses on a certain social and environmental issue, companies post higher levels of environmental disclosures, and it varies according to the media's agenda. Islam and Deegan (2010) investigated the relationship between global news media coverage and disclosures offered by related MNCs. Interestingly, they found that when the global media exposed poor working conditions and child labor usage in developing countries, in which the MNC's outsource their labor; they identified it as a legitimacy crisis, and consequently, responded by posting disclosures that are specifically targeted to the highlighted issue.

Alternative motivations: Various pieces of literature discussed in this section would give rise to the fact that the prime objective of CSR of the companies is survival of thyself, whereas it is supposed to be the accountability of providing predictive information for the stakeholders. However, this is not conclusive since there are authors with alternative findings. Wilmshurst and Frost (2000) conducted a survey among CFOs asking them to rank various factors that influence their environmental disclosure decision. Surprisingly, the CFOs ranked predictivity of the provided information as a prime influencer, not legitimacy. Moreover, O'Dwyer (2002) investigated senior executives of large Irish companies and found that

[4] https://www.history.com/topics/1980s/exxon-valdez-oil-spill
[5] For further understanding of 'media agenda-setting theory', see McCombs and Shaw (1972); Zucker (1978)

managerial motivations for offering social and environmental disclosures were sometimes related to organizational legitimacy, not always.

2.1.6 Objectives of Legitimacy-focused CSRs

From the literature discussed in this study, one can sniff that the core objective of firms to offer corporate social reporting is to legitimize the existence of the same. Nonetheless, according to Mousa and Hassan (2015), there are some other subordinate objectives, that the firms want to achieve: a) to depict their compliance with government and other related institutions' regulations, b) to gain marketing benefits that may stem from CSRs, c) to differentiate themselves from other competitors concerning the emerging sustainability space, and d) to earn reputation by projecting an impression of a 'good company'.

2.1.7 Negative Consequences of Legitimacy-focused CSRs

Although, most of the companies have self-serving agendas in their mind and want to achieve only positives by offering legitimacy focused CSRs, on the other side of the coin, various negatives await them:

True Sustainability Vs adaptation: Organizations that offer legitimacy-focused CSR are not aligning with the spirit of 'true sustainability'. True sustainability spirit would require the management to believe that they are responsible and accountable to the environment and the current and future generations. Unfortunately, most organizations are offering disclosures pursuing adaptation to public expectation, not 'true sustainability' (Deegan, 2014a).

Less pressure for CSR regulation: Generally, companies throughout the world are not legally pressurized to offer sustainability disclosures and often they determine the extent and pattern of their disclosures. Highlighting this phenomenon, Deegan et al. (2002), suggested that, if the companies are successful in legitimizing themselves with their CSRs, then public pursuance towards disclosure legislation will be less. Eventually, the firms will retain control in their CSR practices.

May become a boomerang: When companies protest too much to legitimize themselves and offer an extensive amount of sustainability disclosures, people, sometimes, become susceptible to their actions. Jones and Pitman (1982) coined an interesting term—self-promoter's paradox—mentioning that since protests of competence are likely to happen as and

when actual competence is questionable or unknown, people tend to brush off such protests. According to Ashforth and Gibbs (1990), the lower the legitimacy, the more is the possibility that a company will pursue unethical, heavy-handed, intensive, rigid, intolerant, evasive, exaggerated, and inflammatory legitimacy approaches. CSR is most likely to be a part and parcel of the said legitimacy approaches. To people, such a company is marked as an actor and loses legitimacy rather than earning it.

Make prediction confusing: When people become susceptible to sustainability disclosures, they find themselves unsure regarding the evaluation process of a company pursuing CSRs. A bunch of firms may force the people to mark all the firms as 'actor'. It paralyzes the predictivity of information provided. As Puxty (1991) identified: legitimation is not an innocent activity; it may turn out to be very harmful and may also become a challenge to clarification and hence advancement.

2.1.8 Is Legitimacy Theory a Firm Tool to Explain the Relationship between itself and CSR?

Researchers from the area of business and economics have used the idea of legitimacy to explain various concepts related to firms and CSR motivations. However, determinants of legitimacy theory and perceived impacts of legitimacy-focused CSR do not always follow straight paths.

It is not always an 'every company for thyself' scenario: Sometimes there is over-simplification that all the firms offer CSRs following their self-interest only. This case is not universally true. According to Oliver (1991) and DiMaggio (1988), there are socially responsible companies, that may go beyond the boundary of self-interest and act for the welfare of others. They added: companies may have basic ethical connotations integrated into their value system and may act ethically/responsibly not because of survival instinct/fulfilling self-interest, but because it is simply wrong to do otherwise. Furthermore, Deegan (2014b), mentioned that sometimes managers and firms are subconsciously influenced by the social norms and values and adjust themselves and their disclosures accordingly. Therefore, it will be foolish to consider that the actions and disclosure orientation of firms are pushed by the idea of legitimacy.

No objective measurement of changes in legitimacy: Numerous studies have been conducted postulating that if an adverse social and/or environmental phenomenon influences

the legitimacy of a firm negatively, it increases the number of legitimizing CSRs. Consequently, as an aftermath, the legitimacy of a firm increases. It is a sort of 'yes/no' scenario; yes, legitimacy has changed/no, legitimacy has not changed. Unfortunately, there is no objective measurement by which we can understand the extent of changes in the legitimacy status (Deegan, 2014b). Additionally, he mentioned that there is a lack of research in understanding the specific types of sustainability disclosures that truly increase the legitimacy of an organization.

Ignoring the legitimizing impact of broader social system: When an organization post sustainability disclosure; it may have dual intentions: to legitimize itself and to legitimize a newly devised system. As Gray et al. (1995) suggested that social and environmental disclosures of a firm not only aid to legitimize the firm's output, methods and goals, but also, it may serve to legitimize a specific notion of an economic, political and social system. Archel et al. (2009), tried to understand the critical perspective in considering disclosure choices of an automobile company (VW in Spain). He found that the company introduced a new production system—a lean manufacturing system—that would hamper the employment of manual laborers and was offering additional disclosures to legitimize this new system. Interestingly, since it was efficient, the government also vouched for it. He concluded that organizations may also make disclosures to legitimize a specific system—with occasional help from the state—that they think will become institutionalized within the society.

Participants' dynamics are ignored: It is postulated by researchers that legitimacy-focused CSRs influence the broader society and beef up the legitimacy of an organization. Interestingly, there are various stakeholders with diverse/unequal power and sensitivity towards social and environmental disclosures. Therefore, it is difficult to gauge the actual impact of the disclosures. Managers opt for legitimacy-focused disclosures when they perceive a threat to their organizations' legitimacy. However, managers of different firms have diversified persona and sensitivity towards legitimacy threats. Hence, drawing a 'one-size-fits-all' conclusion regarding diversified legitimacy constituents is not a wise step (Deegan 2014a).

2.1.9 Final Notes

It is proven from various literature that firms offer CSRs mostly to legitimize themselves in the surroundings so that they can continue operating, growing and profiting. However, some pieces of literature support the true intentions of the firms and suggest that all firms are not selfish,

and some firms offer CSR to portray their true ESG position and to provide for the better decision-making of the related stakeholders. Interestingly, since the relationship between CSR and legitimacy is not a straightforward one, i.e., the relationship consists of multiple variables, it is hard to pinpoint the intention of the firms for providing their CSRs. Nevertheless, the following approach may ease the hardship to a great extent.

There are two perspectives to understand the aim of the companies for offering CSRs: a) either they are being selfish, fueling for survival and want to legitimize their existence to maintain their continuity towards profit, or b) they have moral values built-in their strategic and operational procedures, they believe in the concept of the right to information of their stakeholders, they post sustainability disclosures to increase the predictive value of their disclosures and they do so because they believe that it's ethical. However, it is difficult to distinguish between these two parties in a subjective—binary (0/1-yes/no) —manner. To understand the true intentions of a firm behind corporate social disclosures, we may try to measure: a) the number of resources that an organization is attracting from its critical stakeholders, b) extent, the pattern of social disclosures in the last 5/10 years, and modifications in the same, c) shock in the macrosystem and the industry in the said 5/10 years, d) linking the shocks with the modifications found and e) the substantive approaches of firms towards legitimacy management. Hence, if critical shareholders are spontaneous in sharing their resources towards an organization and that organization has substantive management of legitimacy along with symbolic ones, often, it would fall in the latter category and vice versa (shocks from the macro system/industry may modify this approach).

Interestingly, regardless of the intention of the CSR preparers, if such reports have too much information to justify a firm's operations or position of a given timeframe, CSR may backfire. Society may configure a weak image of a firm, following extensive justification efforts. Therefore, firms should mix up true substantive efforts with informative justifications in the CSRs; such mix will bring synergic impacts for the firms. They will attain legitimacy, still, will not be marked as an 'actor'.

Furthermore, legitimacy theory is being utilized to explain the intention of the firms behind publishing CSRs. Nonetheless, this theory itself has multiple issues that weaken its position as an explanator of the said intention of the firms. Some firms are not into legitimacy, rather they care for the right to information of the stakeholders and state information thereby.

Moreover, the impact of legitimacy and its management process are dynamic concepts, that vary according to personas and contexts. There is no 'one-size-fits-all' explanation regarding how legitimacy works in the real world. Therefore, generalizing based on legitimacy theory may bring faulty conclusions, too.

The relationship between the legitimacy intention of the firms and CSRs offered by them cannot be denied in a sweeping manner; on the contrary, it cannot be established that legitimacy is the only driver for publishing CSRs. In this era of information, legitimacy intention remains as a strong contender for explaining CSR's sustainability disclosures. However, a bit of backward engineering from CSR to the legitimacy management approach of an organization would do a world of good in understanding the true intention of a firm.

2.2 What About the other Two Theories: Stakeholder Theory and Institutional Theory?

Legitimacy theory had only one angle to explain the motivation behind publishing corporate social reports, which is interest-based and presses on the need for long-term survival of the companies. Other alternative perceptions, i.e., irrational motivation and stakeholder-demand-based ideas are discounted in this theory's periphery. Therefore, looking at these two perceptions, through institutional theory and stakeholder theory is a befitting ask.

2.2.1 Stakeholder Theory

Organizations should focus not only on their shareholders' interests but also on the interests of the other stakeholders, who can affect organizations or can be affected by them. Simply put, stakeholders have a 'stake' in organizations' operations and output (Freeman et al.,2004; Freeman, 1984). Hence, non-owning stakeholders should be brought under the firms' umbrella of consideration along with the owning-stakeholders (shareholders).

Researchers are divided into two groups while defining the boundary of stakeholder theory's consideration; some are enthusiastic to consider 'all and sundry' (having a stake) and others happen to be more strategical with 'direct-interest-based' perception. Wearing (2005) and Gray et al. (1996) postulate that stakeholder theory embraces the demand of all the parties who can influence a given organization (directly or indirectly) or can be influenced by it. To add, it also acknowledges the complex relationships between firms and the stakeholders, holding that, such relationships are built not only on interest but also on responsibility and accountability. On the flip side, Woodward and Woodward (2001) and Mitchell et al. (1997)

argue that stakeholder theory tends to identify the stakeholders worthy of management's focus; analysis from such position helps to recognize those deserving groups, to whom the business should be accountable and towards whom the business-efforts might be channeled. Such diversion leads us to a dual-mode discussion of stakeholder theory, namely, 'ethical' and 'managerial'.

2.2.1.1 Ethical (normative) Branch of Stakeholder Theory

From a normative perspective, the business has true social responsibilities. Hence, managers should try to optimize the interest of all the stakeholders, regardless of their ability (power) to influence the outcome of the business. However, in a conflicting scenario, managers must toil to balance the contradictory interests of the stakeholders in concern, as much as possible (Hasnas, 1998). On most occasions, stakeholders' interests are considered according to their benefit-based relationship with the shareholders. On the contrary, Donaldson and Preston (1995) have an alternative view and hold that stakeholders' interests should be considered because they have intrinsic rights—which should not be violated—and not because consideration of such interests will result in a beneficial shareholder position. To add, focusing on the accounting information perspective, O'Dwyer (2005) embraces that regardless of the capability of stakeholders to directly affect organizations' survival they should be provided with related information regarding organizations' impact on them; information should be there to aid them, even if they decide not to utilize those. This view supports the 'accountability model' postulated by Gray et al. (1991), which signifies that reporting is responsibility-driven—not demand-driven—and agent (firm) should disclose all the information for the principal (stakeholders) in corporate social reports, mentioning the extent to which they have discharged their responsibilities. Interestingly, nowadays, some transnational corporations are bigger than the economic capacities of the countries in which they operate and are politically connected too. Such a scenario begets immense responsibility and accountability on the shoulder of those companies to care for human rights and the environment (UNRISD, 2004).

Stimulatingly, such moral consideration of stakeholders would lead to an undefined (broad) boundary. From a pragmatic perspective, this type of comprehensive consideration is almost impossible to manage. To add, such a normative position only offers guidance focusing on the shareholder-based organizations, which, may not be empirically viable (Deegan, 2014b; Donaldson and Preston, 1995). In reality, organizations weigh a certain stakeholder group or responsibility towards it by reflecting upon the group's impact on shareholder value. Clarkson

(1995) aided the said pragmatic consideration of stakeholder groups by dividing them into two groups, namely, primary and secondary; the former can have an impact on the survival of the organization and the latter can be influenced or can influence the organization in an insignificant manner. Such disagreement between the ideal and real scenarios demands the introduction of the managerial branch of stakeholder theory.

2.2.1.2 Managerial (pragmatic/strategic) Branch of Stakeholder Theory

Introduction to this pragmatic branch of stakeholder theory would clarify managers' perceptions regarding interest management of various stakeholder groups and why they prefer to embrace a strategic position.

It is impractical to respond to the requirements of all the stakeholder groups. Therefore, the organizations will respond to the requirements of only those stakeholder groups who are deemed as 'powerful' (stakeholders having control over the supply of important organizational resources); consequently, the most powerful ones are satisfied first (Buhr, 2002; Nasi et al., 1997; Ullman, 1985). The concept of 'powerful' can also be interpreted as 'important'. Interestingly, Mitchell et al. (1997) proposed a framework to identify the important stakeholder groups—from an organizational perspective—referring to three determinants, namely, power, legitimacy, and urgency. Power refers to the influential capability of the stakeholders, legitimacy denotes stakeholders' demand-conformation to norms, values, and beliefs of society and urgency signifies whether stakeholders' demands require immediate action or not. Additionally, while explaining the objective measurement procedure of the legitimacy of an organization, Hybels (1995) identified four critical (powerful) stakeholders, e.g., state, public, the financial community, and media.

Gray et al. (1996) tied this pragmatic managerial perception with stakeholder importance and corporate reporting and held that to manage or to manipulate the stakeholders, i.e., to gain their support or to distract their disapproval, managers take the aid of corporate reporting, e.g., publishing financial and social accounting information. Furthermore, Lindblom (1993) added that organizations want to establish a 'socially responsible' image by performing socially acceptable activities and publishing information regarding those, which is also a part and parcel of their 'stakeholder relationship management' strategy. Nonetheless, this relationship management is not straightforward since it is complex to manage the heterogeneous stakeholder interests with homogeneous (general) sustainability information.

According to Miles (2002) and Mitchell et al. (1997), corporate social disclosures lead to conflicts among stakeholders, and balancing such conflicts requires a ranking of the stakeholder-groups, based on the power they hold. Gray (2001) postulated that—from the managerial perspective—this ranking is not always conscious or obvious; however, it can be utilized to understand, why information-demand of some of the stakeholder groups are met and some are not.

In practice, managers never embrace either the extreme ethical or the extreme managerial perspective. If it is assumed that there is a continuum of possible positions between the two extremes, i.e., ethical and managerial, managers would be obliged to stay at different positions of the continuum, according to a given context. Naturally, it is impossible to introduce 'moral imaginations' while operating in the market, and simultaneously, it is unwitty to dismiss the notion of 'right' and 'wrong' too (Deegan, 2014b; Wicks, 1996).

2.2.2 Institutional Theory

The concept of institution, its elements, and the molding process form the shape and explanatory power of institutional theory. Different types of isomorphic attitudes pursuing the institutional mold and the concept of decoupling may also aid to interpret the managerial motivations for publishing sustainability disclosures.

'Institution' refers to varied rules, regulations, ideas, understanding and cultural frameworks that advance to a level of social permanency, which is subject to a given context. Socially permanent actions/processes and organizational forms are understood as 'institutionalized' and gain taken-for-granted status. On top of it, when the said accepted aspects become highly institutionalized, these go beyond the discretion of individuals and firms and are considered legitimate practices. These institutions have a reality of their own and create an external coercive force on individuals, which eventually shape organizational behaviors (Zucker, 1987; Meyer and Rowan, 1977; Berger and Luckmann, 1966).

According to Scott (2008), three pillars constitute the skeleton of institutional theory, namely, regulative (rules, laws and related sanctions), normative (values and norms reflecting certain collective expectations), and cultural-cognitive (taken-for-granted symbolic systems and meanings). The regulative pillar is tied to government and other influential coalitions; the normative pillar denotes the notions of morality and is influenced by educational background and professional experience; the cultural-cognitive pillar—a strong psychological

reconciliation tool—is subjectively held yet exists as a part of objective reality. Organizations want to be on the same footing, pursuing the elements of the said three pillars and their goal is to be legitimate—such legitimacy doesn't guarantee efficiency, though—in the eyes of the related stakeholders. To reach this goal, organizations pick gaps between their informal practices and approved ones and embrace various forms of isomorphisms to mitigate the said gaps (Deegan, 2014b). DiMaggio and Powell (1991), explained that organizational institutionalization occurs through three different isomorphic mechanisms, viz., a) coercive isomorphism (feeling pressurized to copy a certain action or practice due to sanctions attached with it, which may come from a regulatory authority, professional body and powerful stakeholder groups); b) normative isomorphism (pursuing standardized benchmarks sourced to social values, norms, professionalism, formal education, and professional networks); c) mimetic isomorphism (copying the operations and practices of successful peer-organizations for competitive advantage, e.g., modern technology, reporting practice and so on).

2.2.2.1 How Organizational Fields Develop and Change? How Institutional Changes Take Place?

Isomorphism follows varied ways and means depending on a given 'organizational field'. An organizational field can form around issues that are perceived as vital related to the interests and objectives of a given industry, such as sustainability disclosure publishing patterns for those organizations who want to be seen as 'responsible' to the environment (Levy and Kolk, 2002; Hoffman, 1999). Organizational fields have a significant level of diversity in the initial phase; yet, when a given field becomes well established, an unavoidable push towards homogenization becomes dominant (DiMaggio and Powell, 1983). Various local organizational fields press the shape of sustainability reporting practices. Nevertheless, lately, the global issue-based field of sustainability reporting is replacing the local-based ones. This global level of institutionalization stems from the global concept of corporate social reporting and varied reporting standards, e.g., GRI, UNGC, CDP and so on (Chen and Bouvain, 2009; KPMG, 2011; Kolk, 2011; Kolk, 2010; Kolk et al., 2008).

2.2.2.2 How Regulatory and Normative Regimes may Explain Isomorphism of Sustainability Disclosure?

Voluntary corporate reporting, i.e., sustainability disclosure, is modified and changed following various institutionalized influencers, which is an isomorphic process too (Dillard et

al., 2004). Various regulatory and normative regimes, as a catalyst for the said modifications, are worth mentioning.

Regulatory regimes vary and may define the publication patterns (institutionalization) of sustainability information. History of corporate reporting to regulatory bodies, e.g., to SEC on environmental issues, goes a long way back in the USA, which gives rise to formal legal governance and rationalizes the development of extended voluntary reporting (Kolk, 2005; Kagan and Axelrad, 2000). On the other hand, in EU countries, publishing environmental information in the corporate reports is partially explainable by referring to a recommendation made by the EU to its member countries in 2001, that pushed for the legislation of the ESG disclosures (Criado et al., 2008). Interestingly, in Malaysia, firms are pressurized to abide by the ESG disclosure, if they want to secure governmental contracts (Amran and Haniffa, 2011). Whereas, in Japan, a quasi-regulatory pressure to specify the internal accounting procedure in managing the environmental issue is arising from a detailed environmental reporting guideline (Kolk, 2005).

Normative pressures can explain varied patterns (institutionalization) of sustainability information publication too. Pressures may stem from environmental-reporting award chasing culture lead by a professional organization, mass-acceptance of the necessity of external verification of sustainability information, social expectation regarding disclosing purchasing practices of firms, political endorsement of publishing ESG information, and industry structure forcing to pursue a certain environmental reporting behavior, such as European Eco-Management and Audit Scheme (EMAS) in Germany (Bebbington et al., 2012; Chen and Bouvain, 2009; Wenk, 2004). Interestingly, the institutionalization of GRI (Global Reporting Initiative)—a universally accepted sustainability reporting standard—is a mixed case of normative and regulatory pressure. Firstly, GRI was embraced by most of the firms because it became the industry norm. Secondly, GRI occurred simultaneously in an era when there were extended efforts for harmonizing international accounting standards and its development process had some involvements of international accounting bodies too. The first one denotes normative pressure and the second one regulatory potential (Higgins and Larrinaga, 2014; Kolk, 2011).

Institutional theory is one of the most dominant theories in organizational research fields. It is applied to study various phenomena, viz., responsible business behavior, sustainability reporting, sustainability management accounting, auditing, the role of accounting

profession and accounting standard-setting process (Deegan, 2014b; Chen and Roberts, 2010; Dillard et al., 2004). However, institutional theory is not without negativity. According to Hoffman (1999) and Oliver (1991), it is criticized for its inability to address fluctuations and for neglecting the role of social catalysts in the institutionalization process. Intriguingly, ‘isomorphism’ and ‘institutionalization’ are two of the vital-most concepts on which institutional theory banks; these two concepts may provide moral or financial perspective-based support for a given interpretation; nevertheless, it may not vouch for efficiency (Carpenter and Feroz, 2001; DiMaggio and Powell, 1983).

2.2.3 Comparison of Legitimacy, Stakeholder and Institutional Theories

2.2.3.1 Similarities

Legitimacy theory, stakeholder theory and institutional theory share the same root, (almost) same nature and similar orientations; and, these can be aligned in the same string from the perception of ‘adaptation’ and ‘decoupling’.

All the theories tend to interpret human activity in relation to a social, political and economic framework, and hence, root back to a broader theory, namely, political economy theory. To clarify, legitimacy theory, stakeholder theory and institutional theory are sourced to the bourgeois political economy theory which assumes that the world is a pluralistic place; institutional theory can also explain pursuing the classical political economy theory, which assumes that there are class struggles and sectional conflicts in society. To add, these three theories are system-oriented, i.e., they focus on the nexus between the organization and the operating environment (system) around it. Stimulatingly, all these are positive in nature and are shaped to interpret, explain and predict organizational and managerial actions. However, the ethical branch of stakeholder theory is an exception—being normative in nature—that embraces a ‘should-should not’ position regarding organizational and managerial actions (Deegan, 2014b; Gray et al., 2010; Hasnas, 1998; Gray et al., 1996).

These theories tend to explain a phenomenon based on its ‘adaptation’ to a certain aspect. legitimacy theory enumerates the adaptation of organizational operations based on a social contract, stakeholder theory discusses the same adaptation from stakeholder groups’ requirements perspective and institutional theory focuses on adaptation based on regulatory, normative and cultural-cognitive symbols and meanings (Scott, 2008; Hasnas, 1998; Mathews, 1993; DiMaggio and Powell, 1983).

Organizational ‘decoupling’—a discrepancy between organizational activities and its claim—is also another criterion on which all the theories press. Legitimacy theory claims that organizations discharge corporate social responsibilities not because they mean welfare, but because they care for self-interest. Stakeholder theory (ethical branch) holds that firms communicate their care for the interests of all the stakeholders; actually (managerial branch), they care for only those stakeholders who are powerful enough to influence their survival (Deegan, 2014b; Gray et al., 1996). On the same note, even if some institutional theory-based researchers claim that the isomorphism process of the firms is irrational and imposed, others postulate that organizations go through such isomorphism to (ultimately) legitimize themselves (Higgins and Larrinaga, 2014; Carpenter and Feroz, 2001).

2.2.3.2 Dissimilarities

Legitimacy theory deals at a conceptual (abstract) level, which is concerned with perceptions of society and processes that would uphold that perception, i.e., to honor the social contract. There is only one general social contract, without any subdivision. On the other hand, stakeholder theory deals at a micro-level, i.e., identifying specific stakeholder groups to integrate their interests in the organizational activities; hence, there are multiple contracts with different stakeholder groups. Whereas institutional theory assumes macro-level isomorphism in various regulatory, normative and cultural-cognitive setups, without any contractual relationships (Scott, 2008; Moerman and Van der Laan, 2005; Deegan, 2002; Carpenter and Feroz, 2001).

Additionally, legitimacy theory and stakeholder theory both adopt a ‘managerial’ (strategic) perspective and assume that organizations’ actions are opportunistic, and it is usual to manipulate with evocative symbolic management to pursue their interests, in respecting social contract or in selecting critical stakeholders. Whereas, the institutional theory holds that, sector-wide ‘structuration dynamics’ create cultural pressures and force organizations towards isomorphism; in such cases, organizations are irrational (not opportunistic) and do not have any managerial goal to attain. They act in a certain way, simply because their peers do the same, and in a specific context, certain actions have gained ‘taken-for-granted’ status (Higgins and Larrinaga, 2014; Suchman, 1995). This notion is also evident in the sustainability information publishing horizon. In polluting industries, where firms want to legitimize themselves to society or a given stakeholder group, publishing sustainability information is more common, compared to other industries; it supports the thoughts of legitimacy theory and

stakeholder theory. Nevertheless, a supporter of institutional theory would hold that, in a given industry (organizational field), publishing an exaggerated amount of sustainability information might just be an institutionalized pattern (Kolk, 2010; Brown and Deegan, 1998; Roberts, 1992).

Various theories, along with legitimacy theory, stakeholder theory and institutional theory have been utilized in the area of corporate social reporting, i.e., sustainability information publication; each of these focuses on social issues disturbing the firms and their response against those. However, these theories differ in two spectrums, namely, the nature of the issues' management and motivations behind such management (Deegan, 2014b, Nasi et al., 1997; Gray et al., 1996).

2.3 Which Theory has the Broadest Coverage while Explaining the Motivations for Publishing CSRs?

In the previous section, similarities and dissimilarities of the theories have been noted; these are starting points to find out the 'champion' theory that may have the broadest coverage to overshadow the other two theories. However, since the objective is to find an allrounder theory that can explain managerial motivation to publish corporate social reporting (CSR), adding understanding regarding versatile motivational platforms of the managers while publishing CSR will provide a head start in the current discussion.

2.3.1 Managerial Motivations for Publishing Sustainability Disclosure

Corporate communication through annual reports (mandatory) and other voluntary reports—integrated reports and sustainability reports—are common these days. Managers (firms) decide the type, timing, format and medium of disclosing information. Such decisions are made at an 'abstract level', mostly without considering the needs of the stakeholders (Van der Laan, 2009). This philosophy of managers denotes that, generally, they are motivated either by the interest of the firm or by their own. Nonetheless, there are other sources of managerial motivations for publishing sustainability disclosures, sourced to corporate responsibility and institutionalized pressures.

2.3.1.1 Motivations Based on Interest

These days, to stakeholders, ESG (Environmental, Social and Governance) issues are vital, and they want to invest more in the companies, who portray better corporate responsibility related to ESG issues. Hence, to the managers, disclosing ESG-related information happens to be a way to show off that they are responsible and worth investing (Uysal, 2014; Roberts, 1992).

Some companies believe that distinguishable Corporate Social Reporting (CSR) practices are highly likely to earn them a corporate reputation among their stakeholders, which, may also differentiate them among the responsible firms (Bayoud et al., 2012; Mahoney, 2012).

Firms want to recruit qualified and loyal employees, maintaining a low staff-turnover ratio. Therefore, they publish sustainability-related information focusing on their responsibility towards human-resource development and how employees' interests are tied with the long-term value creation of the firm, so that, the employees possess a positive perception regarding the firms. Two popular sustainability disclosure publication frameworks—GRI and IIRC—that most firms follow, also support this notion (Waddock, et al., 2002).

Margolis and Walsh (2003), found that the organizations that engage in CSR activities and disclose information regarding those, happen to have a positive financial outcome. They concluded that there lies a positive connection between CSR performance/disclosure and corporate performance.

Firms disclose voluntary information (more than required by laws and regulations), to air positive signals related to their CSR performances (signaling theory). To add, the Value of a given firm may increase in the capital market if the firm is ready to disclose credible private information (sustainability information), which leads to risk-reduction of decision making (Thorne et al., 2014; Mahoney, 2012; Connelly et al., 2011).

Organizations may become vibrated by several global factors, such as international market access, international standardization, foreign investment opportunities, overseas supply chain integration and so on. Publishing sustainability information is a befitting measure to take advantage of and to provide for the said global determinants (Visser, 2011).

Mangers/firms assess their relevant publics (critical stakeholders) based on their influential power over the firms and then to manage/manipulate the relationship with them offer proactive sustainability disclosures. As an aftermath of these sustainability disclosures,

managers/firms expect to have the support of their critical stakeholders or to distract their disapproval (Neu et al., 1998; Gray et al., 1996; Roberts, 1992).

Organizations consider 'legitimacy' as one of their vital resources for continuity and profit. Hence, they integrate the concept of legitimacy (gaining, maintaining and defending legitimacy) in their ESG-based disclosures. Most of the researchers assume that for the organizations, one of the major aims for publishing sustainability information is to manage legitimacy (Deegan, 2014a, 2002; Gray, et al., 1995; Ashforth and Gibbs, 1990). Interestingly, some recent studies (Bachmann and Ingenhoff, 2016; Castelló and Galang, 2014) are more direct and postulate that in a dynamic political and social context, sustainability disclosures are the means (for the companies) to obtain legitimacy.

If anyone embraces a primitive notion regarding the objective of business, following the work of Friedman (1962), one may assume that whatever business does, it points towards 'profit'. Moreover, the work of Watts and Zimmerman (1986)—regarding positive accounting theory—tends to explain managerial actions related to accounting choices and stakeholder groups' relationships based on opportunistic behavior. Motivations tied to profit or opportunistic (rational) behavior may force us to assume that sustainability disclosures are also driven by the same ground(s). However, there are non-interest-based (irrational) motivations also, which are discussed in the next sections.

2.3.1.2 Motivations based on Corporate Responsibility

In many economic theories, it is simplified that all human actions are based on self-interest. This opportunistic perspective is also held by various researchers while interpreting the motivation behind sustainability disclosures (Deegan 2014b). However, such comprehensive simplification covers the positive side of human motivation and deprives us of a plausible alternative interpretation of motivation for publishing sustainability disclosures. Few researchers—supporting this positive notion—state that there are socially responsible organizations that have ethical notions built in their system/operations and act responsibly without considering vested interest. To add, managerial motivations for publishing sustainability information are sometimes related to legitimacy, not always (O'Dwyer, 2002; Oliver, 1991).

To some researchers, the emergence of non-financial reporting (sustainability disclosures) can be attached to the corporate concern of increasing transparency for various

stakeholders. It is also held that providing required information to the stakeholders and fulfilling management commitments (accountability) is the vital-most internal driver for sustainability reporting (ACCA, 2010; Nielsen and Thomsen, 2007).

Organizations engage in various corporate responsibility-based activities. Nonetheless, it is not enough to engage only; they are also required to reveal such information to the mass. Hence, firms disclose non-financial (sustainability) information to reduce information asymmetry; it allows investors and other key stakeholders to evaluate vital performance indicators of firms in a better manner (Huang and Watson, 2015; Holder-Webb et al., 2009). Furthermore, Wilmshurst and Frost (2000) conducted a survey (respondents were CFOs only) to understand the prime influencer of publishing sustainability disclosures; surprisingly enough, the respondents marked ‘predictivity of information’ as the prime one.

2.3.1.3 Motivations based on Institutionalized Compulsion

When managers find that some social practice/actions, norms and regulations have become institutionalized, they naturally embrace those without being rational or selfish. They follow institutionalized practice simply because, their peers do, and such practices have become ‘taken-for-granted’ in their operating environment (Deegan, 2014a; Oliver, 1991).

Organizations/managers want to be in the molds of the institutionalized actions, practices and norms that have already become ‘taken-for-granted’ in a given organizational field; they just want to be like others, want to align with subtle social pressures, and become an ordinary member of a surrounding (Higgins and Larrinaga, 2014; DiMaggio and Powell, 1991). When an organization is perceived as somewhat unique or unfit in a given organizational field, numerous stakeholders tend to have less amount of confidence in it, which pushes the organization into uncertain operational terrain. Hence, to avoid such uncertainty, organizations pursue varied isomorphisms (Deegan, 2014b; Higgins and Larrinaga, 2014). Besides, when a firm is not sure regarding the best available practice, it just follows the industry leader, without knowing the efficiency or ultimate consequence of a given practice; it simply wants to follow the institutionalized corporate aspects (DiMaggio and Powell, 1983).

Further clarification on sources of motivation and better explanatory power can be achieved, if the nature of sustainability disclosures can be ascertained, i.e., whether a given sustainability disclosure is solicited (NGOs, ethical investment fund researchers, trade union leaders, information intermediaries and others ask for social information from firms) or

voluntary (information provided by managers without regulatory pressure) (Van der Laan, 2009). If a given sustainability disclosure is solicited, managerial motivations can be traced back to a specific stakeholder group, which may be interest or responsibility-based; on the contrary, if it is voluntary, motivations are most likely to be interest-based. While analyzing the interpretational potentiality of a given theory in explaining managerial motivations for publishing sustainability disclosures, notes on diversified sources of motivation will bring useful logic onboard. For the sake of a quick understanding, a summary is presented here, in table 2.2.

Table 2.2: Motivational sources of managers for publishing sustainability disclosures

Interest-based sources	**Responsibility-based sources**	**Institutionalized compulsion-based sources**
Inviting investments from shareholders (Uysal, 2014; Roberts, 1992)	Providing transparency and accountability (ACCA, 2010; Nielsen and Thomsen, 2007)	Pursuing the institutionalized actions, practices, norms and aligning to subtle social pressures (Higgins and Larrinaga, 2014; DiMaggio and Powell, 1991)
To manage corporate reputation (Bayoud et al., 2012; Mahony, 2012)	Reducing information asymmetry for external users of information (Huang and Watson, 2015; Holder-Webb et al., 2009)	Avoiding uncertainty (Deegan, 2014b; Higgins and Larrinaga, 2014)
Attracting and retaining qualified employees (Waddock et al., 2002)	Increasing predictivity of information (Wilmshurst and Frost, 2000)	Following successful peer organizations' practices, actions and technology (DiMaggio and Powell, 1983)
Fostering corporate performance (Margolis and Walsh, 2003)		
Increasing firms' value through positive signaling (Thorne et al., 2014; Mahoney, 2012; Connelly et al., 2011)		
Providing for globalization demand (Visser, 2011)		
To manage or manipulate stakeholders (Neu et al., 1998; Gray et al., 1996; Roberts, 1992)		
Gaining organizational legitimacy (Bachmann and Ingenhoff, 2016; Castelló and Galang, 2014)		
For-Profit and for pursuing opportunistic behavior (Watts and Zimmerman, 1986; Friedman, 1962)		

Source: Author's compilation

2.3.2 The Champion Theory: Is there any Absolute Choice?

This section endeavors to point out the 'champion' theory from legitimacy theory, stakeholder theory and institutional theory that might be able to explain diversified managerial motivations for publishing sustainability information. In the said quest, salient features of these three theories and how one theory may complement the explanatory capabilities of the other(s) are considered. Table 2.3 presents a comprehensive comparison among legitimacy theory, stakeholder theory and institutional theory; taking notes from this table is imperative for understanding the upcoming analytical paragraphs.

2.3.2.1 Does Legitimacy Theory have the Properties to be considered as the 'Champion' Theory Explaining Managerial Motivations for Sustainability Disclosures?

The configuration of legitimacy theory (following table 2.3), suggested by various researchers, leads us to an interest and resource-based strategical ground. Social contract happens to be a vital assumption of legitimacy theory, based on which the other causalities of it revolve around. Thus, the explanation potentiality of this theory blooms the most, when there remains a legitimacy gap or threat and strategical requirements for getting the approval of continuity from a given community or society; objective measurement of organizational legitimacy (Mahmud, 2019) may aid in detecting such scenario. Interestingly, this theory fails to address contracts with various stakeholder groups in a standalone manner (Deegan, 2014b). To add, it is not well-poised to explain corporate responsibility-based—irrational and selfless—motivations for publishing sustainability information and is yet to relate varied personas of managers shaping the assessment of legitimacy gap or threat that influence motivation(s) for sustainability disclosures (Deegan, 2014a). These limitations of the legitimacy theory hinder it from becoming the 'champion' theory that can explain managerial motivations in all scenarios.

2.3.2.2 Or, is it Stakeholder Theory, with Better Coverage for Explaining Managerial Motivations?

Following table 2.3, it is gathered that the focus of stakeholder theory is (broadly) maintaining non-owning stakeholders' interests along with the shareholder's one. Such emphasis could be universal, i.e., ethical or stakeholder groups' power-based, i.e., managerial (strategical). Remarkably, while explaining the motivations for sustainability disclosures, the managerial branch is preferred over the ethical branch and such disclosures of a given firm reflect the interest of critical stakeholders (Friedman and Miles, 2002). Stakeholder theory can explain in

a detailed manner based on individual stakeholder contract, whereas legitimacy theory can explain based on a general social contract only. To add, stakeholder theory can cover both interest-based (managerial) and responsibility-based (ethical) motivational ground. However, it fails to cover for neutral (peer-firms' influence-based) sources of motivation. Moreover, in the real world, managers do not take any absolute ethical or strategic position; rather, they opt for places that are in between these two extreme continuums, that differ according to varied contexts (Rowley, 1998). This diversion of theory from the real-world scenario dwarfs the explaining capability of stakeholder theory.

Table 2.3: Comprehensive comparison summary of the three theories

Factors and references	Legitimacy theory	Stakeholder theory	Institutional theory
Perspective (Higgins and Larrinaga, 2014; Gray et al., 1996; Suchman, 1995)	Resource and strategy based (managerial)	Balancing stakeholders' interest based (managerial)	Isomorphism and structuration dynamics based (imposed)
Root, orientation, nature (Deegan, 2014b, Gray et al., 2010; Hasnas, 1998; Gray et al., 1996)	Bourgeois political economy theory, system-oriented, positive theory	Bourgeois political economy theory, system-oriented, positive and normative theory	Bourgeois and classical political economy theory, system-oriented, positive theory
General scope (Scott, 2008; Moerman and Van der Laan, 2005; Hasnas, 1998)	Micro (abstract or conceptual)	Micro (stakeholder group)	Macro (institutional field)
Constituents (Deegan, 2014a, Higgins and Larrinaga, 2014)	Social contract, legitimacy gap, sustainability disclosures, legitimacy management	Stakeholders' rights to information, their varied interests and their power, urgency, legitimacy	Regulative, normative, cultural-cognitive pillars; organizational fields and various isomorphisms
Research coverage (Deegan, 2014a, Deegan, 2014b, Higgins and Larrinaga, 2014)	Use of sustainability disclosures in legitimacy management (mostly, gaining, maintaining, defending legitimacy)	Use of sustainability disclosures in balancing stakeholders' interests	Organizations' actions, operations and patterns of sustainability disclosures; why these follow a certain pattern?
Contract-orientation (Scott, 2008; Deegan, 2002)	To society (single contract)	To stakeholder groups (multiple contracts)	No contract, copying patterns for appropriateness
Interest interpretation (Higgins and Larrinaga, 2014; Suchman, 1995; Ullman, 1985)	Selective and self-interest based	Identifying interests of critical stakeholder groups	Imposed, impulsive and irrational

Source: Author's compilation

2.3.2.3 Is Institutional Theory the 'Champion' Theory having a 360^0 Coverage?

Institutional theory possesses an upper hand as regards complementing both the legitimacy theory and stakeholder theory. Its three pillars (regulative, normative and cultural-cognitive), three isomorphic patterns (coercive, normative and mimetic) and the concept of 'decoupling' cover most of the explanatory arsenals of legitimacy theory and stakeholder theory, and even better some of it.

The very concept of 'legitimacy' is drawn from the ideas of neo-institutional theory (the modern version of institutional theory) and legitimacy theory is a specific case of institutional theory's regulative pillar (Higgins and Larrinaga, 2014). Moreover, Scott (2008) claims that three pillars of institutional theory can be assumed as three distinguishable bases of legitimacy and hence can complement legitimacy theory—which doesn't have such subdivision—with supplementary logics to interpret managerial motivations.

Even if researchers related to institutional theory (follow table 2.3) vouch for the irrational and compulsive nature of managerial motivations, few researchers claim that such compulsion for becoming homogeneous to peer firms ultimately leads to the urge of organizational legitimacy; invariably, reaching this end-goal happen to be the target for most of the managers. According to Scott (1995), legitimacy is nothing but a 'condition' that aligns with relevant rules, laws, norms and culture. Additionally, coercive, normative and mimetic isomorphisms bring legitimacy on the table, as regards organizational forms and processes (Deegan, 2014b; DiMaggio and Powell, 1983). Unerman and Bennett (2004) are a bit more specific and tag the idea of 'mimetic isomorphism' to corporate social reporting. To them, firms pursue the reporting practices of successful peers that are perceived as innovative by the external stakeholders to maintain or extend organizational legitimacy; they add that managers are motivated to mime their leading peers because they want to maintain or enhance their competitive advantage. Additionally, a key idea of institutional theory, 'decoupling' (actual organizational practices don't match with shown or claimed practices), covers another notion of legitimacy theory, i.e., managers adopt symbolic management of legitimacy to show-off their alignment with approved practices and utilize ESG disclosures (sustainability disclosures) to portray an unreal image related to the social and environmental performance of their firms (Dillard et al., 2004; Ashforth and Gibbs 1990). Such, alternative positions regarding institutional theory highlight that it may cover both irrational (compulsive) and rational (legitimacy, competitive advantage, symbolic management) grounds of managerial motivation for publishing sustainability disclosures, complementing legitimacy theory in an extended

manner. Supporting institutional theory's superiority Gray et al. (2010) postulated that, legitimacy theory might be the dominant theory used in social and environmental accounting (SEA) research, yet, the institutional theory would become the 'mainstream theory' replacing legitimacy theory, in due course of time.

Stakeholder theory (managerial) has its focus on identifying powerful stakeholders' demands and aligning organizational practices and operations according to those. Such pressure can also be explained or complemented by coercive isomorphism of institutional theory, i.e., powerful stakeholders can coerce an organization to pursue specific institutionalized practice and operation (DiMaggio and Powell, 1983). A classic instance of coercive isomorphism—based on the garment industry of Bangladesh—was presented by Islam and Deegan (2008). They highlighted that the Bangladeshi garments industry was forced not to use child labor and to improve working conditions due to coercion from varied powerful stakeholders, such as largescale western buyers, western news media and activists; this phenomenon can be interpreted by both stakeholder theory and institutional theory. Besides, if a firm is giving importance to economically marginalized (not powerful) stakeholders due to industry traits, it can be interpreted by mimetic isomorphism. According to Unerman and Bennett (2004), managers pursue mimetic isomorphism of varied practice and operations because they want to maintain or enhance external stakeholders'—both economically powerful and marginalized groups—interests. However, managers consider the interests of marginalized stakeholders, given that, such consideration is accepted by powerful stakeholders.

Adding to institutional theory's comprehensive explanatory ability, Higgins and Larrinaga (2014) hold that, sustainability disclosure is an aftermath of three isomorphic mechanisms, which can take varied forms in diversified contexts and different stages of institutionalization. Coercive isomorphism can be used to interpret sustainability disclosures as a response to regulatory, capital providers' and consumers' demand; normative counterpart can be utilized to explain sustainability disclosures as a persuasion of voluntary efforts backed by social responsibility; and finally, mimetic isomorphism can be considered to explicate such disclosures as feedback to any taken-for-granted actions in a given organizational field.

Institutional theory's three pillars and three isomorphic aspects, its ability to interpret both rational and irrational (compulsive) motivations, and the concept of 'decoupling' make it a befitting candidate for becoming the 'champion' theory that may explain diversified managerial motivations for publishing sustainability information.

2.3.2.4 Are Legitimacy Theory and Stakeholder Theory out-of-order, in this context?

Institutional theory has the capability to complement and cover the explanatory capacities of both legitimacy theory and stakeholder theory. However, it doesn't mean that legitimacy theory and stakeholder theory are of no use, consequently. Rather, in some specific scenarios—which are tailormade for the typical explanatory regimes of legitimacy theory and stakeholder theory—these two theories are (perhaps) better poised to interpret.

When negativity regarding a specific organization or industry is universally accepted in a society or community (not in a specific stakeholder group), legitimacy theory is better poised to interpret managerial motivation for publishing sustainability information. For instance, when Exxon Oil Company spilled oil in Alaska, it disturbed the legitimacy of the oil industry, as a whole (Patten, 1992). Any sustainability disclosure published by companies in the North American oil industry after the said incident should be interpreted by legitimacy theory. Besides, when firms introduce new products and struggle against a common accusation, i.e., marked as a dirty organization, they try too much to prove their worth to the society; subsequently, sometimes they pursue symbolic management (Ashforth and Gibbs, 1990). Such scenarios should also be brought under the microscope of legitimacy theory.

On the flip side, if it is evident that a certain sustainability disclosure is published targeting a specific stakeholder group and such disclosure is not common to other organizations of the industry, stakeholder theory may be utilized, instead of institutional theory. Recently, UK consumers are becoming more concerned regarding the 'ethical sourcing' of garments (Morgan Stanley, 2016). In this scenario, if a UK garment retailer publishes sustainability disclosures targeting its consumers, mentioning its ethical sourcing ventures, it should be interpreted by stakeholder theory. Furthermore, if a given sustainability disclosure is 'solicited', i.e., requested by a certain stakeholder group, stakeholder theory is more likely to come up with a better explanation.

2.3.3 Final Notes

There is a tendency among researchers to opt for a 'legitimate theory' for a given research genre. Very few researchers have the gut to stay outside the accepted region of intelligence. Hence, in a specific timeline, one or more theories become popular and consequently considered as legitimate one(s). Legitimacy theory is the current 'legitimate theory' for

explaining managerial motivations for publishing sustainability information and stakeholder theory is also mildly popular.

Intriguingly, the institutional theory is well equipped to take over both legitimacy theory and stakeholder theory and become the 'champion' theory for the said explanation of managerial motivations, since it can complement both the theories to a great extent. However, in special scenarios regarding interpreting motivations, legitimacy theory or stakeholder theory may override institutional theory. Therefore, considering institutional theory as the supreme theory will not be wise; it should rather be considered as a general theory with the broadest explanatory coverage.

Researchers of institutional theory have considered it as a theory that can explain both irrational (institutionalized compulsion) (Higgins and Larrinaga, 2014) and rational (legitimacy, competitive advantage) (Deegan, 2014b; DiMaggio and Powell, 1983) managerial motivations; a future research scope lies here to clear or add to this clutter. Moreover, empirical tests utilizing institutional theory may be conducted in the future—considering sustainability disclosures of varied organizations—to establish the interpretational superiority of institutional theory over other theories.

2.4 Materiality: A Disclosure-based Understanding

In the reporting world, the idea of materiality is one of the most complex ones; the versatility through which it can be perceived makes this scenario more tangled. Most of the definitions of materiality are too simple to cover the required aspects of a given financial or non-financial reporting scenario; fascinatingly, a detailed definition may make the reporting context too tight for the companies to communicate effectively. Therefore, even if there is no conclusive way to bind this idea in a single cage, a close look at this delicate conceptualization will aid to the comprehension of one of the aims of this study, i.e., understanding the presence of materiality in the Japanese integrated reports. The following sub-sections cover financial and non-financial definitions of materiality with a special focus on the materiality conceptualizations of the bodies that provide for non-financial reporting guideline/framework/standard; additionally, recent research focused on CSR-materiality is also covered.

2.4.1 Materiality Definition in the Non-financial Realm

It is widely accepted that the concept of materiality was unearthed in a court and was meant to fine-tune financial reporting practices to facilitate the reasonable investors' 'total mix' of information; materiality was stamped as a binary concept and used as an information-load balancing tool (Eccles and Krzus, 2014; Jebe, 2019). Setting a quantitative benchmark and marking misstatement (estimation error and/or omission of information) as material (or immaterial) based on the set benchmark is widely accepted in the accounting fraternity; however, occasionally, the nature (qualitative aspect) of misstatement is also considered (Eccles et al., 2012, Faux, 2012). The prominence of a quantitative threshold of materiality is correlated with the limitations—lacking complete knowledge of a given firm and pursuing cost-benefit analysis—of the auditing profession; hence, the auditors rely mostly on accounting numbers to get rid of over-auditing (Edgley, 2014; Tuttle et al., 2002). Nonetheless, materiality judgment should harness both the quantitative and qualitative aspects of information, since a quantitative-only approach may welcome a 'tick-box' mentality (ESMA, 2013).

The conceptualization of materiality transforms with time and differs based on reporting platforms, such as financial or non-financial (Eccles and Krzus, 2014; Edgley, 2014). To the Standard setters of financial reporting horizon, the idea of materiality depends on the omission or misstatement of information—along with its nature and magnitude—that is capable of vibrating the decision or judgment of a reasonable person (investor) (AASB, 2019;

FASB, 2006; IASB, 2018). Interestingly, when it comes to non-financial reporting context, compared to financial reporting, the idea of materiality becomes vaguer and more challenging to implement, as the user-groups of such information are more diverse, judgment plays a bigger role and dearth of detailed guidance makes way for greater discretionary scopes for the report preparers (Faux, 2012; Guthrie and Parker, 1990; Reimsbach et al., 2020). To conceive the deviated idea of non-financial materiality, one may have a close look at the materiality conceptualization of the five front-running guideline provider/standard setter: GRI, IIRC, SASB, AccountAbility, and CDP (Eccles and Krzus, 2014; Jebe, 2019). Table 2.4 presents diversified conceptualizations of materiality offered by these bodies.

Table 2.4: Materiality-conceptualization of the leading standard-setters/guideline providers

Bodies and Sources	**Entity coverage**	**Material information for whom**	**Stakeholder engagement in MAP**	**Base(s) of material information**	**Information type for assessing materiality**	**Materiality philosophy**
GRI (Eccles and Krzus, 2014; GRI, 2020)	Companies, nonprofits, cities, educational institutions, and governments	All stakeholders	Yes	Significant ESG issues	Mainly qualitative (possibly quantitative)	Sustainability for stakeholders
IIRC (Eccles and Krzus, 2014; IIRC, 2021)	Companies	Primarily providers of financial capital, then other stakeholders	Yes	Organization's ability of value creation	Qualitative and quantitative	Financial materiality of sustainability
SASB (Jebe, 2019; SASB, 2020a)	Companies	Reasonable investors	No	Reasonable investors' total information mix	Qualitative and quantitative	Financial materiality of sustainability
AccountAbility (AccountAbility, 2018; Eccles and Krzus, 2014)	Companies	Organization and stakeholders	Yes	Multi stakeholders' engagement-based sustainability topics	Qualitative, quantitative, or monetized	Sustainability for stakeholders
CDP (CDP, 2021; Jebe, 2019)	Companies, cities, and states	Primarily investors	No	Environmental issues impacting firm's financial and operational state, and strategy execution	Qualitative and quantitative	Financial materiality of sustainability

Abbreviations: ESG, environmental, social and governance; GRI, Global Reporting Initiative; IIRC, International Integrated Reporting Council; SASB, Sustainability Accounting Standards Board; CDP, Carbon Disclosure Project; TCFD, Task Force on Climate-related Financial Disclosures; MAP, materiality assessment process

GRI assumes the interests of widespread stakeholder groups and AccountAbility assumes the same by providing for a comprehensive stakeholder engagement process. CDP pushes for environmental and climate heavy disclosures and asks its followers to report through an online-based structured questionnaire (CDP, 2021). SASB holds onto a (formal) government-made frame of materiality and is toiling to bring ESG ideas into the mainstream reports. To add, GRI has the broadest (incomparable) definition of materiality and CDP has the narrowest (incomplete) one (Jebe, 2019); IIRC, AccountAbility, and SASB fall somewhere between these two extremes. This context clarifies the volatility of materiality conceptualization in the non-financial reporting realm.

Moreover, recently, a few bodies—Value Reporting Foundation[6] (VRF), IFRS Foundation, International Organization of Securities Commission (IOSCO)—are striving towards harmonization of diverse frameworks and hoping to develop comparable reporting guidelines. VRF believes that it is possible to get a more complete picture of the long-term value creation of firms by aggregating integrated reporting framework and SASB standards. These two platforms have merged to provide a simpler corporate reporting platform through VRF; it works closely with IFRS Foundation. VRF has published its prototype of 'Integrated Thinking Principles[7]' in 2021, based on six principles, aligned with TCFD recommendations and SDGs to drive global sustainability performance. On the same note, IFRS Foundation's trustee board is trying to improve standardization and comparability of reporting endeavors regarding sustainability and climate change issues and trying to put up global sustainability standards[8]. Currently, they are in the process of formulating an International Sustainability Standards Board (ISSB) in consolidation with CDSB[9] and VRF that will set IFRS Sustainability Standards soon, focusing on enterprise value assessment and investment decision making that is aimed at a wide group of stakeholders. Again, IOSCO is recognized as the global standard-setter for securities regulation, and it regulates more than 95% of the world's securities markets in 130 jurisdictions; its board is comprised of 34 securities regulators. IOSCO[10] is in cooperation with ISSB's trustees, and it believes that ISSB should prioritize investors' requirements of consistent and comparable information on climate-related issues and then move swiftly towards developing ESG-issue related standards.

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[6] Available at: https://www.valuereportingfoundation.org
[7] Available at: http://www.integratedreporting.org/wp-content/uploads/2021/12/VRF_ITP-Main-120721.pdf
[8] Available at: https://www.ifrs.org/news-and-events/news/2020/09/ifrs-foundation-trustees-consult-on-global-approach-to-sustainability-reporting
[9] Available at: https://www.cdsb.net/news-press-room/harmonization/1282/ifrs-foundation-announces-international-sustainability-standards
[10] Available at: https://www.iosco.org/news/pdf/IOSCONEWS608.pdf

2.4.2 Materiality-based Corporate Social Reporting (CSR) Research

Vagueness in defining materiality (Edgley, 2014) and variations in materiality-interpretation (Calabrese et al., 2015) have pulsated numerous researchers to investigate this issue in a closer manner, lately. A surge in the CSR-materiality investigation arena that spreads over varied allied concepts is quite evident. Table 2.5 covers a list of materiality-related CSR-investigations of recent time (2017-2021) focusing on research area and domain.

In table 2.5, it can be noticed that exploring the compliance or presence of materiality in the non-financial reporting horizon happens to be one of the least studied areas, lately; while exploring, categorized variables from a single body—GRI only—has been the benchmark of attraction. Intriguingly, Gerwanski et al. (2019) focused on materiality disclosure quality variables that influence categorized materiality variables, impacting the materiality of CSRs, eventually. However, a study with a comprehensive approach—combining categorized and disclosure quality materiality variable—is yet to be found.

2.5 Content Analysis in CSR Research

Berelson (1952) characterized content analysis as a systematic and quantitative description of the manifest content of communication. Other researchers postulate that content analysis is beyond a counting process (Downe-Wambolt, 1992); it is capable of—by coding themes or patterns—providing subjective interpretation (Hsieh and Shannon, 2005), can elicit meaning (Bengtsson, 2016), and draw replicable and valid inferences from it (Krippendorff, 2004). Quantitative content analysis is about reporting frequency, percentage or actual numbers, and the research questions are formulated embracing a 'how many' approach; inversely, qualitative content analysis depends on words and themes to provide underlying meaning or interpretation of results (Bengtsson, 2016; Krippendorff, 2004; Neuendorf, 2002).

There are two major streams of content analysis-based investigations in the CSR horizon, namely, 'mechanistic' and 'interpretive'. Word or sentence count, page or volume number, rows, frequency of disclosure, and disclosure ratings are common quantitative measures of mechanistic technique; it is assumed that CSR's disclosure quality is positively connected with its volume. Although it is a popular technique, it fails to cover qualitative interpretation of information, and its reliability is constantly questioned (Beck et al., 2010; Guthrie and Abeysekera, 2006; Hooks and van Staden, 2011; Unerman, 2000). Contrastingly, its interpretive counterpart breaks down and rearranges narratives into varied parts (themes) to

Table 2.5: Recent (2017-2021) studies in the CSR-materiality horizon

Domain	Source	Research area
Materiality meaning	Lai et al., 2017	Studying the way by which the principles (meaning) of materiality is implemented in the context of IR
Determinants of Materiality	Gerwanski et al., 2019	Examining determinants of materiality disclosure quality to find out the variables that impact Materiality
	Hsu et al., 2013	Developing a materiality analysis model to systematically determine potential material issues of SRs, according to stakeholder needs
Materiality determination process	Cerbone and Maroun, 2020	Investigating variations in the materiality determination process of selected listed companies from Johannesburg Stock Exchange, based on institutional theory, focusing on market, professional, and stakeholder logics
	Fasan and Mio, 2017	Examining the variables that influence the approach of providing information regarding the materiality determination process of companies
	Ferrero-Ferrero, León and Muñoz-Torres, 2020	Assessing the impact of the varied prioritized item—based on the materiality analysis—on the consistency of reported environmental performance
	Mio et al., 2020	Understanding the differentiation of the identification process of material issues between IR and SR
	Puroila and Mäkelä, 2019	Contributing to the socio-political role of materiality assessment in furthering the inclusiveness of SRs from a critical perspective
	Steenkamp, 2018	Developing guidelines based on the reported material issues and materiality determination process considering IRs of award-winning South African companies
	Wu et al., 2018	Proposing various screening methods for the assessment of materiality, in the light of different frameworks and databases
Materiality and capital market	Consolandi et al., 2020	Examining the impact of financial relevance and financial intensity of ESG-materiality on equity return based on the SASB materiality classification
	Guiral et al., 2020	Comprehending investors' approaches while analyzing material/immaterial and positive/negative disclosures in CSRs
	Olsen et al., 2021	Understanding investors' sensitivity to mandatory periodic disclosures and fatality incidents of the coal mines
	Schiehll and Kolahgar, 2021	Relating financially material ESG-disclosure to the relevant firm-specific information, i.e., whether such disclosures impact the informativeness of stock prices
Materiality and stakeholder	Beske et al., 2020	Investigating the extent of materiality analysis based on legitimacy theory and stakeholder theory, identifying the methods used for stakeholder analysis, and finding out whether there remains a positive relationship between GRI-G4 and disclosures related to materiality assessments
	Guix and Font, 2020	Integrating materiality balanced scorecard in the performance management system considering the AA1000 stakeholder engagement standard to manage stakeholder expectations
	Reimsbach et al., 2020	Studying the contesting perception of materiality—pillared on decision usefulness and dual-process theory—related to non-financial information focusing on two stakeholder groups, i.e., potential employees and capital market participants
	Torelli et al., 2020	Analyzing the potential relationship between materiality principle and stakeholder engagement through the lenses of stakeholder theory and instrumental stakeholder theory
Compliance/ presence of Materiality	Lubinger et al., 2019	Assessing whether identified material aspects are appropriately reported or the adopted materiality principle is a superficial one, considering G-4-based SRs of universities
	Machado et al., 2021	Identifying the engagement techniques and major stakeholders in the materiality assessment process and grasping the degree to which GRI-reporting organizations report six materiality-indicators
	Slacik and Greiling, 2020	Examining whether the SRs of electric utility companies follow the materiality principles of GRI, based on logic and conversation theory

Abbreviations: IR, integrated report; SR, sustainability report

project those from a certain perspective. The focus of this study-type is to gain insights on the 'what' and 'how' of disclosures along with its richness and quality; unlike mechanistic study, text interpretation is the philosophy here (Beck et al., 2010; Bengtsson, 2016). The outcome of interpretive content analysis is heavily dependent on researchers' consideration of the analysis-base, contexts of the research questions, and how these are related to the texts and their meanings (Steenkamp and Northcott, 2008). Additionally, researchers' self-reflection and context-sensitivity of data limit the generalization of the results of interpretive investigations (Bengtsson, 2016; Rolfe, 2006).

In recent times, investigating CSR-reporting practice and its related phenomena by employing various content analysis forms—textual/visual, automated/manual, mechanistic/interpretive—has increased by leaps and bounds; table 2.6 offers a list of such recent (2017-2021) studies.

Table 2.6: Recent (2017-2021) CSR studies based on content analysis

Focus	Sources
Region and country-based CSR	Arena et al., 2018; Bhatia and Makkar, 2020; Liao et al., 2017
Social media and web-based CSR	Amin et al., 2021; Chong et al., 2019
Relationship of organizational performance, operations, and strategy-based factors with non-financial disclosures	Beretta et al., 2021; El-Bassiouny and El-Bassiouny, 2019; Helfaya and Moussa, 2017
Risk and opportunity-based disclosures	Demaria and Rigot, 2021; Kouloukoui et al, 2019; Veltri, et al., 2020
CSR-contexts of pre/post EU Directive 95/2014	Doni et al., 2019; Leopizzi et al., 2020; Mion and Loza Adaui, 2019; Venturelli et al., 2017
Negative CSR disclosures	Einwiller and Carroll, 2020
CSR reporting trends	Feng and Ngai, 2020
Critical analysis of CSR framework and disclosures	Garcia-Torea et al., 2020; Holtbrügge and Cornard, 2020
Motivations behind publishing CSR	Lee, 2020
Evaluation of disclosures explaining the value creation process	Liu et al., 2019
Visual language analysis of CSR-disclosures	Lock and Araujo, 2020
Information characteristics, extent, and quality of CSR-disclosures	Aggarwal and Singh, 2019; Melloni et al., 2017; Pistoni et al., 2018; Trireksani et al., 2021; Tsails et al., 2018

Lately, content analysis has been popular in exploring CSR disclosures highlighting the region, communication platform, organizational aspects, frameworks and trends. This study endeavors to assess the (understudied) qualitative (materiality) aspects of CSRs and motivation for publishing those. Understanding materiality is not uncommon in recent studies (table 2.5), however, utilizing content analysis in doing so is rare; this paper aims to mitigate this shortage.

Chapter 3

Japan-specific Background: History of CSR and Institutional Setting

Japan is a unique country unlike most of the other countries of the world. The people of this country are proud of their culture and history. It is one of the most hardworking countries that set the highest benchmark for honesty and sincerity; interestingly, this apex leads towards a few pitfalls too. Being an island country, it had been isolated from the world for a long amount of time and got itself attached to the outside world not more than two centuries ago; logically, the culture, norms, shared values and legislative notions of Japan have been free from outlandish influences for ages (Reischauer, 1989). Therefore, the institutional setting of Japan is worth investigating, as regards how these are connected to business/management practice, especially, reporting practice. Moreover, understanding a certain business practice deserves a history-based background check because organizational culture impacts all the aspects of a business (along with integrated reporting) and it is related to a specific business history (García-Sánchez et al., 2013; Rowlinson and Procter 1999). Furthermore, the development trends and salient features of varied reporting practices are tangled with the determinants of institutional setting of a specific region.

Therefore, the following subsections cover the history and development— based on a chronological timeline—of Japanese corporate social reporting (CSR), trends, properties and key challenges of CSR and major determinants of the institutional setting that vibrate the CSR practices.

3.1 History and Development of the Japanese Environmental Reporting/Corporate Social Reporting (CSR)

The development of social disclosure practice in Japan has been on the slower side compared to the counterparts of Europe and the USA (Yamagami and Kokubu, 1991). Post-war Japan was blessed with high economic growth due to massive industrialization; it degraded the environment, and the society was negatively impacted by various public health issues. Additionally, around the 1980s and 1900s, society's confidence in companies diminished remarkably due to numerous business scandals. Therefore, to increase public trust companies were pushed to announce their commitment towards 'co-habitation', i.e., *kyosei,* through business communication channels (Kokubu et al., 2014).

Interestingly, the Origin of the Japanese corporate social reporting/environmental reporting—though the shape of it was primitive (booklet)—can be traced back to the 1980s; such practice was a tiny part of the mainstream business communication platform and

perceived mainly as a public relation tool (Kawahara, 2017; Saka and Noda, 2013). Cooke (1991) investigated Japanese listed companies in 1988 for voluntary disclosures (English) focusing on the annual reports; he noted that larger companies that were listed and belonged to the manufacturing industries disclosed the most. During these initial days, the said reporting practice focused largely on environmental information, and interestingly, the companies—mainly belonging to the steel, metal, chemical, oil and pharmaceutical industries—used to utilize this as an advertising platform (Okuyama, 1992). Following this start, most major companies in Japan started to issue environmental reports in the 1990s; interestingly, during this timeline, environmental reporting issues were mostly influenced by industries, not by the government (Kozuma and Umezawa, 1995). Consequently, in the early 2000s, among the largest Japanese companies, publishing corporate social reporting became a common phenomenon (PWC, 2020).

Throughout the development process of the environmental/corporate social reports, governmental guidelines have been playing a vital role (Isogai and Tahara, 2015). In 1997, the Agency of the Environment (currently, Ministry of the Environment) issued the maiden 'Environmental Reporting Guideline'. In 2001, Pursuing this development, Ministry of Economy Trade and Industry published the 'Environmental Reporting Guideline 2001' focusing on the stakeholders' issues; pursuing this, the percentage of companies disclosing environmental reports peaked in 2002 (44%) and decreased gradually afterward (Ministry of the Environment, 2017). Eventually, between 2001-2002, reporting practices started to embrace more (an increase of 20%) non-environmental items (Miyata, 2004). Governmental publications started to have a firmer grip on the context as the cabinet ended up on a verdict to pursue 'Fundamental Plan for Establishing a Sound Material-Cycle Society' in 2003; it was marked as the first year of corporate social responsibility, which subsequently paved the path for sustainability reporting (Tanaka, 2013; Isogai and Tahara, 2015); from this year transformation process of environmental reports to Corporate Social Reports (CSR) began, quietly (Yamaguchi, 2014). Moreover, since 2003, Japanese companies started to recognize the importance of non-environmental information other than traditional environmental information; however, such movement pushed the volume of quantitative environmental information down and it promoted qualitative deterioration of the non-financial reporting practice (Kozuma, 2007). To add, by 2007, the transformation tide from environmental reporting to CSR became strong; this shift led towards a markable reduction of environmental information, and the reports were criticized for diluting their contents (Murakami, 2007).

Subsequently, post-2002, environmental reports started to become a part of the annual report in the form of Integrated Report (IR) (Ministry of the Environment, 2017).

Since 2015, publication of the corporate social reporting started to get true momentum and three specific sets of guidelines—Government Pension Investment Fund (GPIF), Stewardship Code and Corporate Governance Code—impacted this momentum, largely (PWC, 2020). GPIF is the largest accumulation of retirement savings funds in the world. It is under the supervision of Minister of Health, Labor and Welfare and was founded in 2006. Interestingly, GPIF is specific regarding a certain set of ESG-indicators and investment guidelines, which impact the movement of the capital market gravely. Following the financial crisis of 2008, Ito Review[11] got published in 2014. It focused on improving the communications between companies and investors through constructive engagement mechanisms and advised the investors to embrace a long-term goal rather than short ones. Additionally, it suggested the regulatory authority redesign their disclosure requirements focusing on consistency, comparability and long-term value creation by putting up a corporate governance code; subsequently, pursuing these recommendations Stewardship Code and Corporate Governance code were published. Financial Services Agency (FSA) of Japan formulated Stewardship Code in 2014. It emerged to establish the fiduciary duties of the institutional investors so that they might behave as responsible financial stewards supporting their clients and beneficiaries. This code was adjacently followed by another code—Corporate Governance Code—in 2015, set by Japan Exchange Group. This code postulates 5 fundamental principles for effective corporate governance and is a vital influencer in current corporate reporting practices; the principles seek for right and equal treatment of the shareholders, cooperation with the stakeholders (other than shareholders), information disclosure and transparency, board responsibility and shareholder-dialogue.

Recent developments in the influential publications from both governmental and non-governmental sources have vital impacts on the corporate social reporting horizon. Major publications are Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2017 from the Ministry of Economy, Trade and Industry (METI), Environmental Reporting Guidelines 2018 from the Ministry of the Environment (MOE), Stewardship Code 2020 from the Financial Services Agency (FSA) and Corporate Governance Code (2021) from the Japan Exchange Group (JPX).

[11] https://www.meti.go.jp/english/press/2014/0806_04.html

3.2 Trends and Properties of Japanese CSRs

Japanese corporate social reporting (CSR) started its journey from a tiny space of the mainstream annual report—in the form of loose disclosures—and is currently one of the highest CSR-reporting countries in the world. In this journey, Japanese CSR practice has got itself into several different molds that explain its trend and properties. Mostly, this CSR practice is dominated by environmental disclosure, lacks social category-based information, adheres to local values, is heavily influenced by governmental guidelines, (usually) honor-mention international frameworks, implicitly pushed by foreign investors, suffers from information overload and disintegration with strategy and (mostly) is a product of arbitrary information optimization.

The following paragraphs will shed light on the reporting trend, reporting properties—with international comparison—and perceived challenges of the Japanese CSR practice.

3.2.1 Reporting Trend

Yamagami and Kokubu (1991) investigated the early stage (the mid-1980s) of environmental/social disclosure practice of Japan and concluded that in the mainstream mandatory annual report there was no related social disclosure; however, there was some social information in the voluntary—operation report, English version of the annual report or public relation reports —communication channels. Interestingly, Fukukawa and Moon (2004) updated the previous studies based on the later versions of environmental disclosures and noticed remarkable growth in all sorts of categories, especially, that are focused on environmental responsibility. For such growth both domestic (social awareness regarding public health and environment, governmental guidelines and laws, Kyoto protocol) and global (adoption of ISO 1400 and other international frameworks) factors were responsible. They also noted that environmental disclosures started to become institutionalized through guidelines, policies and external standards. Nonetheless, on the flipside, disclosures related to community involvement, employee relations and consumers continued to be below average.

The Japanese government has been a significant influencer in the development and expansion of corporate social reports and has been flexible enough to offer voluntary guidelines and suggestions to ensure a cooperative relationship with firms (Lewin et al., 1995). It formulated a favorable business environment by providing interpretational flexibility to the companies (Choi and Aguilera, 2009). Kokubu and his co-researchers (Kokubu and Kurasaka,

2002; Kokubu et al., 2003; Kokubu and Nashioka, 2005) investigated the role of government in influencing and spreading environmental accounting practice; they postulated that Ministry of the Environment's Environmental Accounting Guideline vibrated the content and format of environmental reporting, and it also pushed the number of reporting companies up. Moreover, in the same arena, Environmental Management Accounting Workbook from Ministry of Environment, Trade and Industry also played a major role.

Apart from the governmental efforts, the impact of globalization happened to be another ground for which CSR practice in Japan had the wind in its sails (Fukukawa and Teramoto, 2009). Japan was influenced by globalized corporate practice through foreign (mainly western) ownership and sales, which forced them to adopt GRI guidelines; such adoption of western approach towards CSR practice boosted the related disclosure presence in Japan (Tanimoto and Suzuki, 2005; Williams and Aguilera, 2008). Interestingly, this upward trend of CSR was found in some specific industries. Almost all the high environmental impact companies—manufacturing, transportation, energy, utility—used to publish CSR; although, it was less prevalent in the trade, retail, finance, insurance, securities, communication, media and construction industries (KPMG, 2008). Other variables that have been influencing the CSR practice are stakeholders (pressure from environmental conservation and lobby groups, employees, shareholders, governments etc.), size of the company (larger firms disclose higher-quality CSR information), fines and penalties (firms facing penalties tend to disclose more positive environmental information), visibility in media (higher social visibility means more disclosure), maintaining support of the procuring company (local suppliers post governance information to stick to MNCs) (Branco and Rodrigues, 2008; Huang and Kung, 2010; Kamal and Deegan, 2013; Saka and Noda, 2013; Tanaka, 2015).

To add, the motivation from the report preparers' side to disclose in an intensive manner was not straightforward. According to Murakami (2007), stakeholder pressure was not a major variable in influencing CSR practices, rather the motivation seemed ambiguous. On the same note, Kokubu (2015) concluded that CSRs were public relation (legitimacy focused) tools and digest oriented; compared to the EU reports the explanations were insufficient too. Intriguingly enough, intensive environmental disclosure practice was reduced by a great margin around the timeline of 2015; because some of the companies preferred a mandatory disclosure framework and were seeking specifically requested categories of information to disclose (Ministry of the Environment, 2017).

Nowadays, IR is on the verge of becoming an institutionalized reporting practice, from the perception of (large) listed companies. Since 2010 IR is on a roll, in this year only 23 Japanese companies published IR, and in 2019 IR-publishing companies raised to 513, which is 98 more than that of 2018 (KPMG, 2019). Companies having a strong shareholder influence are disclosing integrated reports (IR) in an early and active manner. However, IR-issuing companies may disclose less amount ESG-information and overall disclosure volume may decrease (Kawahara, 2017). A separate sustainability report (SR) along with IR may solve this issue (Yamaguchi, 2014); unfortunately, the existing trend is not there yet to support a dual CSR approach.

Currently, among the large companies, the most popular framework is GRI, which is claimed by 60% of companies; regrettably, the actual amount of implementation of the said framework is only 14% (PWC, 2020); and Japan is ranked in the second position now as regards to the publication number of integrated report (Reporting Exchange, 2019). Apart from GRI, other commonly used frameworks are Environmental Reporting Guidelines, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, ISO 14000 & 26000 and UN Global Compact (Ali et al., 2015; Albrecht and Greenwald, 2014; Tanaka, 2015); IIRC as a framework for corporate social reporting is catching up with others, though.

3.2.2 Reporting Properties

Japanese reports are a bit on the heavy side; average length of the largest 50 companies' corporate social reports is 113 pages and reports. Along with commonly identified material issues that hover around the categories of governance, materiality analysis and KPI-based numerical data reports contain case studies that are irrelevant to the investors' information requirements. Moreover, instead of being 'integrated', the financial and non-financial parts of the reports seem to be 'combined'; these issues indicate that Japanese CSRs suffer from information overload. Interestingly, among the offered information. To add, when it comes to the assurance of CSRs, 66% of the large companies offer 'limited' assurance, not 'reasonable' assurance; it covers only selected numerical performance indicators, in which the most commonly assured data category is greenhouse gas (GHG) emission. While disclosing relevant goals and targets, 60% of the Japanese companies set targets related to their material issues; still, these targets are mostly connected to financial performance-based indicators e.g., revenue,

ROE and so on. Grievously, ESG-data related targets are not treated in the same way; it lacks relevant and measurable connection to identified material issues (PWC, 2020).

Reported categories of information in the Japanese CSR are dominated by environmental issues; prioritized reporting subjects in this domain are emission, pollution, climate change and related resources. Contrastingly, governance and social issue-related topics are lagging. Naturally, these companies prefer to solidify the information requirements of the investors/shareholders through CSRs. Comparing preferred disclosure categories of Japan with the rest of the world and with 10 major—the USA, China, Germany, UK, India, France, Italy, Brazil and Canada—economies gives us the following picture at table 3.1 (Reporting Exchange, 2019).

Yamaguchi (2010) did an intensive study on Japanese corporate social reporting and confirmed that this contained information regarding overseas offices, subsidiaries group companies and suppliers, showed a clear linkage between social efforts and core business, focused on PDCA (plan-do-check-act) based management cycle, gave importance to accuracy, confidentiality, and materiality along with stakeholder engagement. He also pressed that these reports preferred environmental disclosures and information on local activities.

Table 3.1: Comparison of Preferred CSR information-category: Japan, rest of the world, 10 major economies

Japan	Rest of the World	10 Major Economies
Emission/pollution (E)	Accountability (G)	Product and service responsibility (S)
Climate change (E)	Emission/pollution (E)	Accountability (G)
Resources (E)	Employment conditions, policies and practices (S)	Climate change (E)
Energy (E)	Waste (E)	Emission/pollution (E)
Waste (E)	Product and service responsibility (S)	Employment conditions, policies and practices (S)
Accountability (G)	Water (E)	Waste(E)

Legends: (E) = Environmental, (S) = Social and (G) = Governance

3.2.3 Key Challenges

Japan has a rich history of environmental reporting and is remarkably efficient while disclosing environment-related information. Currently, it is one of the highest CSR practicing countries in the world; however, still, it has a few challenges to overcome.

Japan is lagging far behind when it comes to disclosing on social field, especially, information related to social performance and social impact of CSR activity; employee relation—a subsection of social field—related disclosure is yet to be reported in a detailed

manner because it is considered as classified information to most of the companies. Furthermore, Japanese CSRs offer a poor linkage between corporate social activities and business strategy and are still to broaden their focus on reporting global activities (Ali et al., 2015; Yamagami and Kokubu, 1991; Yamaguchi, 2010).

In Japan, the concept of corporate social reporting is misunderstood (Kawahara, 2017). The concept of CSR is confined to reporting on environmental conservation, occupational health and safety, and social performance activities; this conceptualization of a bit narrow compared to the idea of 'corporate sustainability' of Europe (Isogai and Tahara, 2015). Additionally, disclosures chosen to be reported can be a product of information strategy and arbitrary processes (Kozuma and Horie, 2008). Such arbitration lessens the credibility of CSR and it can be interpreted as an unnecessary marketing tool; researchers also cast doubt on whether the companies and the stakeholders use reported information to make decisions or not (Kokubu, 2015; Tanaka, 2015; Yamaguchi, 2014). Moreover, even if multiple guidelines are referred to in the Japanese CSRs, actually the company may follow the local social values for reporting (Saka, 2016).

3.3 Japanese Institutional Setting for Corporate Social Reporting

'Institution' refers to varied rules, regulations, ideas, understanding and cultural frameworks that advance to a level of social permanency, which is subject to a given context. Socially permanent actions/processes and organizational forms are understood as 'institutionalized' and gain taken-for-granted status. Moreover, when the said accepted aspects become highly institutionalized, these go beyond the discretion of individuals and firms and are considered legitimate practices. These institutions have a reality of their own and create an external coercive force on individuals, which eventually shape organizational behaviors (Berger and Luckmann, 1966; Meyer and Rowan, 1977; Zucker, 1987).

There are numerous variables that configure the context, i.e., institutional setting and quality of a reporting domain. According to La Porta et al. (1998) and Jackson and Roe (2009), the institutional setting of corporate reporting is vibrated by legal system origin/settings, compliance framework and investor protection system, e.g., judiciary efficiency, rule of law (accountability mechanism) and corruption. FEE (2001) had a bit broader coverage and locked corporate governance, statutory audit, oversight system, courts, and sanctioning system as the makers of an institutional setting.

This investigation's scope is corporate social reporting and hovers around the exceptional Japanese context, hence, enumerating all the variables from the last paragraph seems a bit complex and uncalled for. Thus, these (selected) factors of institutional setting related to the Japanese CSR context are going to the amplified: corporate governance, guidelines, legal system/framework, investor protection and corporate (management) philosophy and culture. From a qualitative perspective, putting weight on any of these factors seem extremely subjective; hence, the serial in the upcoming discussion does not communicate any preference or importance.

3.3.1 Corporate Governance

Japanese corporate governance system was a diverse one to start with, it faced homogeneity in between and is moving towards diversity once again, gradually (Jackson, 2009). This system can be traced back to the Meiji period and it was typified by diversity (Jackson, 2001). In this timeline, the government did not have strong enough infrastructure to formalize administration and control and was dependent on informal relationships with the leading entrepreneurs; additionally, it experienced *zaibatsu* firms featured with family ownership which gradually moved towards holding companies. In the interwar period, Japanese corporate governance became more diverse due to an active stock market. During, the 1940s (wartime), the state exercised a more formalized intervention in the system and vouched for a stronger relationship between banks and companies; it also displaced unions in a coercive manner and integrated employees into companies (Gordon, 1988; Morikawa, 1992; Okazaki, 1994; Teranishi, 2005). To follow, in the post-war period corporate governance hinged towards homogeneity and democratization and the well-known concept of *J-firm* corporate governance emerged.

Traditional Japanese (*J-firm*) corporate governance is featured with three attributes, e.g., dominance of a main bank, cross-holdings of strongly tied firms, and intensive focus on a specific stakeholder group (employee). In this governance pattern, each company had an utterly close relationship with a big bank; this bank used to be the largest lender (institutional investor) and hold a substantial number of shares to have a loud voice in the board formation and company management. Logically, companies and banks had shares of each other as affiliated firms that provided them with easy access to private management along with accounting information, and boards were internalized (insider-dominated); these reduced the demand for external reporting and assurance. Interestingly, among the stakeholder groups employees received utmost attention from the companies. Members of the employee community had close

relationships with each other; they were offered lifetime employment provision, job-rotation-based training and seniority-based wages and promotion (Aman, et al., 2021; Jackson, 2009).

This *J-firm* corporate governance got reshaped and modified over time through various domestic and overseas factors; eventually, it went back to diversity. In the early 1980s, Japanese financial markets gradually opened and got connected to international financial instruments. Consequently, big Japanese banks lost regular corporate clients and their institutional complementarities were disturbed; as a result, bank ownership and cross-shareholdings decreased (Fujiyama et al., 2020). To follow, Japan faced a prolonged deflation in the early 1900s; in response, the government declared a wide range of financial reforms, known as 'Big Bang'. As a part of this reform, accounting standard-setting was entrusted to independent bodies and accounting and auditing standards were revised to converge with international standards (Aoki, 2007). To add, foreign investors—with an alternative view towards corporate governance—emphasized management-monitoring, detailed corporate disclosure and improving firm performance (Desender et al., 2016; Aguilera et al., 2017). In the adjacent timeline, the Japanese product market became mature and globalized pursuing technological innovation, industrial competition became more complex, and the main bank could not afford to monitor the affiliated firms properly anymore; hence, external evaluation mechanism became stronger and corporate management had to become more careful. Moreover, Progress in digital communication technology increased the social demands for corporate disclosure and transparency; it also pushed down the competitiveness of Japanese firms who used to have an edge with tacit-information sharing (Aoki, 2007). On the contrary of Japanese culture, there were a series of accounting scandals in the 2000s involving big names, such as Kanebo, Yamachi, Olympus, Toshiba and so on; the management and auditing practices were questioned, and traditional Japanese honor was hurt. The government, in response, in 2013, amended the Certified Public Accounting act, which was largely influenced by the US Sarbanes-Oxley Act (The Japan Times, 2016). Since 2003, Japanese firms had a leeway of choosing either traditional two-tier—board of directors and board of corporate auditors—governance model or a committee system consisting of a board of directors along with three—nomination, audit and remuneration—different committees (Itami, 2005). Additionally, since 2004, TSE is giving more importance to corporate governance and translucent disclosure practices (TSE, 2004). Embracing further openness in disclosure practice, since 2010, Japanese companies could adopt IFRS and by 2020, approximately 200 companies (mainly large ones) had opted to do so (JPX, 2020). After these developments, in

2014 Japan had Stewardship Code 2014 (FSA, 2014) (focusing on fiduciary responsibilities of the institutional investors) and Corporate Governance Code 2015 (focusing on independence and expertise of outside directors instead of insiders); this code vouched for stakeholder rights, board diversity and external auditors and included rules for whistleblowing and disclosure transparency (TSE, 2015).

3.3.2 Guidelines

Environmental Reporting Guideline (2018) – Ministry of the Environment (MOE)

The first version of this guideline was released in 2000; it was again updated in 2012 and the latest version was published in 2018 (MOE, 2018). It has a framework for integrated environmental reporting with an attachment to international regulation and practical trends. To add, it pushes the entities to explain their own (unique) sustainability by identifying and reporting their specific material issues and encourages them to engage in dialogue with diverse stakeholder groups.

The guideline includes two distinctive chapters indicating basic information requirements of environmental reporting and specific items to be reported in the report; it has an additional section mentioning major environmental issues and their performance indicators. Specifically warranted items in the report are top management commitments, governance, stakeholder engagement, risk management, business model, value chain management, long-term vision, strategy, methodology for identifying material environmental issues, entity's specific material environmental issues. Additionally, performance indicators that can amplify these items are climate change, water resource, biodiversity, resource circulation, chemical substance and pollution prevention.

This 2018 version is updated from several perceptions, compared to the 2012 guideline. It asks for both conventional environmental management information and forward-looking non-financial data, requires financial impact (cost and benefit) of the identified environmental issues of a specific entity and demands supplementary items, i.e., guidance, technical notes, the process of report preparation, examples etc. To facilitate all these, Ministry of the Environment is planning to digitally configure a platform for environmental information disclosure.

Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation (2017) – Ministry of Economy, Trade and Industry (METI)

This guidance (METI, 2017) is pillared on the output of the 'Study Group on Long-term Investment (including ESG and Intangible Assets) toward Sustainable Growth'; this study group was initiated to formulate policy measures to uphold the sustainable growth of corporate value and long-term investment, which was a part of corporate governance reform initiative of the government, under the umbrella of 'Japan Revitalization Strategy 2016'.

The relationship between the Japanese companies and investors is not tight enough. Companies regret that investors can choose companies based on performance; on the contrary, companies cannot do the same with the investors. On the same note, investors feel that managers and directors are not paying heed to their preferred business metrics. To overcome this scenario 'Ito Review' was initiated in 2013; in 2014, it suggested cultivating collaborative value creation involving companies and investors through constructive dialogue and engagement. This guidance is one of the followers of the recommendation of 'Ito Review'; it is expected to serve two parties: managers/directors and investors.

By following this guidance corporate managers/directors can comprehensively communicate vital information to the investors, which will enhance the quality of company-investor dialogue and ultimately, corporate value. Interestingly, corporate value creation processes are specific to companies and hence, entities are free to opt from a plethora of items related to their business models; order and contents of the opted items can be chosen freely, too. On the flip side, this guide will aid both institutional and individual investors to evaluate companies from a long-term perspective, taking investment decisions, initiating stewardship activities, conducting dialogue with companies, and monitoring investee companies.

Table 3.2: Overview of the disclosure-items requested in the METI-2017 guidance

Category	Items
Values	Corporate philosophy and vision, relationship with society
Business model	Position in the competitive landscape, essential elements for ensuring competitive advantage
Sustainability/ growth	Recognition of ESG factors, relationship with key stakeholders, risk in a changing environment
Strategy	Improving company position within the value chain, securing/enhancing management resources and intangible assets, strategy for ESG integration, capital allocation strategy
Performance and KPIs	Financial performance, setting strategic KPIs, designing linkages between corporate value creation and specific KPIs, cost of capital, progress evaluation
Governance	Board strength, skills and diversity of CEOs and senior executives, skills and diversity of non-executive directors, monitoring strategic decision, shareholder return policy, compensation policies, reviewing board effectiveness and identifying priority issues

Stewardship Code (2020) – Financial Services Agency (FSA)

Due to the traditional *J-firm* style corporate governance—featured with cross-shareholdings—institutional investors usually had the luxury to play a passive role in the management by voting blindly for the management or by not exercising their votes at all; thus, the managers could opt for actions opposite to shareholders' interests. To reverse this scenario, Financial Services Agency (FSA) published 'Principles for Responsible Institutional Investors <<Japan's Stewardship Code>>' in 2014 intending to push the institutional investors to be more involved with the investee companies leading towards sustainable growth and dialogue. The first revision was released in 2017 and the current version (FSA, 2020) is amended in these areas:

a. focusing on sustainability attaching to ESG factors
b. warranting disclosures related to reasons for votes on agenda items
c. facilitating the application of the codes to asset classes other than listed shares
d. including fresh principle focused on the roles of the institutional investors' service providers

Stewardship responsibilities refer to increasing the medium to long-term investment return of the clients and beneficiaries through constructive engagements or purposeful dialogue pillared on the in-depth understanding and business context of the entity. However, it doesn't warrant the institutional investors to micro-manage the business movements. Furthermore, they are not legally bound to follow this code—which is purposefully ambiguous to facilitate flexibility—and can skip any of the code's provisions by simply notifying why they are not doing so. Nonetheless, FSA keeps a list of the institutions that are adhering to the code.

It boils down to eight principles to aid the execution of stewardship responsibilities. Institutional investors should:

a. be clear regarding their stewardship responsibilities
b. have a clear policy on their management of conflict of interests
c. monitor the investee companies focusing on sustainable growth
d. should engage with the investee companies to solve problems constructively
e. should have a clear policy on voting and disclosure of the voting activity
f. report periodically to the clients and beneficiaries highlighting their degree of fulfillment of stewardship responsibilities
g. develop appropriate skills and resources for a fruitful engagement process
h. should lead the related service providers so that they can enhance the entire investment chain

Corporate Governance Code (2021) – Japan Exchange Group (JPX)

Corporate Governance Code—originally published in 2015, then revised in 2018 and the latest revision is in 2021 (TSE, 2021)—set out the fundamental principles for effective corporate governance and items for engagement that the institutional investors and entities are expected to focus on. It is distributed by the Japan Exchange Group (JPX) and has been incorporated in the listing rules of the Tokyo Stock Exchange (TSE) on a 'comply-or-explain' basis. It is complementary to the Stewardship Code and provides flexibility to the companies in interpreting and disclosing asked items. It considers a principles-based approach towards corporate governance and opts for five fundamental principles (see table 3.3).

Table 3.3: Five fundamental principles of Corporate Governance Code-2021

Fundamental principles	Major sub-principles
Securing the rights and equal treatment of shareholders	Rights of shareholders in a general shareholder meeting, strategy for capital policy, cross-shareholdings, anti-takeover measures, related party transactions.
Cooperation with stakeholders—employee, customers, business partners, creditors, local communities—other than shareholders	Business principles for corporate value creation over the mid-to-long term, code of conduct, social and environmental issues, ensuring diversity focusing women, whistleblowing framework, roles of corporate pension funds.
Ensuring appropriate information disclosure and transparency	Frameworks for full disclosure and external auditor engagement.
Responsibilities of the board	Roles and responsibilities—strategic direction, management remuneration system, management oversight, appointment and dismissal of the senior management—of the board, fiduciary responsibilities of directors, roles/responsibilities/qualification and effective use of the independent directors, board effectiveness, active board deliberation.
Dialogue with shareholders	Policy for constructive dialogue with the shareholders, establishing business strategies and business plans.

Moreover, a few issues of the 2018 version of the Corporate Governance Code are revised in the 2021 version; the modifications are following:

a. Increased board independence: the number of independent members has been increased from at least two to at least one-third of the board for prime market listed companies and a majority of the nomination committee and remuneration committee should be independent for the same market listed companies. Independent directors should have prior managerial experience and there should be a disclosure of skill-matric of the board members.

b. Promotion of diversity: policy and measurable targets related to the appointment of females, non-Japanese and mid-career professionals should be disclosed. Additionally, human resource development and diversity policies along with the implementation of those should be reported.

c. More attention to sustainability and ESG issues: company should develop a basic policy regarding their sustainability and disclose related initiatives. Moreover, pursuing TCFD or equivalent international frameworks they should enhance the quality and quantity of climate-related disclosure.

3.3.3 Legal System/Framework

Largely, as it can be noted from the previous section, the Japanese companies are guided, rather than ruled when it comes to disclosing ESG information. Moreover, Japan is a 'code law' country that provides flexibility in pursuing acts (Aman et al., 2021). Interestingly, the Japanese Companies Act[12] (Act No. 86, 2005) does not provide any specific regulation dedicated to ESG-issues. It puts up the basic principles regarding the rights and obligations of management organs and related disclosures. There are three articles that are related to corporate governance and business report; these are article 373: from six or more directors one or more of the directors shall be from outside, article 400: a majority of the committee members shall be sourced from outside, and article 435: every year the companies should publish a business report with annexed detail statements along with the regular financial statements. However, only article 435 is related to ESG disclosure.

Moreover, Order for Enforcement of the Companies Act[13] (Cabinet Order No. 364, 2005) denotes information to be included in the public companies' business reports in article 119: current status of the company and matters related to the company officers and in article 121: company officers' related matters are their names, position, the total and individual amount of remuneration for director/ auditor/advisor/executives, policies/methods of calculating remuneration and details regarding resignation/dismissal of company officers. Nonetheless, there are few acts/laws that may mandate some specific entities to disclose ESG information (Fitriasari and Kawahara, 2018); organizations other than the specific entities are exempted from the compulsion or can abide by with a 'comply or explain' basis.

a) Act on the Promotion of Business Activities with Environmental Consideration[14] (Act No. 77, 2004): this act enables access to environmental information and other measures and requires profit-oriented companies to publish their environmental reports, annually; failure warrants a civil fine of up to 200,000 yen.

[12] Available at: http://www.japaneselawtranslation.go.jp/law/detail/?id=3207&vm=&re=
[13] Available at: http://www.japaneselawtranslation.go.jp/law/detail_main?re=2&vm=&id=2841
[14] Available at: https://www.env.go.jp/en/laws/policy/business.pdf

b) Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof[15] (Act No. 86, 1999): it established the system of 'Pollutant Release and Transfer Register' (PRTR) to promote voluntary improvement of the management of chemical substance by those business organizations that are handling a designated chemical substance. Notification of released and transferred amount reaches both the MOE and METI; failure to submit a notification or submitting false notification leads to a fine of (up to) 200,000 yen.

c) Act on Promotion of Global Warming Countermeasures[16] (Act No. 117, 1998): according to this act the specified emitters, as per ministerial order, shall report every year on carbon dioxide equivalent greenhouse gas emission. MOE rules the methods of calculating and reporting greenhouse gas emissions; failure leads to a 200,000 yen fine.

d) Act on the Rational Use of Energy[17] (Act No. 49, 1979; amended in 2008): this act is established by the METI to promote efficient usage of energy in factories and business arenas. If a related party does not notify or provide false notification, it will face a fine of 500,000 yen or less. This law demands more than one percent of energy efficiency development every year and asks for numerical values.

e) Act on Waste Management and Public Cleansing[18] (Act No. 137, 1970; amended in 2010): this act requires reporting waste management status/process to MOE, from the companies that emit a large quantity of wastes to MOE; failure leads to financial sanction.

f) Railway Business Act[19] (Act No. 92, 1986) and g) Civil Aeronautics Act[20] (Act No. 231, 1952): these acts push railway business operators and the domestic aeronautical business to publish safety reports to enumerate potential challenges for safety and how they can overcome such challenges.

h) Financial Instrument and Exchange Act[21] (Act No. 25, 1948; amended in 2006 and 2019) and Disclosure of Corporate Affairs (Ordinance of the Ministry of Finance, No. 5, 1973): this law and ordinance are related to corporate financial reporting for investors. It asks issuers of specific types of securities to disclose females in managerial and executive positions in their Annual Securities Report and other mandatory reports. Additional non-financial information

[15] Available at: https://www.env.go.jp/en/chemi/prtr/regulations/pdf/prtr_act_jap.pdf
[16] Available at: https://www.cas.go.jp/jp/seisaku/hourei/data/APGWC.pdf
[17] Available at: http://extwprlegs1.fao.org/docs/pdf/jap77454.pdf
[18] Available at: https://www.env.go.jp/en/recycle/basel_conv/files/Waste_Management_and_Public_Cleansing.pdf
[19] Available at: https://www.cas.go.jp/jp/seisaku/hourei/data/RBA.pdf
[20] Available at: https://www.cas.go.jp/jp/seisaku/hourei/data/caa.pdf
[21] Available at: https://www.fsa.go.jp/common/law/fie01.pdf

requirements from the latest amendments are policy and strategy for corporate management, explanation of directors' remuneration, the reasonableness of cross-shareholdings, and detailed corporate governance information.

i) The Act on Promotion of Women's Participation and Advancement in the Workplace[22] (Act No. 64, 2015; enforced in 2019): this act emerged to provide a work environment enabling women to balance work and family lives. Government agencies, local government and private-sector corporations with more than 300 employees are obliged to follow this act. It requires disclosing rates of newly hired female employees, gender gap, working hours, female manager rates and gender equality action plan.

j) Act on Improving Transparency and Fairness of Digital Platforms 2020[23] (enforced in 2021): this act requires the digital platform providers to disclose certain items—refusal criteria to a deal, search ranking factors, terms and conditions to acquire data about sellers' items and consumers' buying behavior—regarding the third-party sellers and consumers and submit an annual report on their business operations to METI. The goal of this act is to enhance transparency, prevent unfair action and data misuse. Failure to submit a report or submitting a false report leads to a fine of (up to) 500,000 yen.

3.3.4 Corporate (Management) Philosophy and Culture

In Japan, all the firms have company philosophies, and it is assumed that this philosophy guides and formulates corporate objectives, goals and job specification (Yoshida, 1989); e.g., Toyota has a philosophy of committing itself to customer, community, employee and environment, whereas Toshiba's philosophy commitment is targeted towards people and the future (Wang, 2009). Corporate philosophy is dependent on shared values and values are formed through the support of the (top) management (Picken, 1987). Employees' behavior, attitude, beliefs, skills, perspectives, habits and prejudice impact organizational culture (Madu, 2012); similarly, their view of reality and organizational practices define organizational culture, which is extremely difficult to alter (Ledford et al., 1995). According to García-Sánchez et al. (2013) culture and corporate transparency are tangled with each other and corporate report—assumed as a means of corporate transparency—is connected to the company's culture. Moreover, Vitolla et al. (2019) also found a positive relationship between cultural aspects and the quality of integrated

[22] Available at: http://www.japaneselawtranslation.go.jp/law/detail_main?re=02&vm=02&id=3018
[23] Available at: https://www.meti.go.jp/english/policy/mono_info_service/information_economy/digital_platforms/tfdpa.html

reporting. Therefore, whatever is being practiced and being believed as a part of the natural flow of operations in an organization will influence all the aspects, even the (integrated) reporting practice of it. The following paragraphs will aid to understand the corporate philosophy and culture of Japanese companies.

To comprehend Japanese corporate philosophy, one may want to look at some typical Japanese terms, e.g., *kyosei*, *tatemae*, *honne*, *jishukisei*. Likewise, to get a grip on the corporate culture, *Kaizen*, 'Theory Z' and various typical Japanese corporate culture terms (table 3.4) may be referred to.

Kyosei, Tatemae, Honne and Jishukisei

Confucian philosophy is connected to the idea of *kyosei*; this philosophy is instrumental in the creation of Japanese business codes of ethics. *Kyosei* is synonymous with the notions of fair business practice and corporate responsibility towards community. Moreover, companies that pursue the path of *kyosei* formulates harmonious relationships with their customers, suppliers, competitors, government, and natural environment, e.g., Canon puts *kyosei* at its center of business credo and it values this philosophy the most. Other Japanese companies that have *kyosei* installed in its corporate philosophy and declare adherence to it in its CSR are Sumitomo, Matsushita Electric (Panasonic) and so on (Boardman and Kato, 2003). Here is an instance of Panasonic's basic management objective from Panasonic Code of Conduct[24] (p. 6):

"Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world."

According to Wokutch and Shepard (1999), the concept of *kyosei* can be expanded to include the ideas of environmental protection, humanization of the workplace, embracing diversity, broadening the coverage of stakeholders—customers, staff, shareholders, suppliers, competitors—other than shareholders and macro view of business ethics along with social responsibility that embeds local/regional community. Canon (2019, p. 2) speaks loudly regarding their corporate philosophy, which is as follows:

"Following half a century of operations, Canon adopted kyosei as its corporate philosophy in 1988, expressing clearly the company's firm commitment to working together with stakeholders around the world. Kyosei is the aspiration to create a society in which all people, regardless of race, language or culture, harmoniously live and work together for the common

[24] Available at: https://www.panasonic.com/global/corporate/management/code-of-conduct/pdf/code-of-conduct/02_coc2008English.pdf

good into the future. Canon is pursuing the realization of a sustainable global society based on the philosophy of kyosei".

Tatemae (adherence to social norms), *honne* (personal motivation) *and jishukesei* (self-regulation) are three distinctive terms that can explain a specific philosophical configuration of the Japanese companies. A typical Japanese company is more likely to pursue *jishukesei* compared to the other regions of the world (Porter and Ronit, 2006) and follow a voluntary approach towards environmental conservation, even if there is no tight institutional setting to support such conservation (Volden and Wiseman, 2012). Hence, it can be safely stated that Japanese companies self-regulate themselves and are ready to sacrifice their *honne*, accept *tatemae* and practice corporate social responsibility and reporting thereby (Schaede, 1999).

Interestingly, Japanese people are also affected by *honne* and *tatemae*. They are ready to let go of their personal opinions or motivations to have a mutually harmonious society by adhering to social norms (Sato, 2018). They care about the environment, initiate various environmental entrepreneurship, respect nature, and are accustomed to a highly strict recycling and waste management system. This philosophical position of the Japanese citizens has a rippling impact on the companies, and they expect the companies to hold the same spirit (Madein, 2020).

***Kaizen*, Theory Z and Typical Japanese Corporate Culture Terms**

In 1986, Masaki Imai coined the term *Kaizen*— '*kai*' means 'change' and '*zen*' refers to 'for the better'—that speaks about the unquenchable thirst of the Japanese employees regarding continuous improvement. This improvement can be done every day (continuous), for everybody (from CEO to line-workers) and everywhere (all the departments). It is the key to Japan's competitive success and is recognized as a pillar of a firm's long-term strategy (Imai, 1986). Furthermore, Ouchi (1981) coined the term 'Theory Z' supporting the typical Japanese management style that vouches for 'generalist' path for the employees, who are expected to be under continuous training process through job rotation in all possible departments of the company; this system produces a dedicated, loyal and permanent workforce; however, in this method promotions happen rather slowly. It is assumed that there remains an intimate working relationship among employees, and they embrace a sense of order, discipline and a hard-working mentality. *Kaizen* and Theory Z sum up a typical Japanese corporate/workspace culture. To follow, table 3.4 will give us a holistic idea regarding a typical Japanese corporate culture.

Table 3.4: Terms that define Japanese corporate culture

Japanese Terms	English interpretation	Business implication(s)
Gaman	Ability to put up with an unpleasant context	A typical Japanese employee would (mostly) keep the concerns to him/herself, e.g., if an employee is asked to leave his family and go overseas, he will accept it quietly, without complaining. *Gaman* is directly linked with the Japanese concept of lifetime employment and a complainer is viewed negatively. Japanese employees believe that problematic workplace contexts change with inevitable personnel-shift.
Genba Shugi	Being at the Place of / operation / problem	Japanese employees (even the managers) believe that they must be at the place of occurrence (complicacies) to comprehend the scenario. They would like to investigate a case first-hand and don't rely on the reports of subordinates; they are not snobbish to stay at the desk all the time and are quite ready to do the odd jobs.
Ho-ren-so Hokoku – Renraku – Sodan	Report – update – consult	Japanese bosses hate to be surprised, even if the surprise is positive and they tend to micromanage their subordinates. Japanese employees are discouraged to solve any issues independently, rather, they need to follow a three-step procedure. Firstly, *hokoku*: to report to the boss; secondly, *renraku*: updating or contacting the senior; and lastly, *sodan*: consulting or discussing with the boss. In Japanese corporate culture, the method followed to solve a problem can be more important than the solution itself. *Ho-ren-so* is all about coming up with a collaborative and efficient solution.
Jinji Ido	Personnel reshuffle / rotation of staff to different positions	Shuffling personnel (even far beyond their core expertise) in Japanese companies is a common phenomenon. The philosophy of life-long employment and a tight labor market pushes employees to explore different horizons in the same company. Additionally, Japanese management prefers internal promotion and hence would like the employees to experience various departments before crowing them with a management position.
Junansei	Flexibility – willingness to take additional responsibility	While recruiting, Japanese management looks for general intelligence, personality and character (including *junansei*) in potential employees and offers them to become an employee of the company instead of a specific specialized position; their career path is decided by the human resource department. A typical Japanese employee is ready to accept any type of unrelated responsibility.
Minarai	Learning by observing	Learning through observation in the workplace is a traditional Japanese training technique; *minarai* is not dependent on oral method, rather the trainer does his things and the trainee learns from watching. The trainees must struggle to learn new aspects of the job and it is believed that such type of learning is more sustainable. In the Japanese workplace, new workers are tied with experienced ones (*senpai*) so that they may soak up their knowledge.
Monozukuri	Apex manufacturing	Japanese manufacturing process always thrives for the best possible way to make an object. It adheres to the idea of craftsmanship ethic related to profound knowledge, high skills and passion; to add, it values the men most in the production process and pushes them to become a *Takumi* (real craftsman).
Saihatsu Boshi	Avoiding future recurrence of the same problem	Japanese personnel simply don't apologize for an issue, they do a proper post-mortem of the problem, find out the responsible factors, and want to halt its recurrence; this relentless approach toward avoiding the problem is a major variable contributing towards the 'Japan-quality'.
Shanai Shoshin	Internal promotion	In Japan, employees are hired as fresh graduates, walk through various positions in the company, gain experience and move to higher positions through internal promotion. Japanese companies rarely hire people from outside for vital management positions. Nonetheless, when an internally groomed individual loses his/her job, it becomes very difficult for him/her to replicate the same skill set in a new company, which might have different setups.

Source: Japan Intercultural Consulting (2021); Miroshnik and Basu (2014)

Overall, Japanese personnel have excellent internal relationships within the community, work the hardest, have respect for seniors, expect lifetime employment, accept seniority-based payment and promotion, stand for each other in a time of need—all these denote a collaborative internal culture. According to CIMA (2020), an internal collaborative culture that facilitates exchange of data and ideas is befitting to create a fertile ground to culture integrated thinking and reporting. Equivalent support can be found from García-Sánchez et al. (2013), who postulate that companies with strong collectivist values increase the quality of integrated reporting. On the same note, when the ideas of *kyosei* and *kaizen* are installed in company philosophy, it reflects the adherence to corporate social responsibility, care for others, fair business practice and an attitude of continuous improvement; these are essential for the growth of corporate social disclosure in Japan.

3.4 Final Notes

Japanese companies started with tiny social/environmental disclosures in a small space of regular annual report and occasionally with separate booklets. Earlier, they considered it as a PR tool; later, with government intervention and publications they started to understand the importance and environmental reporting became common. Consequently, the movement of environmental reporting shifted to corporate social reporting (CSR) and disclosure categories became vibrant consisting of less environmental-based information, though Japanese CSRs are historically environmental-heavy. Following this movement, nowadays, Japan is embracing the idea of integrated reporting—the second-highest reporting country of the world—and sustainability reporting with both hands. Ministries, METI and MOE, and various other governmental and non-governmental bodies are highly responsible for such development in the Japanese CSR horizon.

Japanese CSRs have been following a distinctive trend and depict interesting properties through their disclosure-category choice. The government has always been the vital-most player in setting pathways for the Japanese CSRs. Japanese CSRs revolve around a voluntary reporting premise by (mostly) adhering to several guidelines from the government. These are flexible and interpretable from multiple perceptions; hence CSR efforts are comfortable for the companies. Due to globalization, Japanese companies are complying with few international frameworks for preparing CSRs; however, in reality, their preference towards local values is visible in the CSRs, as they report following the guidelines of METI and MOE along with other domestic codes. High environmental-impact companies tend to report more in Japan; however,

motivation for reporting is (broadly) PR-based and stakeholder pressure seems to be a minor variable in CSR publication. Japanese CSRs suffer from information overload and lack of assurance and do not disclose ESG-based targets; compared to the other parts of the world, these reports concentrate too much on environmental information and overlook social-category-based disclosures.

Historically, the traditional *J-firm* governance system has been ruling the institutional setting of Japanese CSRs. In this system, external reporting is not utterly required, since companies and management are only accountable to a close group of institutional investors. However, when such governance got disturbed with deflation, market crash, 'Big Bang', globalization and digitalization the importance of external reporting (CSR) rose to the next level and companies started to follow a few international frameworks too. Domestic guidelines from MOE and METI ask for environmental conservation/performance-based disclosures and broad ESG-based disclosures, respectively. Additionally, Stewardship Code focuses on the fiduciary responsibilities of institutional investors and Corporate Governance Code requests for disclosures related to rights and responsibilities of various parties of business and gives utter importance to disclosures attached to board members, diversity, and ESG-issues. Moreover, Japanese CSRs are vibrated by a few acts/laws; here, specific issues related to GHG emission, chemical substance management, energy efficiency, diversity, safety management etc. have received attention. To add, violation of some requirements of these acts leads towards hefty sanctions too. From the perception of philosophy—*kyosei, tatemae, honne, jishukisei*—and organizational culture—*kaizen,* theory Z—Japanese companies are affirmative towards social responsibility and their workplaces nurture an internalized collaborative culture; these have a positive relationship with the quality of integrated reporting.

Therefore, it can be confirmed that Japanese institutional setting—modified corporate governance system, guideline and code-focused voluntary reporting context, social responsibility based corporate philosophy, internally cohesive workspace—supports the growth of corporate social reporting, i.e., integrated reporting; however, occasionally, a narrow understanding of the objective of CSR and too much dependence on local guideline may slow down the growth of Japanese CSR (IR) and limit the breadth of related ESG disclosures.

Chapter 4

Research Methodology

This research is segregated into two parts; the first part aims to find out the presence of material information in the Japanese integrated report (IR), i.e., IRs of the Japanese electric equipment industry, and the second part seeks to understand the motivation behind dishing out a specific type of (material) information in the said IRs. For the first part, the content analysis method is preferred, in which—through two disclosure indexes—qualitative disclosures are converted into quantitative numbers; consequently, these numbers are crunched with descriptive statistical tools, facilitating interpretive analysis. For the second part, theory-based thematic analysis is referred to; here three mechanisms of the institutional theory are selected to formulate themes, that are utilized to create a logical platform to explain the motivation of IR-publishers.

The rest of the chapter is structured as follows: section 4.1 to section 4.5 enumerate the research methodology for the first part and section 4.6 is dedicated to the second one.

4.1 Methods on the Quality-based CSR Research

Materiality increases the quality of CSR disclosures (Gerwanski et al., 2019; Zhou, 2017) by ensuring conciseness, relevance, and ultimately the decision usefulness of information. Numerous studies were conducted to understand similar quality-specific aspects of non-financial disclosures by employing varied indicators or variables, such as corporate profile and background, ownership form, economic and business model, key performance indicator (hereafter, KPI), environmental impact and management systems, energy and efficiency, environmental liabilities and expenditure, sustainability policy/strategy, social impacts, community involvements, product responsibility, labor practice and human rights, occupational health and safety, diversity, governance and ethics, responsible and beneficiary parties, anti-corruption, regulation, institutional characteristics, assurance and reliability, target and trends, major stakeholder identification and engagement, risk and opportunities, business process integration of CSR, separate CSR-section, readability and clarity, reporting principles, report design/frequency/accessibility /conciseness, and awards and achievements (Aggarwal and Singh, 2019; Beck et al., 2010; Dumitru, et al., 2017; Habek and Wolniak, 2015; Hooks and van Staden, 2011; Leitoniene and Sapkauskiene, 2015; Matuszak and Rozanska, 2017; Pistoni et al., 2018; Skouloudis et al., 2010; Tsails et al., 2018; Venturelli et al., 2017). However, all these studies employed similar methodology, i.e., content analysis, descriptive statistics, and a numerical scoring system/disclosure index/accountability index.

Pursuing the previous studies, this paper utilizes manual content analysis, a specific numerical scoring system—based on disclosure index—and descriptive statistics (percentage, mean, standard deviation) to collect, arrange and present information for interpretational analysis. The results and interpretation of qualitative content analysis-based studies stem from index scores (Pesci and Costa, 2014); this investigation is nothing different. On the same note, a numerical scoring system aids to spot the strengths and weaknesses of non-financial reports and increases its industry comparability (Skouloudis et al., 2010). Intriguingly, such a system is based on ordinal data and it is commonly believed that this kind of data should not be analyzed with mean and standard deviation. Nonetheless, a groundbreaking work of Harpe (2015), related to rating scale data, recommends that individual rating items with 5 categories in length may generally be identified as continuous data. The scoring system of this study uses a rating scale of 5 categories; hence, it is well poised to employ mean and standard deviation as statistical tools. Furthermore, Wilcoxon Signed-Rank Test was run to confirm the statistical significance of the score-difference between the two sets (see table 4.3 and 4.4) of variables in concern.

4.2 Research Flow

Before diving into the details of the methodology section, offering a table or figure stating the arrangement of the research process is a befitting idea for it clarifies the steps of the research and increases the rigor of the investigation (Erlingsson and Brysiewicz, 2017; Bengtsson, 2016; Liao et al., 2017). Table 4.1 holds the research flow of this study, in a step-by-step manner.

4.3 Variables and Coding Scheme

It is always a befitting idea to identify and select indicators from past research (Leitoniene and Sapkauskiene, 2015) while working with a disclosure index. On top of it, Japanese companies refer to multiple—both domestic and international—guidelines and frameworks while formulating IR (Ali et al., 2015; Tanaka, 2015). Hence, a deliberate effort has been made to collect variables from multiple— standard setters, guideline providers, regulators and academics—sources. Table 4.2 provides the 14 resources that are used in this study to accumulate all the variables.

Table 4.1: Research flow of this study

Steps	Approach/criterion	Output
Accumulating variables for testing materiality presence in CSR	Looking into the materiality related investigations of standard setters/ guideline providers, regulators, and researchers	Two sets of variables: a) categorized materiality variables, b) materiality disclosure quality variables
Setting a coding scheme	By considering the past research, establishing scoring range, score-marker, and score-definer	Disclosure index with illustration
Sampling	Looking for non-financial reports considering 244 listed Japanese electric equipment companies	29 self-declared English integrated reports of 2019
Collecting and Coding data	Collecting data following manual content analysis and coding data pursuing the disclosure index	Individual/aggregate numerical score-tables for all the variables and companies
Reliability check	Finding inter-coder agreement	Krippendorff's alpha
Data Analysis	Based on descriptive statistics	Percentage, mean, standard deviation

Assessing information quality of corporate social reports based on categorized variables is a popular (Beck et al., 2010; Matuszak and Rozanska, 2017; Skouloudis et al., 2010; Tsails et al., 2018; Venturelli et al., 2017) research method. To add, Gerwanski et al. (2019) studied materiality disclosure quality variables that influence categorized variables and materiality of CSR disclosures, in the end. This study has accumulated both these types of variables from multiple—standard setters, guideline providers, regulators, scholars—sources and formulated two different sets of variables, i.e., categorized materiality variables (hereafter, CMV) and materiality disclosure quality variables (hereafter, MDQV) to fulfill the research question. To clarify, CMV denotes specific indicators (e.g., data security, board compensation, and so on) that increase the decision usefulness of disclosures directly, whereas MDQV (e.g., value creation process, targets, materiality determination process etc.) influence CMV and vibrate the decision usefulness indirectly, i.e., value creation process along with related risk/opportunities, goal and stakeholder engagement direct material issue-identification, impacting all the CMVs. Hence, it can be claimed that this study covers both the principle and content element grounds.

Table 4.2: Sources of all the selected variables

Serial	Materiality focus	Source(s)	Core contents
1	General	KPMG, 2018 KPMG, 2019	Disclosures that are prioritized by the Japanese IR-preparers
2		Gelmini et al., 2015	Concept of materiality concerning IR and stakeholder engagement in the materiality determination process
3		Gerwanski et al., 2019	Determinants of materiality disclosure quality and its impact on materiality
4		Lai et. al., 2017	Meaning of materiality to the IR-preparers
5		AccountAbility, 2013	Expanded definition of materiality and consideration of the views of multi-stakeholders
6		Reporting Exchange, 2020	Material ESG-issues for CSR, in association with CDSB and WBCSD
7		RobecoSAM and GRI, 2016	Agreement on material issues from the perspectives of investors and companies
8		AICPA and IIRC, 2013	Materiality definition in the context of IR and related materiality determination process
9		EU Commission, 2014 EU Commission, 2019	Requirements of categorized materiality variables and introduction of double materiality perspectives
10	Sector Specific	RobecoSAM and GRI, 2015	Materiality definition considering the views of report preparers and investors; it is based on technology hardware and equipment industry's perspective
11		GRI, 2013	Stakeholders' takes on material issues; it holds information on technology hardware and equipment industry, semiconductor industry, and 50 other industries
12		SASB, 2020b	Specific materiality topics in the EMS and ODM, hardware, and semiconductor industries
13	Japan-specific	METI, 2017	Guideline for integrated disclosures collaborating the views of companies and investors mentioning categorized variables
14		MOE, 2018	Identification of material issues of the companies and explaining their sustainability focusing on building a low-carbon society

Abbreviations: CDSB, climate disclosure standards board; WBCSD, world business council for sustainable development; EMS, electronic manufacturing services; ODM, original design manufacturing.

Table 4.3 and 4.4 contain CMVs and MDQVs, respectively. CMV-table has 17 variables, segregated into 5 sections; all the variables are accompanied with acronyms for facilitating data analysis. Consequently, MDQV-table has 5 variables with definitions and acronyms. Subsequently, the sources (serial from table 4.2) of the respective variables are mentioned inside the parentheses to increase the rigor of the investigation; the sector-specific—electric equipment/technology hardware—materiality sources (serial 10,11 and 12 from table 4.2) have received more importance; for being selected one variable had to have minimum three mentions.

Table 4.3: Categorized materiality variables (CMV) and related sources

Environmental capital	Social capital	Human capital	Governance	Economic capital
GCE GHG and/or Chemical Emission (6,9,10,11,12,14)	**DS** Data Security (10,11,12)	**LPWC** Labor Practice and Working Condition (6,9,10,11,12,13)	**BSD** Board Structure and Diversity (1,3,5,9,11,13,14)	**BMPD** Business Model and Product Design (Innovation) (5,6,9,10,11,12,13,14)
EM Energy Management (Consumption/ Efficiency) (6,9,10,11,12,14)	**DISE** Digital Inclusion and Social Enabling (5,9,10,14)	**OHS** Occupational Health and Safety (6,9,10,11,12)	**BC** Board Compensation (1,9,11,13,14)	**SCIM** Supply Chain Integrity and Management (5,6,10,12,13,14)
WWM Water and/or Wastewater Management (6,9,12,14)		**EDI** Employee Diversity and Inclusion (5,6,9,10,11,12)	**PCA** Political Contribution and Accountability (5,6,11)	
HEWM Hazardous Materials and/or Electronic Waste/Waste Management (6,10,11,12,14)		**TD** Training and Development (6,10,13)	**ACB** Anti-corruption and Bribery (5,6,9,11)	
RM Recycling Management (6,11,14)				

Abbreviation: GHG, greenhouse gas

Table 4.4: Materiality disclosure quality variables (MDQV) and related sources

Variable definition	**Acronym**
Company's unique value creation process or story (1,4,7,8)	**VCP**
Identification and description of the system of risk and opportunities (1,3,7,8,9,10,13,14)	**SRO**
Targets and/or progress towards targets or goals (1,7,8,9,13,14)	**PTT**
Materiality determination (assessment) process with stakeholder engagement (1,2,3,4,7,8,13,14)	**MDP**
Separate materiality section describing material issues (1,2,3,7)	**SMS**

Traditionally, disclosure index usage with various non-binary ranges of scores and score-definers is common in CSR-quality research. Some researchers utilized only a '0-2' scoring range; however, researchers with a scoring range of '0-5' are not rare. Table 4.5 holds various scoring ranges and score-definers referring to the specific sources.

Table 4.5: Various ranges and score-definers of disclosure index of past CSR-quality studies

Source / Score	0	1	2	3	4	5
Leitoniene and Sapkauskiene, 2015	Absent	Only mentioned	Detailed information			
Venturelli et al., 2017	Absent	Incomplete disclosure	Full disclosure			
Dumitru et al., 2017	Absent	Narrative only	KPI and numerical	Narrative and numerical		
Tsails et al., 2018	Absent	Qualitative information of specific indicator	Quantitative information of specific indicator	Quantitative information that can be used to assess the progress of specific corporate performance		
Habek and Wolniak, 2015	Absent	Some (little) mention	Including the most important aspects	Detailed (better than average) information	Best practice with a creative approach	
Skouloudis et al., 2010	Absent	Generic or brief Statement	Detailed coverage	Extensive coverage	Full and systematic, allowing for comparability	
van Staden and Hooks, 2007	Absent	Anecdotal or briefly mentioned	Descriptive with impact on the company or its policies	Quantitative: clearly defined impacts with monetary terms or actual physical quantities	Truly extraordinary: benchmarking against best practice	
Beck et al., 2010	Absent	Purely narrative information of category	Purely narrative yet detailed category information	Purely quantitative categorical information	Numerical disclosures aligned with category, including qualitative explanation(s)	Comparable qualitative and quantitative categorical disclosures, covering narratives and year comparison
Pistoni et al., 2018	Absent	Poor description, referring to very few IR guiding principles	Some quantitative information based on a few IR guiding principles	Balanced description of contents based on an average number of IR guiding principles	A detailed description of contents referring to many IR guiding principles	Excellent content description, almost all IR guiding principles are used

Abbreviation: KPI, key performance indicator

Pursuing the previous studies, two disclosure index tables are prepared (table 4.6 and 4.7) with a '0-4' scoring range, score-markers, and score-definers. Besides, to decrease the subjectivity of the study (Beck et al., 2010; Steenkamp and Northcott, 2008) related illustrations are offered.

Table 4.6: Disclosure index for categorized materiality variables (CMV)

Score	Marker	Definition	Illustrations (Appendix number)
0	Absence	No mention of the category	
1	Minimum	Mention-only or anecdotal	A1
2	General	Overall information (mostly narrative) based on category or theme	A2
3	Detailed	Category or theme related disclosures with numerical/objective/other forms of assisting information along with general category	A3
4	Very detailed	Connecting information to KPIs/material issues/strategy/policy/risk and opportunities/targets/measurement (evaluation) process/various timelines in addition to the detailed information	A4

Table 4.7. Disclosure index for materiality disclosure quality variables (MDQV)

Score	Marker	Definition	Illustrations (Appendix number)
0	Absence	No mention of the variable's content(s)	
1	Minimum	Mention-only or anecdotal	B1
2	General	Overall information (mostly narrative) based on defined content(s)	B2
3	Detailed	Disclosures with numerical/objective/other forms of assisting information along with general category	B3
4	Very detailed	Information facilitating timeline comparison and/or connection to identified material issues/categorized materiality variables/strategy/goals/policy along with the detailed category	B4

4.4 Sampling and Data Collection

Since 2002, Japan has been maintaining a higher corporate social reporting rate compared to most of the countries of the world; and, currently, Japan holds the second position in the world as regards publishing integrated report (IR) (Reporting Exchange, 2019; Schrader, 2019). Figures tell the tale of a healthy upward trend; in 2010, only 23 companies expressed through IR and in 2019 the number rose to 513 (KPMG, 2019). Interestingly, even if Japan is a fertile ground for corporate social reporting, it is severely understudied compared to the Anglo-Saxon countries, such as the USA, the UK and Australia (Mata, et al., 2018). Therefore, the primary scope is Japanese companies, as it will be interesting to investigate an understudied CSR-arena

for material disclosures. Moreover, among these companies, for the last 5 years, the Japanese electric equipment sector has been the highest IR-reporting—51 of the 513 companies in 2019—one (KPMG, 2019). Hence the fine-tuned scope of this study is the Japanese electric equipment industry.

There are 3,824 listed companies in Tokyo Stock Exchange (TSE)[25]; among these enterprises, 244 are listed as electric equipment companies. Fascinatingly, Japanese companies refer to multiple domestic and international frameworks, which is an aftermath of foreign ownership (Ali, et al., 2015; Tanaka, 2015); thus, an international investment scenario is focused, and English is chosen as the reporting language. From these 244 electric equipment companies, in 2019, 82 entities published English non-financial reports expressing 11 different types of titles. Intriguingly, only 29 reports had a self-declaration of integrated report title and were published in English. Therefore, the sample frame of this study entails 2019's—published in 2020—29 self-declared English integrated reports of the Japanese electric equipment industry. To add, 27 out of these 29 companies[26] belong to the 1st section of TSE and 2 to the JASDAQ standard; this scenario vouches for the overseas orientation of the samples. Data are coded and collected referring to manual content analysis and according to the disclosure indexes found in the last section.

Additionally, the electric equipment industry in Japan is one of the largest in the world. Japanese companies are responsible for numerous innovative milestones in the electric equipment (appliance) industry, such as transistor radio (Sony), commercial laptop (Toshiba), Walkman (Sony), PlayStation (Sony), VHS recorder (JVC), LCDs (sharp), Rice cooker (Toshiba), Microprocessor (NEC), Flash memory (Toshiba) and so on. Unfortunately, due to competition from China, Taiwan, South Korea, and the USA, its dominance in the electronic equipment market has been reduced significantly (CNET, 2012; The Economist, 2011). However, currently, there are 244 listed companies in the TSE that falls within the industry of electronic equipment (appliance) and among these, there (still) remain some big global players. The following table covers selected capital market information of the sampled 29 companies for this study.

[25] Japan Exchange Group's listed company search: https://www.jpx.co.jp/english/listing/co-search/index.html
[26] Refer to table 4.8 for a list of the companies

Table 4.8: Capital market information of the sampled companies

No	Name of Companies	Date of Listing	Market Position - TSE	Outstanding Share	Investment Unit	Market Capitalization
1	Advantest Corporation	1983-02-09	1st section	199,566,770	1,001,000	1,917,836,659,700
2	Alps Alpine Co. Ltd.	1961-10-02	1st section	219,281,450	117,300	248,445,882,850
3	Anritsu Corporation	1961-10-02	1st section	138,299,494	207,100	264,152,033,540
4	Casio Computers Co. Ltd.	1970-09-21	1st section	259,020,914	185,700	471,677,084,394
5	Fujitsu Ltd.	1949-05-16	1st section	207,001,821	2,080,000	3,927,859,553,475
6	Hamamatsu Photonics K. K.	1996-07-22	1st section	165,041,841	670,000	1,039,763,598,300
7	Hitachi Ltd.	1949-05-16	1st section	968,234,877	636,100	5,987,564,479,368
8	IBIDEN Co. Ltd.	1949-05-16	1st section	140,860,557	599,000	818,399,836,170
9	JEOL Ltd.	1962-04-05	1st section	48,857,800	650,000	351,287,582,000
10	JVCKenwood Corporation	2008-10-01	1st section	164,000,201	23,700	38,376,047,034
11	Kyocera Corporation	1972-09-11	1st section	377,618,580	686,800	2,603,680,109,100
12	Mabuchi Motor Co. Ltd.	1986-12-05	1st section	68,562,462	420,000	287,276,715,780
13	Maxell Holdings Ltd.	2014-03-18	1st section	53,341,500	124,200	75,744,930,000
14	Minebea Mitsumi Inc.	1961-10-02	1st section	427,080,606	293,900	1,283,377,221,030
15	NCXX Group Inc.	2013-07-16	JASDAQ	15,030,195	17,900	2,570,163,345
16	NEC Corporation	1949-05-16	1st section	272,849,863	572,000	1,571,615,210,880
17	Nichicon Corporation	1961-10-02	1st section	78,000,000	119,500	93,288,000,000
18	Nippon Chemi-Con Corporation	1970-09-01	1st section	20,314,833	266,900	51,965,342,814
19	Nisshinbo Holdings Inc.	1949-05-16	1st section	179,042,894	95,900	169,911,706,406
20	Nitto Kogyo Corporation	1990-02-14	1st section	43,000,000	182,300	80,238,000,000
21	Omron Corporation	1966-09-16	1st section	206,244,872	881,000	1,949,014,040,400
22	OSG Corporation Co. Ltd.	2013-07-16	JASDAQ	5,500,000	140,700	7,232,500,000
23	Ricoh Company Ltd.	1949-05-16	1st section	744,912,078	124,700	907,302,911,004
24	ROHM Co. Ltd.	1989-01-25	1st section	103,000,000	1,027,000	1,079,440,000,000
25	Sanyo Denki Co. Ltd.	1962-09-29	1st section	12,972,187	768,000	95,215,852,580
26	Seiko Epson Corporation	2003-06-24	1st section	399,634,778	195,400	793,275,034,330
27	Sysmex Corporation	1996-07-25	1st section	209,458,432	1,320,000	2,776,371,516,160
28	Toshiba Corporation	1949-05-16	1st section	455,280,690	480,500	2,167,136,084,400
29	Toshiba Tec Corporation	1962-11-17	1st section	57,629,140	457,000	262,212,587,000

Source: Japan Exchange Group's listed company search[27]

[27] https://www.jpx.co.jp/english/listing/co-search/index.html

4.5 Reliability Management

This investigation follows a manual content analysis pursuing a meaning-oriented research question; thus, it involves iterative reading and coding. Researchers pursuing this type of content analysis differ in their data collection, analyzing methods, and conceptualization of data (Bengtsson, 2016), which give rise to subjectivity. Though in meaning-oriented content analysis, subjectivity may turn out to be a strength while interpreting data (Steenkamp and Northcott, 2008), it is mostly marked as a major limitation (Guthrie and Abeysekera, 2006). Using multiple coders—research triangulation—to independently code the same data as well as comparing results thereon and testing statistically for inter-rater agreement are befitting techniques to reduce the negativity of subjectivity (Aggarwal and Singh 2019; Bengtsson, 2016; Erlingsson and Brysiewicz, 2017; Guthrie and Abeysekera, 2006). Other ways to increase the reliability of research instrument is to select the categories (variables) from well-supported literature, to base the research on transparent decision rules and to endorse the coding of subjective concept with illustrative instances (Beck et al., 2010, Guthrie et al., 2004).

To support the rigor and reliability of this study, all the sources (table 4.2) of the accumulated variables are presented—specific linkages of those sources to the selected variables are also offered at the variables' tables (table 4.3 and 4.4). Again, detailed decision rules, i.e., scoring range, markers, score-definers, and related illustrative instances are presented at the disclosure index tables (table 4.6 and 4.7); furthermore, two scholars[28] have coded independently, assuring research triangulation. Usually, researchers refer to Scott's reliability index or Cohen's kappa index, or Krippendorff's alpha to statistically support inter-rater agreement. According to Krippendorff (2004), Scott's reliability index and Cohen's kappa index have limitations: Scott's index treats observer-differences as interchangeable and Cohen's index is influenced by predictability in the case of unequal distribution of disagreements, leading towards overvalued reliability; hence, Krippendorff's alpha is preferred in this inquiry.

Krippendorff's alphas for CMV and MDQV are .946 and .891, respectively. Krippendorff's alpha for both the variable-sets are acceptable, i.e., reliable—any value of the alpha above .800 is reliable enough to conclude (Krippendorff, 2004, p.241).

[28] One is the author of this study and another is Mohammad Badrul Haider (Kwansei Gakuin University).

4.6 Research Method for Explaining the Motivation for Publishing IR

For the second part, to unearth the motivation behind publishing integrated reports, an exploratory qualitative research method is being opted for and to find out information related to the aim of the study thematic analysis is conducted. Specifically, a theory-driven thematic analysis (Boyatzis, 1998; Miles et al., 2013) is approached by the researcher, where the selected theory is institutional theory. There are two seminal works related to institutional theory, i.e., DiMaggio and Powell (1983) and Scott (1995). The first researcher focused on three mechanisms—coercive, normative and mimetic—to explain institutional theory and the second one restored to three elements—regulative, normative and cultural-cognitive—to do the same. Both the ideas mostly overlap each other, however, the first one has more explanatory power compared to the latter one (Miner, 2006); hence, the contents of the three mechanisms are preferred to create related themes.

Data sources are secondary, e.g., guidelines, website information, surveys of Ministry of Environment (MOE), Ministry of Economy Trade and Industry (METI), Financial Services Agency (FSA), Japan Exchange Group (JPX), Tokyo Stock Exchange (TSE), websites of various Japanese environmental groups, related Japanese acts and scholarly outputs. Consequently, information found was attached to the themes to create a logical and thematical platform that enabled the researcher to enumerate the motivation of the Japanese integrated report preparers based on the three mechanisms of institutional theory.

Chapter 5
Findings and Discussion

This chapter is divided into two segments; the first segment (5.1) puts up findings based on the ideas of categorized materiality variables and materiality disclosure quality variables, tries to establish whether the idea of materiality is present in the Japanese CSR and which variables are considered as more material from the perception of the report preparers. Consequently, the second segment (5.2) seeks to find out the motivation of the CSR-publishers for which they are putting up certain types of disclosures found in section 5.1 by utilizing institutional theory's three mechanisms, such as coercive, normative and mimetic isomorphisms. The first segment utilizes numbers based on disclosures quality indexes and descriptive statistics to interpret those and the second section opts for theory-based thematic analysis.

5.1 Presence of Material Disclosures in the Japanese Electric Equipment Companies' Integrated Reports

5.1.1 Categorized Materiality Variables (CMV)

Following table 5.1, it is noted that economic capital-based disclosures—business model and product design (BMPD) and supply chain and integrity management (SCIM)—received the highest score (87%)[29]; BMPD has received almost a perfect score of 98%, 27 counts of '4' and a tight standard deviation of .26. It denotes that the Japanese electric equipment companies believe more in the information requirements of the investors, i.e., 'financial materiality' of sustainability. A couple of recent investigations (PWC, 2020; Reporting Exchange, 2019) have found similar evidence. Furthermore, environmental and human capitals received 'above average' scores, almost 70% and 76%, respectively. Overall, Companies reported these two capitals comprehensively; however, three variables stood out: GHG/chemical emission (GCE), employee diversity and inclusion (EDI), and labor practice and working condition (LPWC) with respective scores of 88% (22 counts of '4'), 86% (20 counts of '4') and 83% (15 counts of '4'). Nowadays, the non-owning stakeholders are gravely concerned with these three variables (GRI, 2013); hence, it can be assumed that the sampled companies are also caring for the information demand of this group. Historically, Japanese companies are fond of publishing environmental-heavy disclosures (Kawahara, 2017), which holds for contemporary reports too (Ali et al., 2015; Fitriasari and Kawahara, 2018) and such reporting is focused on GCE-issues (Reporting Exchange, 2019). Interestingly, few scholars postulate that pervasive application of the Japan-specific environmental accounting guidelines is the crucial-most driver for such intensive reporting on the environment (Fukukawa and Moon, 2004; Kokubu and Nashioka,

[29] All the values in this section are rounded.

2005) and financial benefits (Albrecht and Greenwald, 2014), i.e., BMPD-related issues; again, the GCE-dominance could be attributed to the Act on Promotion of Global Warming Countermeasures (Act No. 117, 1998) (Fitriasari and Kawahara, 2018). Inversely, Kawahara and Irie (2015) found a below-average disclosure rate related to EDI and findings regarding LPWC-quality is a mixed one (Ali et al., 2015; Fukukawa and Moon, 2004; Kawahara, 2017; North and Morioka, 2016).

Table 5.1: Descriptive statistics and score-counts of CMVs

Group % rounded	**Categorized materiality variable (CMV)**	**Descriptive statistics**			**Score count**	
		%	Mean (Max 4)	SD	4	1&0
Environmental 69	**GCE** GHG and/or Chemical Emission	87.93	3.52	0.99	22	1
	EM Energy Management (Consumption/ Efficiency)	76.72	3.07	0.96	13	1
	WWM Water and/or Wastewater Management	63.79	2.55	1.55	11	7
	HEWM Hazardous Materials and/or Electronic Waste/Waste Management	74.14	2.97	1.15	12	4
	RM Recycling Management	42.24	1.69	1.37	4	14
Social 63	**DS** Data Security	44.83	1.79	1.24	3	12
	DISE Digital Inclusion and Social Enabling	80.17	3.21	0.82	13	0
Human 76	**LPWC** Labor Practice and Working Condition	82.76	3.31	0.85	15	1
	OHS Occupational Health and Safety	65.52	2.62	1.40	10	6
	EDI Employee Diversity and Inclusion	86.21	3.45	0.95	20	2
	TD Training and Development	68.97	2.76	1.12	9	4
Governance 61	**BSD** Board Structure and Diversity	92.24	3.69	0.54	21	0
	BC Board Compensation	78.45	3.14	1.22	16	3
	PCA Political Contribution and Accountability	6.90	0.28	0.84	0	26
	ACB Anti-corruption and Bribery	64.66	2.59	1.18	6	4
Economic 87	**BMPD** Business Model and Product Design (Innovation)	98.28	3.93	0.26	27	0
	SCIM Supply Chain Integrity and Management	75.86	3.03	1.02	10	3

Governance-group achieved an average score of 61% since the companies are not introduced to a contemporary variable, i.e., political contribution and accountability (PCA); this has received the lowest individual score of 7%, .28 mean, and 26 counts of '1 & 0', which is aligned with the findings of Ali et al., (2015). The other three variables of this group—board structure and diversity (BSD), board compensation (BC), and anti-corruption and bribery (ACB)—has secured 92%, 79%, and 65%, respectively; interestingly, ACB had a standard deviation of 1.18, denoting an assorted approach from the companies—not every company is enthusiastic to report the negativities of thyself (Kawahara and Irie, 2015). If PCA is disregarded from the governance-group, the average shoots up to 80%. This validates that the companies are reporting befittingly in governance-group, i.e., disclosures related to BSD and BC; submission to the Financial Instruments and Exchange Act and Japan Exchange Group's Corporate Governance Code may explain this trait of merit (Reporting Exchange, 2019).

It is commonly accepted that Japanese companies' disclosures regarding social aspects are below par (Albrecht and Greenwald, 2014; Fitriasari and Kawahara, 2018; Fukukawa and Moon, 2004; Reporting Exchange, 2019). Interestingly, the sampled companies disclosed social capital-related information in a tricky manner. It had an average score of 63%, which is mostly dominated by digital inclusion and social enabling (DISE) with a tally of 80%; fascinatingly, disclosures related to this variable covered petty social activities, charity, and welfare. Woefully, the companies largely failed to disclose their approach of empowering the local community (similar to Fukukawa and Moon, 2004) and encompassing the necessity of the less privileged people with digital innovation. Similarly, in the era of 'IOT' and '5G', the idea of digital security (DS) is more important than ever (Sicari et al., 2020); regrettably, this variable suffered from a low score of 45% and 12 counts of '1 & 0'.

There are some contrasting variables from all the sections. Recycling management (RM) from the environmental capital was almost overlooked, securing only a score of 42% (14 counts of '1 & 0') and a high standard deviation of 1.37. These figures denote that very few companies gave importance to this variable and disclosure quality is highly diverse. According to Canon's comprehensive stakeholder engagement procedure (Canon, 2019), stakeholders care greatly about the recycling-based disclosure; regrettably, these companies missed a trick here. There are two other variables—water and wastewater management (WWM) and occupational health and safety (OHS)—with diversified disclosures, i.e., a standard deviation of 1.55 and 1.40, respectively. These two variables have an average score of around 65%; nevertheless, such deviation provides evidence of mixed materiality perceptions. Moreover,

researchers rated OHS-related disclosures both highly (Ali et al., 2015) and lowly (Nagai, 2014) which supports the diversity found in this study.

5.1.2 Materiality Disclosure Quality Variables (MDQV)

The overall counts of MDQVs are much lower than that of CMVs. PTT (targets and progress toward targets) had a score of 89% with 21 counts of ‘4’. Interestingly, most of those high-quality PTT-disclosures covered financial indicators, such as sales/revenue, market share, market growth, ROE, and so on; non-financial indicators-based PTT-disclosures were few and far between. The same is the case with SRO (identification and description of the system of risk and opportunities); it scored 77% covering mostly financial indicators related disclosures. These facts reconfirm that the Japanese electric equipment companies prefer ‘financial materiality’ of sustainability. A recent study, PWC (2020), points toward a similar direction and recommends disclosures based on relevant and measurable sustainability targets and ESG risk assessments. Visibly, most of the companies could not portray a comprehensive picture of their value creation process (VCP). Only 5 of the 29 companies had a VCP holding capital-based input-output, transformation process, and stakeholder impact; an average mean of 2.62 supports this statement.

Table 5.2: Descriptive statistics and score-counts of MDQVs

Materiality disclosure quality variables (MDQV)	Descriptive statistics			Score count	
	%	Mean (Max 4)	SD	4	1&0
VCP Company’s unique value creation process or story	65.52	2.62	1.12	6	4
SRO Identification and description of the system of risk and opportunities	76.72	3.07	1.00	12	3
PTT Targets and/or progress towards targets or goals	88.79	3.55	0.87	21	2
MDP Materiality determination (assessment) process with stakeholder engagement	43.10	1.72	1.36	6	15
SMS Separate materiality section describing material issues	56.90	2.28	1.60	10	11

Materiality determination process (MDP) and a separate materiality section (SMS) describing the material issues in detail set the tone of an integrated report. Inopportunely, these variables are the disregarded ones with low means (1.72 and 2.28, respectively); to add, high standard deviations (1.36 and 1.60, respectively) speak about the incompatibility among the companies as regards to chosen methods/idea while disclosing MDP and SMS. Only five

companies had step-by-step MDP-based disclosures, which is highly encouraged by guiding bodies (AccountAbility, 2018; GRI, 2020; IIRC, 2021). Moreover, material issues were connected to varied ideas—goals (SDGs), materiality matrix, targets, value creation process, risk and opportunities, strategy, consequences, stakeholder value, and selection-reason—while constructing a transparent SMS; only ten companies (see Appendix C-1) received the highest score based on these connections. On the same note, KPMG (2018) could detect 36% of the Japanese companies offering an MDP and the overall presentation of the materiality framework was rated as below average (Albrecht and Greenwald, 2014); likewise, approximately one-third of the Japanese companies could link the identified material items to relevant business/sustainability issues (KPMG, 2019; Reporting Exchange, 2019).

5.1.3 Comparison: CMV versus MDQV

It is evident from table 5.3 that the Japanese electric equipment companies are disclosing CMVs in a better manner compared to MDQVs. The aggregate score difference of CMV and MDQV was a staggering 15% (70% versus 55%); this difference is statistically significant. Wilcoxon Signed-Rank Test returned a W-value of 21.5, whereas the critical value for 29 samples ($P<.05$) is 126. Here, only 2 companies were scoring better in the MDQV-set and Minebea Mitsumi Inc. was an outlier, scoring 19% more in favor of MDQV. Just 5 companies performed markedly well covering both the types of variables; among them, Seiko Epson Corporation is a true allrounder. 6 companies covered insignificant grounds—hovering around the 35-40% mark—for both the variable-sets and 9 firms happened to be average reporters, i.e., scoring between 60-70% mark.

Remarkably, the group with a heavily skewed CMV disclosure—8 of them, having more than 20% difference in favor of CMV—provide an actual representation of the context; this status and the overall average difference prove that MDQV is largely disregarded, and the gravity of the indirect impact of this variable-set on disclosure-materiality is yet to be comprehended by the sampled companies.

5.1.4 Overall Discussion

The companies claim that they are following multiple frameworks or guidelines—IIRC framework, GRI standards, ISO 26000, UNGC principles, Guidance for Integrated Corporate

Disclosure and Company-Investor Dialogue for Collaborative Value Creation (from METI[30], Japan) and Environmental Reporting Guidelines (from MOE[31], Japan) —in a single integrated report. Interestingly, the results of categorized materiality variables—BMPD (98%), BSD (92%), GCE (88%), EDI (86%) SCIM (76%)—denote that the sampled companies are mostly following Japan-specific sources from the ministries, especially, the METI one. Furthermore,

Table 5.3: Firm-categorization based on perceived importance of materiality variables: CMV versus MDQV

Consistently high performers		**DR: CMV>70; MDQV>70; Average>70**			
No	Company	CMV (%)	MDQV (%)	Average (%)	Difference (%)
1	Advantest Corporation	72.06	70.83	71.45	1.23
2	Alps Alpine Co. Ltd.	72.06	75.00	73.53	-2.94
3	Ricoh Company Ltd.	85.29	70.83	78.06	14.46
4	Seiko Epson Corporation	82.35	79.17	80.76	3.19
5	Sysmex Corporation	80.88	70.83	75.86	10.05
Consistently low performers		**DR: Average<50**			
No	Company	CMV (%)	MDQV (%)	Average (%)	Difference (%)
1	Casio Computers Co. Ltd.	48.53	37.50	43.01	11.03
2	Hamamatsu Photonics K. K.	39.71	29.17	34.44	10.54
3	JEOL Ltd.	55.88	25.00	40.44	30.88
4	NCXX Group Inc.	33.82	29.17	31.50	4.66
5	OSG Corporation Co. Ltd.	48.53	41.67	45.10	6.86
6	Sanyo Denki Co. Ltd.	45.59	33.33	39.46	12.25
Average-ground holder		**DR: MDQV<70; Average>60 and <75**			
No	Company	CMV (%)	MDQV (%)	Average (%)	Difference (%)
1	Anritsu Corporation	67.65	54.17	60.91	13.48
2	Fujitsu Ltd.	70.59	58.33	64.46	12.25
3	IBIDEN Co. Ltd.	70.59	54.17	62.38	16.42
4	JVC Kenwood Corporation	77.94	62.50	70.22	15.44
5	NEC	76.47	58.33	67.40	18.14
6	Nippon Chemi-Con Corporation	73.53	54.17	63.85	19.36
7	Omron Corporation	63.24	58.33	60.78	4.90
8	ROHM Co. Ltd.	80.88	62.50	71.69	18.38
9	Toshiba Corporation	73.53	58.33	65.93	15.20
CMV-heavy reporters		**DR: CMV>70; difference >20**			
No	Company	CMV (%)	MDQV (%)	Average (%)	Difference (%)
1	Hitachi Ltd.	85.29	58.33	71.81	26.96
2	Kyocera Corporation	83.82	58.33	71.08	25.49
3	Mabuchi Motor Co. Ltd.	88.24	66.67	77.45	21.57
4	Maxell Holdings Ltd.	79.41	50.00	64.71	29.41
5	Nichicon Corporation	73.53	45.83	59.68	27.70
6	Nisshinbo Holdings Inc.	76.47	45.83	61.15	30.64
7	Nitto Kogyo Corporation	86.76	66.67	76.72	20.10
8	Toshiba Tec Corporation	85.29	54.17	69.73	31.13
		The outlier			
SL	Company	CMV (%)	MDQV (%)	Average (%)	Difference (%)
1	Minebea Mitsumi Inc.	51.47	70.83	61.15	-19.36
Total 29 Companies	Average	69.98	55.17	----------	14.81

Abbreviation: DR, decision rule

[30] Ministry of Economy, Trade, and Industry
[31] Ministry of the Environment

numerous researchers assume that the local–METI and MOE—guidelines are responsible for this specific pattern of CSR disclosure (Albrecht and Greenwald, 2014; Ali et al., 2015; Fitriasari and Kawahara, 2018) and the Japanese companies are skewed towards a compliance-based understanding of sustainability (Kolk, 2008).

The mixed-framework philosophy and exaggerated amount of financial (BMPD) information of the sampled companies lead to information overload and ill-formation; it hurts readability, understandability, comparability, and ultimately the materiality of information. Because of haphazardly fashioned information, it becomes utterly challenging to connect the material issues with KPI, strategy, policies, goals, and risks and opportunities; these notes are similar to the findings of PWC (2020). Furthermore, quantitative facts were used to disclose financial benefits-based information; unfortunately, numbers were hardly found in the ESG indicator-based disclosures and only one company (Toshiba Tec) offered environmental cost-benefit related accounting (numeric) information.

5.2 Why Japanese Electric Equipment Companies are Publishing IRs? Perceiving through the Lens of Institutional Theory

Communicating entities' environmental, social and governance (ESG) positions through non-financial platforms—sustainability reporting (SR), integrated reporting (IR), various forms of environmental reporting—are on the verge of becoming institutionalized in most of the countries (Khan et al., 2020; Mahmud, 2020; Shabana et al., 2017); this institutionalization process stems largely from voluntary drives. Non-financial initiatives in varied forms are mandated in a few countries, such as France, Denmark, Netherlands and the UK; however, when it comes to integrated reporting, except for South Africa, it is considered as a voluntary disclosure platform (Maroun, 2019). Interestingly, even if disclosing ESG-information is not mandatory, it is now widely considered as an additional tool for comprehending company performances along with financial reporting (Higgins and Coffey, 2016). Hence, companies are recognizing the importance of ESG-information and publishing corporate social reports (CSR) thereby (Greenwood et al, 2019). To follow, approximately 85% of S&P-500 companies are reporting through various forms of CSR, lately (Governance and Accountability Institute, 2017). Intriguingly, publishing CSRs warrants a considerable amount of resource consumption, and the motivation behind such herculean efforts may be credited to three potential sources: interest-based motivation, corporate responsibility-based motivation and institutionalized (irrational) compulsion-based motivation (Mahmud, 2020) (for a detailed understanding go to section 2.3.1, p.27 and table 2.2, p.31).

There are three fundamental theories that are popular in explaining the managerial motivation of publishing CSRs: legitimacy theory, stakeholder theory and institutional theory; the choice of theory differs based on individual perception (for a comprehensive comparison see section 2.3.2, p.32 and table 2.3, p.33). Legitimacy theory holds that companies are selfish and search for social approval to survive by publishing CSR; stakeholder theory posits that companies determine most influential stakeholders and design disclosures for them; and institutional theory operates from an irrational ground stating that firms pursue 'isomorphism', imitate numerous aspects of society and industry field and ESG-disclosure is one of those aspects (Deegan, 2014a). However, this study is opting for institutional theory to explain the motivation behind Japanese CSR, i.e., integrated reports.

5.2.1 Why Institutional Theory is a Befitting Choice for Explaining Motivations for Publishing CSRs (Integrated Reports)?

Institutional theory has its roots in the interpretive paradigm; however, later it followed the path of positivist paradigm too (Bowring, 2000). It accepts that organizational structure and behaviors are mostly vibrated by contextual factors rather than economic objectives (Moll et al., 2006); to add, institutions and structural determinants lead transformations in an organizational field and economic rationality is ruled out as the leading force (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). This theory is implemented upon the seminal works of DiMaggio and Powell and Scott; see table 5.4.

Institutional theory is a powerful tool holding multiple layers of analytical arsenals that can dissect both macro-systems and sub-system issues of varied organizations; it is a common theory to explain shifts in accounting practices (Dacin, 2002; Dilliard et al., 2004; Scott, 2008, 2001). It is one of the mainstream theories that is banked on while explaining numerous issues related to CSR (Mata et al., 2018). Interestingly, this theory can overdrive both legitimacy theory and stakeholder theory by covering the explanatory angles of these alternatives; it has all the potential to be the champion theory.

According to Scott (2008), three pillars of institutional theory can be assumed as three distinguishable bases of legitimacy; similarly, Higgins and Larrinaga (2014) state that legitimacy theory is a specific case of institutional theory's regulative pillar. Furthermore, three forms of isomorphisms bring legitimacy-related organizational forms and processes on the board (Deegan, 2014a; DiMaggio and Powell, 1983). Unerman and Bennett (2004) connect the idea of 'mimetic isomorphism' to CSR and competitiveness; according to them, companies follow a leading entity's innovative reporting practices and operation strategies to sustain and extend organizational legitimacy. Interestingly, 'decoupling' (actual practices of the companies differ from reported ones), a key idea of institutional theory, covers another idea of legitimacy, i.e., managers pursue symbolic management to show-off their attachment to approved practices by publishing positive ESG-disclosures to portray a cosmetic image of the firms (Ashforth and Gibbs, 1990; Dilliard et al., 2004). Therefore, it can be safely stated that institutional theory covers the intentional—social approval, competitive advantage and symbolic management—grounds of legitimacy theory. Additionally, stakeholder theory's position of identifying powerful stakeholders and aligning organizational practices according to their demand can be complemented by the idea of 'coercive isomorphism', i.e., powerful stakeholders can coerce

an organization to follow a specific institutionalized practice (DiMaggio and Powell, 1983). To add, managers may pursue 'mimetic isomorphism', by copying varied practices, to maintain and enhance external stakeholders'—both economically powerful and marginalized groups—interests (Unerman and Bennett, 2004).

Table 5.4: Bases of institutional theory

DiMaggio and Powell (1983, 1991) – **3 Mechanisms**		Scott (1995, 2008) – **3 Pillars**	
Coercive mechanisms		**Regulative structures**	
Regulatory authority, professional body, powerful stakeholder	Avoiding sanctions and negative consequences of not following the lines	Rules, laws, related sanctions	Enforced mainly by government and other influential coalitions
Normative mechanisms		**Normative structures**	
Social values, norms, professionalism, formal education, networks	Filling in for social and network (peer) related expectations	Values, norms, collective expectations	Influenced by morality, educational and professional background
Mimetic mechanisms		**Cultural-cognitive structures**	
Leading organization, uncertainty	Following mainstream (model) practices for legitimacy	Taken-for-granted systemic symbol/ meaning,	Constructed through subjective psychological reconciliation

Adapted from Higgins and Larrinaga (2014); Mahmud (2020)

Speaking from the perception of the relationship between institutional theory and ESG-disclosures, CSR can be interpreted as an aftermath of three forms of isomorphisms (Higgins and Larrinaga, 2014): ESG-disclosures' responses to coercion, which are sourced to regulations, capital providers' and consumer demands (coercive isomorphism); such disclosures are also an output of voluntary efforts backed by social responsibility (normative isomorphism); finally, these, sometimes, identically resemble reporting practices of model organizations and blindly follow taken-for-granted actions in a specific organizational field (mimetic isomorphism). Hence, it can be concluded that institutional theory is the champion theory covering the explanatory angles of legitimacy theory, stakeholder theory, and dynamism of varied corporate social reporting patterns.

5.2.2 Prior Research related to Institutional Theory and CSR

Institutional theory has been opted for in explaining varied phenomena of corporate social reporting, i.e., integrated reporting, sustainability reporting and similar platforms; see table 5.5 for a list of such prior research efforts.

Table 5.5: CSR based studies considering institutional theory

Source	Contents
Amran and Devi, 2007	Analyzing Malaysian CSRs focusing on its reporting motivation and contents
Arul et al., 2020	Shedding lights on integrated thinking by comparing the integrated reports of two different institutional settings, i.e., South Africa and Japan
Bhatia and Makkar, 2018	Exploring differences in CSR practices of two countries—India and China—as affected by national business system
Comyns, 2018	Explaining the impact of institutional pressure on the standardization of reporting practices and GHG emission data quality
Dumitru et al., 2017	Understanding the impact of various institutional factors on the quality of non-financial disclosures of Poland and Romania
El-Bassiouny and El-Bassiouny, 2019	Exploring the impacts of diversity and corporate governance structure on the CSRs of various developing and developed countries
Frías-Aceituno et al., 2013	Projecting the influence of the legal framework of a specific country on the development of integrated reports
García-Sánchez and Noguera-Gámez, 2017	Studying the potential relationship between disclosures of integrated reports and the extent of information asymmetry
Jensen and Berg, 2012	Understanding similarities and variations between the traditional sustainability reporting and integrated reporting companies
Khan et al, 2020	Identifying the influence of various components of institutional setting on Pakistani CSRs and exploring managerial perception on the same CSRs
Kılıç et al., 2020	Impact of the institutional settings on the adoption of integrated reports of the Fortune 500 companies
Arafa and Salah, 2016	Measuring and comparing the extent and quality of CSR reporting of the baking sector by focusing on various components of the reports
Oware and Mallikarjunappa, 2020	Understanding the moderating influence of mandatory corporate social reporting on CSR-expenditure and financial performance of Indian listed companies
Shabana et al., 2017	Aligning three isomorphic mechanisms with three stages of CSR
Vaz et al, 2016	Analyzing the determinants related to the usage of integrated reports
Wild and van Staden, 2013	Providing insights into the early-generation integrated reports based on the reported contents

5.2.3 How Do Isomorphic Mechanisms Pan out in Various Pragmatic Scenarios?

A number of researchers have been studying varied CSR phenomena in different institutional settings with numerous variables and research objectives. Each of the studies unearths alternative implementations of isomorphic mechanisms based on the ideas of DiMaggio and Powell (1983, 1991). Table 5.6 presents some of the selected studies focusing on 3 mechanisms.

All the factors under the umbrella of 3 mechanisms aid to understand the reasons for which CSR practices differ among companies residing in varied institutional settings (Gauthier, 2013). Interestingly, the extent of pressure resulting from the institutional components of the three mechanisms differ distinguishably; pressures from the coercive and mimetic mechanisms

are high and from the normative counterpart is considerably low (Ali and Rizwan, 2013). According to Dumitru et al. (2017), state ownership, as a part of the mimetic mechanism, may improve reporting quality and normative isomorphism becomes forceful in a matured system. Moreover, even if legislation/regulation happens to be the strongest coercive drive—especially, at a macroeconomic level—it can exert both positive and negative impact on CSR quality; the determinant factor is the process through which such bindings are enforced.

Table 5.6: Various implementations of isomorphic items on different research settings

Coercive Isomorphism	
Ali and Rizwan, 2013	Government, trade unions, customer association, media, employees, investors/financial institutions
Dumitru et al., 2017	Legislation, stakeholders
Khan et al., 2020	Cultural expectation, government regulation, corporate governance code
Amran and Devi, 2007	Stock exchange listing requirements, standard operating procedure (parent-subsidiary relationship), investment agency
Normative Isomorphism	
Ali and Rizwan, 2013	Company characteristics, CSR framework, NGOs, CSR labels, standard-setting and academic institutions
Dumitru et al., 2017	CSR framework/guideline, auditor
Depoers and Jerome, 2020	professional (accounting) association
Kılıç et al., 2020	Employee turnover, industry trade associations, consulting firms
Amran and Devi, 2007	Socialization among top management, association membership, coalition, unions, workshop enrollment, government contract, reporting award requirements
Mimetic Isomorphism	
Ali and Rizwan, 2013	Multinationals, industry standards, competitors
Dumitru et al., 2017	Industry sensitivity (environmentally sensitive and non-sensitive), ownership
Legendre and Coderre, 2013	High-risk industry (high levels of political risk, high media visibility or concentrated competition)
Amran and Devi, 2007	Symbolic uncertainty, consultancy firms (agency)

Isomorphisms connected to environmental institutions have fourfold consequences. Firstly, firms incorporate externally legitimate ideas without evaluating related efficiency; secondly, companies embed ceremonial assessment criteria—such as CSR award requirements—to certain practices to establish the value of their structural elements; thirdly, they may pursue or become dependent upon specific institutions, e.g., trade/professional associations and unions, to maintain legitimacy; finally, report preparers may follow the 'decoupling' strategy by disclosing information that does not represent the reality of their internal practices (Meyer and Rowan, 1977).

Moreover, there are different stages of corporate social reporting depending on the legitimacy status and sustainability strategy of a given company and overall perception towards CSR of a specific industry. The following table depicts three isomorphic mechanisms that are in play motivating corporate reporting practices in three different stages.

Table 5.7: Isomorphic mechanism's impact on corporate social reporting in 3 different stages

Reporting phases **Criteria**	**Defensive reporting** (Stage 1)	**Proactive reporting** (Stage 2)	**Imitative reporting** (Stage 3)
Context	There is a big gap between major stakeholder groups' expectations and firm performance	CSR practice becomes normatively sanctioned and reaches a tipping point	CSR becomes mainstream, non-reporters feel insecure and there is a potential net benefit from reporting
Objective	Filling up the gap between expectation and firm performance	Using CSR to capitalize on fresh opportunities and goal attainment	Imitating model firms to mitigate insecurity and reporting without a goal
Determinants	Membership of hazardous industry, controversial product/services providers, stakeholder concerns	Advertising intensity, high media coverage, high stakeholder strength	Firm-size, internationalization (disparity in social issues)
Isomorphism in play	Coercive isomorphism	Normative isomorphism	Mimetic isomorphism

Adapted from: Ashforth and Gibbs (1990); DiMaggio and Powell (1983); Shabana et al., 2017

Therefore, it can be understood that the impact of the isomorphic mechanism on environmental institutions and corporate social reporting is not straightforward. It takes different shapes depending on varied institutional settings. On the same note, mainstream perception on a certain item of a given mechanism and strategical context of a firm determine the degree of impact or implementation.

5.2.4 Why Japanese Integrated Reports (IRs)?

Japan has a rich history of environmental reporting and Since 2002 it is among the top countries that publish CSRs; currently, it is ranked second in publishing integrated reports (IR) (Reporting Exchange, 2019; Schrader, 2019). Facts support the excellent record of Japanese IR: in 2010 only 23 listed companies published IRs and this figure rose to 513 in 2019 (KPMG, 2019). Despite having such a fabulous record and history related to integrated reports (or CSR) Japan is almost ruled out in the related research arena, whereas the Anglo-Saxon countries, such as the USA, the UK and Australia have been receiving immense attention from the scholars (Mata, et al., 2018). Additionally, an institutional setting featured with a *J-firm* (or modified version of it) corporate governance (Aoki, 2007) and voluntary corporate social reporting setup (Lewin et al., 1995; Choi and Aguilera, 2009) make Japan an immensely

interesting scope to understand the managerial motivation behind publishing IR utilizing institutional theory.

There are few studies that are focused on the Japanese CSR (environmental /sustainability/integrated reporting) contexts. Some research papers concentrated on the variables improving (influencing) environmental reporting in Japan, such as Burritt et al. (2016); Fukukawa and Moon (2004); Fukukawa and Teramoto (2009); Kamal and Deegan (2013); Kokubu et al. (2001); Gnanaweera and Kunori (2018); Murakami (2007); Saka and Noda (2013); Tanaka (2015); Yook et al. (2017). Some investigations focused on contextual factors, e.g., Ho and Taylor (2007); Kokubu et al. (2003); Saka and Burritt (2003). Kawahara (2017) did an excellent review of the Japanese literature and mentioned institutional factors along with trends and challenges in the Japanese CSR arena. On the same note, Komura (2009) highlighted institutional factors that may improve the quality of CSR; and a recent study from Madein (2020), unearthed institutional issues of the Japanese CSR context by referring to various mechanisms of institutional theory.

5.2.5 Can Institutional Theory Explain the Motivation of the Japanese IR Preparers?

Institutional factors force the homogenization of corporate reporting practices and integrated reporting adoption (pattern) can also be explained by such factors (Depoers and Jerome, 2020). According to the Eco Survey[32] of MOE, the (claimed) major purpose of disclosing environmental information for the Japanese companies is to discharge social responsibility rather than following self-interest-based (economically led rational choice) paths, such as communicating with stakeholders, promoting environmental conservation efforts and educating employees. This context justifies the irrational (non-economic driven) isomorphic pressure on the Japanese CSR arena (Madein, 2020); hence, the institutional theory is well-poised to clarify the motivation of the Japanese integrated report preparers.

Scott's (1995, 2008) three pillars and DiMaggio and Powell's (1983, 1991) three isomorphic mechanisms construct the bases of institutional theory. Most of these ideas overlap with each other; however, the first one talks about elements and the second one is more concerned about processes. In this study, the isomorphic processes of DiMaggio and Powell are preferred as representatives of institutional theory to dissect the motivations of the Japanese

32 Eco-Friendly Corporate Behaviour Survey (Eco Survey), published by MOE from 1998 to 2015

CSR publishers, because within its processes it covers almost all the elements of Scott's three pillars and stretches to other associated ideas too (Miner, 2006). Laine (2009), Contrafatto (2014) and Madein (2020) analyzed Finnish, Italian and Japanese institutional contexts of CSRs, respectively, by referring to institutional theory's pillars or mechanisms. For this study, the following items (at table 5.8) belonging to three mechanisms are considered to explain the managerial motivation behind publishing integrated reports, based on institutional theory.

Table 5.8: Mechanism-items that influence the context of Japanese CSR (integrated report)

Coercive Isomorphism	**Normative Isomorphism**	**Mimetic Isomorphism**
Laws and sanctions	4 Major guidelines and GPIF	Globalized corporate practices
TSE listing requirements	Awards, ratings and networks	Model companies
	Environmental and social Awareness of Japanese Companies	
	Corporate philosophy and culture	
	Societal value of Japanese people	

Source: Author; Abbreviation: GPIF, Government Pension and Investment Fund

5.2.6 Coercive Isomorphism

5.2.6.1 Laws and Sanctions

In Japan there are different types of acts that influence corporate social reporting practices; there is no dedicated act for ESG-issues. Most of these acts are associated with ministry notification protocols and sanctions; follow table 5.9 for a list of these acts.

It is noteworthy (from table 5.9) that not all the acts have sanctions associated with them and there lies an option of providing notification (explanation) when an entity fails to report. Specifically, Act No. 77 of 2004 imposes a sanction on the executive officers of some specific corporations to issue an environmental report; however, article 11 of this act encourages (does not force) large corporations to disclose the same without a specific sanction for failure. This act also recommends assurance reporting; following this act, Matsushita Electric reported a third-party assurance for its environmental report in 2006; Fujitsu and Sony Corporation have also been doing the same since 2000 and 2001, correspondingly. Notably, the other acts on table 5.9 (except Act No. 77 and 25) demand the companies notify related authorities only. However, CSRs of Sony Corporation, Panasonic Corporation and Fujitsu offer this information without being forced, voluntarily (Madein, 2020).

Table 5.9: Acts influencing CSR-practice and related sanctions

Act	Description
Act on the Promotion of Business Activities with Environmental Consideration (Act No. 77, 2004)	It facilitates access to environmental information and other measures and asks profit-oriented companies to publish their environmental reports, annually; failure warrants a civil fine of up to 200,000 yen.
Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Act No. 86, 1999)	It established the system of 'Pollutant Release and Transfer Register' (PRTR) to promote voluntary improvement of the management of chemical substances by those business organizations that are handling a designated chemical substance. Notification of released and transferred amount reaches both the MOE and METI; failure to submit a notification or submitting false notification leads to a fine of (up to) 200,000 yen.
Act on Promotion of Global Warming Countermeasures (Act No. 117, 1998)	According to the ministerial order, the specified emitters shall report carbon dioxide equivalent GHG emission, every year. MOE rules the methods of calculating and reporting GHG emissions; failure leads to a 200,000 yen fine.
Act on the Rational Use of Energy (Act No. 49, 1979; amended in 2008)	Established by METI, this act promotes efficient usage of energy in factories and business arenas. Failure to report or false reports fetch a fine of 500,000 yen or less. This law demands more than 1 percent of energy efficiency development every year and asks for numerical values.
Act on Waste Management and Public Cleansing (Act No. 137, 1970; amended in 2010)	It requires reporting of waste management status/ process to MOE, from the companies emitting large quantity of wastes; failure leads to financial sanction.
Railway Business Act (Act No. 92, 1986)	This act pushes railway businesses to publish safety reports mentioning challenges for ensuring safety.
Civil Aeronautics Act (Act No. 231, 1952)	It demands the domestic aeronautical business to publish safety reports.
Financial Instrument and Exchange Act (Act No. 25, 1948; amended in 2006 and 2019) Disclosure of Corporate Affairs (Ordinance of the Ministry of Finance, No. 5, 1973)	It asks issuers of specific types of securities to disclose female numbers in managerial and executive positions in their Annual Securities Report and other mandatory reports. In 2019's amendment, some additional non-financial requirements are warranted: policy and strategy for corporate management, explanation of directors' remuneration, reasonableness of cross-shareholdings and additional in-depth corporate governance information.
The Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64, 2015; enforced in 2019)	It is focused on providing balanced work and family lives for women. Government agencies, local government and private-sector corporations with more than 300 employees are obliged to follow this act. Disclosure requirements: rates of newly hired female employees, gender gap, working hours, female manager rates and gender equality action plan.
Act on Improving Transparency and Fairness of Digital Platforms 2020 (enforced in 2021)	This act is focused on enhancing transparency and preventing unfair action and data misuses, safeguarding the third-party sellers and consumers of digital platforms; for this, the digital platform providers are asked to report refusal criteria to a deal, search ranking factors, terms and conditions to acquire data about sellers' items and consumers' buying behavior to METI, annually; failure to report or submitting false reports leads to a 500,000 (up to) fine.

Interestingly, Japan is classified as a 'code law country' with a weak institutional setting that offers less investor protection compared to common law countries, such as the UK and the USA (Aman et al., 2021; Ball et al., 2000). Additionally, the Japanese Company Act

(Act No. 86, 2005) does not press on any sort of specific ESG issue-based disclosure; it refers to a couple of corporate governance-based requirements regarding director-numbers and committee members, in articles 373 and 400 and annexed detailed statements at a separate business report in article 435. To add, Order for Enforcement of the Companies Act (Cabinet Order No 364, 2005) asks for company officers' name, position, remuneration amount/policy/method and so on at business reports. According to the substitution hypothesis, companies that lie in a weak institutional setup-based country function as a substitute of the system—voluntary aspect—and are more likely to publish integrated reports to make up for the weak links (Frías-Aceituno et al., 2013; Vaz et al., 2016).

5.2.6.2 TSE Listing Requirements

Tokyo Stock Exchange (TSE) asks the companies that want to be listed to follow certain disclosure requirements[33], which is in effect from June 11, 2021. The requirements are: a) disclosing board independence and a skill-matrix of the board members, b) disclosing policy and voluntary measurable targets to promote diversity—engaging non-Japanese, female and aged professionals—in senior management, c) disclosing human resource development policies focusing on diversity along with its implementation, d) disclosing basic policy and sustainability-initiatives of the company, e) enriching the quality and quantity of climate-based disclosures referring to TCFD recommendation or other similar international frameworks, f) providing disclosures in English along with Japanese.

Furthermore, as a listing rule[34], material environmental and social information of companies must be immediately disclosed using TDnet (Timely Disclosure Network) and changes to this information must also be filed with a material change report; to add a report containing comparable corporate governance information is also expected.

5.2.7 Normative Isomorphism

5.2.7.1 Guidelines

There are four guidelines from the Ministry of Environment (MOE), Ministry of Economy, Trade and Industry (METI), Financial Services Agency (FSA) and Japan

[33] https://www.jpx.co.jp/english/news/1020/20210611-01.html; Publication of Revised Japanese Corporate Governance Code
[34] https://sseinitiative.org/stock-exchange/jpx/; Japan Exchange Group – ESG reporting required as a listing rule

Exchange Group (JPX) that make a flexible and alternatively interpretable framework for the corporate social reports publishers of Japan. The guidelines have various versions belonging to different years. The old versions hinged more towards the idea of environmental reporting; however, the new versions hanker after broad ESG coverage and disclosure transparency and tilt towards corporate social reporting; see table 5.10 for a detailed understanding.

In addition to the mentioned guidelines, Government Pension and Investment Fund (GPIF) under the supervision of Minister of Health, Labour and Welfare plays an influential role in guiding the CSR ESG-elements of the Japanese companies. It was founded in 2006 and currently has the largest pool of investment funds in the world accumulating Japan's pension reserve fund. It has its own ESG-themed indexes as benchmarks for passive investment; these indexes and preferred ESG-indicators guide the Japanese CSR practitioners to select certain disclosure items in their reports (Reporting Exchange, 2019).

Table 5.10: Guidelines, contents and latest revisions

Guideline and Year	Particulars
Environmental Reporting Guideline by Ministry of Environment (MOE) 2000, 2012, 2018	Focus: Integrated environmental reporting with an attachment to international regulation and practical trends. It pushes entities to report their own context of materiality. Reporting requirements: basic information related to environmental reporting, major environmental issues along with performance indicators. Latest addition/revision: forward-looking non-financial data, financial impact of environmental issues.
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, 2017 by Ministry of Economy, Trade and Industry (METI)	Focus: Facilitating collaborative value creation integrating the demands of both the managers and investors which is centered on the idea of entity's unique value creation process and constructive engagement of these parties Reporting requirements: values, business model, sustainability/growth, strategy, performance and KPIs, Governance.
Stewardship Code by Financial Services Agency (FSA) 2014, 2017, 2020	Focus: ensuring that the institutional investors are aware of their stewardship responsibilities and discharge those. Reporting requirements: clarified stewardship responsibilities and related degree of fulfillment, policy of managing conflict of interests, sustainable growth-related issues, voting policy and related activity. Latest addition/revision: broad ESG-issues, reasons for voting on agenda items, principles regarding institutional investors' service providers.
Corporate Governance Code by Japan Exchange Group (JPX) 2015, 2018, 2021	Focus: setting fundamental principles for effective corporate governance and items for engagement for the investors and entities. Reporting requirements: rights of the shareholders, stakeholder cooperation, board responsibilities, stakeholder dialogue Latest addition/revision: increased board independence, diversity promotion, more attention to ESG-issues

5.2.7.2 Awards, Ratings and Networks

Two Japanese environmental reporting awards are very popular, i.e., Environmental Communication Award (ECA) and Environmental Reporting Award (ERA); these two award platforms had a single goal, i.e., to improve the quality of CSR in Japan. The first one was established in 1997 and supported by the Ministry of Environment and Global Environmental Forum and the second one was initiated jointly by Toyo-Keizai Inc. and Green Reporting Forum in 1998. Environmental Communication Award platform has interesting criteria, e.g., it gives more points for negative disclosures, economic impact based environmental management and accounting information and biodiversity facts; since 2009 it has declared special awards for biodiversity and environmental financial reports.

In Japan, independent research institutes, universities and newspapers collect information on environmental conservation efforts of various firms and publish the results thereby. Nikkei Business Publication's Environmental Brand Survey—introduced in 2000—happens to be one of the pioneers in the Japanese environmental ranking arena; it started to rate Japanese companies' environmental communication by attaching points and ranking them thereby, since 2004.

Network for Environmental Reporting (NER) was established by a variety of entities in 1998. Government (MOE), companies, numerous types of organizations, academic institutions and even citizens caring for environmental reporting were party to this initiative; intriguingly, this network was mainly led by the Japanese society. With the help of its members this network conduct research collaborating with varied stakeholders and dispatch information widely aiming to improve CSR quality. Interestingly, some of its members received awards from the two reporting award platforms mentioned in the last paragraph (MOE, 2000).

5.2.7.3 Environmental and Social Awareness of Japanese Companies

Comprehension of the Japanese companies' environmental and social awareness warrants the understanding of Japan's influential economic associations and Japanese companies' eagerness to earn environmental management-related certification; these two aspects vibrate the disclosures of CSRs considerably.

Japan has three major economic coalitions, such as *Keizaidoyukai*, Nihon *Shokokaigisho* and *Keidanren*; among these *Keidanren* (Japan Business Federation) is the most

influential body, mainly consisting of listed companies. It was originally established in 1946. However, the current *Keidanren* was modified in 2002 by merging with *Nikkeiren* (Japan Federation of Employers' Associations); now it has 1461 Japanese companies as members and 109 nationwide industry associations. Its core approach to corporate social responsibility is that such activity should be voluntary and should not be forced by anybody. In 1991, it established the 'Corporate Behavior Charter' to guide corporations regarding their social role. Presently, it is preaching sustainable capitalism through green growth, supply chain reformation aligned with Society 5.0, work style reform, diversity promotion, revitalization of local society, social security reform and innovation reformation (Tanimoto, 2013; Keidanren, 2021). Since almost 1500 listed companies are party to the initiatives of *Keidanren*, it impacts their social activity and corporate social reporting immensely.

Japanese companies are very keen to earn Environmental Management System (EMS) certification from the ISO authority. In earning EMS—ISO14001—certification Japanese companies are one of the toppers in the world (ISO, 2017). Additionally, the contents of the CSRs of Japanese companies claim adherence to EMS certification, i.e., ISO 14001; hence this certification is very much a part and parcel of the ESG-disclosure mechanism. In modern Japanese CSRs, there are various illustrations of such certification, e.g., in the sustainability report of canon (Canon, 2019) and integrated report of Maxwell Holdings Ltd. (Maxwell, 2019). Other mention-worthy certifications are Forest Management Certification[35] from Forest Stewardship Council (FSC) and Eco Mark Certification[36] from Japan Environmental Association (JEA); the first one is related to how a company is interacting with natural resources, such as wood and the second one is aligned with ISO 14020 and ISO 14024 that certify environmental conservation-related attributes of products.

5.2.7.4 Corporate Philosophy and Culture

Japanese honest business code of ethics is attached to the idea of *kyosei*; this term is synonymous with the notion of fair business practice and corporate responsibility towards society (Boardman and Kato, 2003). According to Wokutch and Shepard (1999), the concept of *kyosei* can be expanded to include the ideas of environmental protection, humanization of the workplace, embracing diversity, broadening the coverage of stakeholders—customers,

[35] https://www.mitsui.com/jp/en/sustainability/contribution/environment/forest/fsc/index.html
[36] https://www.ecomark.jp/english/index.html

staff, shareholders, suppliers, competitors—other than shareholders and macro view of business ethics along with social responsibility that embeds local/regional community. On top of it, Japanese entities are more likely to embrace the idea of *jishukisei* (self-regulation) compared to other countries of the world. Self-regulation denotes a configuration made of formal and informal boundaries which are adhered to by a specific group (Porter and Ronit, 2006) and it also encompasses companies' voluntary approach towards environmental performance in an institutional setting featured with a dearth of government standards (Volden and Wiseman, 2012).

Japanese employees have a tight internal relationship with each other, they work the hardest, respect their seniors, accept seniority-based payment/promotion, assist others in time of need, are always ready for additional responsibilities, and believe in long-term tenure; all these features denote towards an internally collaborative and cohesive culture (Japan Intercultural Consulting, 2021; Miroshnik and Basu, 2014), creating a specific form of norm inside the workspace.

5.2.7.5 Societal Value of the Japanese People

Japanese citizens care about the environment, and they are active in initiating various groups and networks to trigger environmental care in communities and companies. They raised Japan Center for a Sustainable Environment and Society (JACSES)[37] in 1993. This group is headed by academics and experts from society; their mission is to achieve environmental and social justice through policy research and advocacy. Going on, they were instrumental in constructing NER—Network for Environmental Reporting—in 1998 promoting research to improve environmental reporting quality (MOE, 2000). Moreover, Japanese people are happy to follow a complex and expensive garbage disposal system, which reconfirms their attention to nature. Their environmental care is noted by both the governments and companies. According to MOE (2000), local inhabitants are enthusiastic to note the environmental impacts of businesses that are in their neighborhood because they are skeptical about the potential suffering from those businesses. To add, Canon (2019), disclosed the motivation of a local community who signed a Business Continuity Plan (BCP) agreement with Canon to share local knowledge regarding natural disasters; they also collaborated in biodiversity conservation activities.

[37] http://www.jacses.org/en/about_jacses/profile01.html

Two typical terms—*tatemae and honne*—define psychological standpoints of mutual harmony and care of the Japanese people. *Tatemae* denotes an individual's adherence to social norms and *honne* means personal motivation and opinions. Traditionally, the Japanese people are ready to sacrifice their *honne* to accept and maintain social norms leading towards harmonious interpersonal relationships and camaraderie (Wagatsuma and Rosett, 1983); Sato et al. (2018) postulate that this is still the case with Japanese individuals.

5.2.8 Mimetic Isomorphism

5.2.8.1 Globalization of Corporate Practices

In1980s, the Japanese financial market gradually opened itself to the international financial instrument and consequently, foreign investors started to grab ownership in the Japanese firms (Fujiyama, et al., 2020). In 1900, progressively, these outlandish investors became a large enough part of the ownership chunk and emphasized detailed corporate disclosures (Desender et al., 2016; Aguilera et al., 2017) along with non-financial information. On this note, positive impact of globalization on corporate social responsibility was evidenced by Tanimoto and Suzuki (2005) and Fukukawa and Teramoto (2009). In the late 1900s, the USA and EU countries were major markets for Japan; these regions were the frontrunners in practicing CSR, and gradually, Japanese companies started to follow their non-financial reporting benchmarks, even if it was not specifically warranted by them (Madein, 2020). As additional evidence, eco-fund managers from the USA and the EU regions started to show attention to Japanese companies around the late 1900s, which fast-forwarded the current growth of CSR practices in Japan (Kawamura, 2003). Consequently, Eco Survey from 1998 to 2003 confirms that in publishing environmental reports Japanese companies used to follow other countries, especially, the EU and the USA countries (Madein, 2020).

Following this overseas influence, Japanese companies refer to multiple international frameworks. Currently, the most popular international framework in Japan is GRI (PWC, 2020); other popular international frameworks are Environmental Reporting Guidelines, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, ISO 14000 & 26000 and UN Global Compact (Ali et al., 2015; Albrecht and Greenwald, 2014; Tanaka, 2015).

5.2.8.2 Model Companies

Fortune 500 companies are considered as models of innovation, and they utilize their integrated reports to mitigate the negative impacts of their environment-damaging actions. Hence, their adoption and presentation of integrated reports are pursued by other firms (Kılıç et al., 2020).

Two environmental reporting awards mentioned in the last section—Environmental Communication Award (ECA) and Environmental Reporting Award (ERA)—consistently chose Fujitsu, IBM Japan, Matsushita Electric and Sony Corporation as top environmental reporting firms from 1997 to 2000. These companies are pioneers in setting up quality CSR practice by showing the path for the inclusion of proper content, scope of topics, methods of reporting and presentation. Sony Corporation defined a proper scope of CSR, IBM Japan was the first of its kind to include environmental financial information, Fujitsu was among the first generation of companies who obtained assurance for environmental accounting information and Matsushita Electric was a master in depicting information through graphical illustration. To add, two series of Eco Survey in 2014 and 2015 confirmed that 39% and 33% (respectively) of the companies used other model companies' environmental reports as a reference. Hence, it can be assumed that the top companies selected by ECA and ERA showed model paths for the pursuant firms (Madein, 2020).

5.2.9 Discussion

5.2.9.1 Coercive Isomorphism

Coercion is primarily sourced to regulatory authority and boundaries set by them (DiMaggio and Powell, 1983). The acts mentioned in the laws and sanction section refer to various reporting (notification) requirements of specific entities to different authorities; it also demonstrates the financial sanction related to a 'false report' or 'no report' scenario. This context exerts formal pressure on the specific entities and coerces them to follow a certain path of reporting or notifying through CSR or other forms of communication channels. To add, similar sort of studies in other regions also found that legislation leads towards extended reporting, e.g., Chelli et al. (2014) in France, Dumitru et al. (2017) in Poland and Romania, Fallan and Fallan (2009) in Norway, Frost (2007) in Australia, Luo et al., (2017) in China and Weber (2014) in developing countries. Furthermore, TSE listing requirement of posting disclosures related to diversity, board independence, sustainability and human resource

development adds another source of coercion to the report preparers, since getting listed is related to the long-term survival of firms. Amran and Devi (2007) were on the same page studying the impact of Bursa Malaysia's (previously, Kuala Lumpur Stock Exchange) requirements on the motivation for publishing CSRs in Malaysia.

However, in addition to the coercive sources, one must bear in mind the code law adherence and flexible (comply or explain) mindset of the Japanese government in setting and implementing boundaries for companies (Aman et al., 2021; Choi and Aguilera, 2009). Although this context is congenial for the development of integrated reporting (Vaz et al., 2016), it weakens the position of coercive isomorphism a little bit.

5.2.9.2 Normative Isomorphism

Japanese citizens are environmentally aware individuals who sponsor and take part in various environmental initiatives; additionally, they adapt *tatemae* to follow social norms and harmony. Consequently, they expect the companies to report on their environmental and social performance and reward the firms with quality reporting practices. Similarly, the Japanese government wants the companies to report on their material ESG issues. However, the government does not always coerce the companies to do so, rather it is flexible enough to give the companies room for alternative interpretations and presentations (Lewin et al., 1995; Choi and Aguilera, 2009); hence government expects them to behave like a responsible citizen. Logically, normative mechanisms are attached to values that lead towards desirable behaviors (DiMaggio and Powell, 1983) and discussed desired behaviors from the perception of the society and government pave a path for the advancement of corporate social reporting (Bebbington et al., 2012), i.e., integrated reporting.

Corporate philosophy is dependent on shared values (Picken, 1987) which is an important vibrator of normative mechanism (DiMaggio and Powell, 1983). On this note, Japanese companies follow *kyosei* that vouches for corporate social responsibility and care for others; this creates a positive vibe for CSR. On top of it, a strong culture creates employees' own version of reality, i.e., norm, which is difficult to alter (Ledford et al., 1995) and Japanese companies have a robust internally collaborative culture that is congenial for adopting and developing integrated reporting (García-Sánchez et al. 2013). Furthermore, they participate in the Keidanren's Voluntary Action Plan and are keen enough to pursue various environmental management and conservation-related certifications; it speaks about their self-regulation

(*jishukisei*). This confirms that Japanese firms are ready to sacrifice their *honne* (personal motivation) and practice corporate social reporting by accepting *tatemae* (compliance with norms) pursuing *jishukisei* (Schaede, 1999).

Moreover, normative isomorphism is dependent on two attributes of professionalization: a) resting of education and legitimation in a cognitive base and b) diffusing the legitimate ideas rapidly through professional networks (DiMaggio and Powell, 1983). Four guidelines (Environmental Reporting Guidelines, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Stewardship Code, Corporate Governance Code) along with ESG-index preference of Government Pension and Investment Fund, projects and publications of *Keidanren*, certification requirements, award criteria, and scoring rule of rating rest on a cognitive base and form a norm regarding the dissemination of ESG-information. Subsequently, *Keidanren*'s network of almost 1500 listed companies, Network of Environmental Reporting and reporting awards aid to the diffusion of norms matured in cognitive base. In this way, normative isomorphism triggers a specific pattern of reporting corporate social activities. There are some related studies that found a positive relationship between normative mechanism and the quality or expansion of corporate social reporting, e.g., Dumitru et al. (2017) and Amran and Haniffa (2011).

5.2.9.3 Mimetic Isomorphism

According to DiMaggio and Powell (1983) when a firm does not have a clear connection between its means and ends, its goal becomes vague, which leads it to uncertain terrain. This uncertainty forces it to find a model or leading companies and mime their organizational practices so that they can be consistent with the top firms (Shabana et al., 2017). Uncertainty of the Japanese firms can largely be linked to the flexibility of guideline-interpretation (Choi and Aguilera, 2009), the influence of global corporate practice and leading companies (Komura, 2009), and emergence of model companies through an award or rating culture (Madein, 2020).

When firms follow flexible guidelines and assume multiple interpretations in preparing CSR, they are most likely to become confused regarding the content, format and types of information. According to MOE (Ministry of the Environment, 2017), environmental disclosure practice, around 2015, was reduced by a great margin due to the voluntary nature of

reporting—creating uncertainty—and several companies were requesting a specific disclosure framework.

Additionally, Japanese firms were influenced by foreign ownership and reporting practices of their major markets, i.e., the USA and EU countries. These two regions were leading the idea of corporate social reporting in the 1900s; Japanese entities were in an uncertain territory regarding CSR and tried to mime the ESG-disclosure pattern of these model regions. Interestingly, they still mime them; their preference towards various international CSR frameworks vouches for this position. Nowadays, South Africa is the only territory that has a mandate for integrated reporting (IR) and is considered as one of the leading IR-practicing countries; at present, Japanese firms are also replicating the IR practices of South Africa (Arul et al., 2020; Maroun, 2019). Moreover, there have been some consistent toppers in receiving environmental reporting rewards and ratings in Japan; these companies are perceived as model companies and the others mime their reporting practices to be on the same apex footing. Impact of mimetic forces on CSR is documented by various researchers, such as Aerts et al. (2006), Kannenberg and Schreck (2019) and Martínez-Ferrero and García-Sánchez (2017).

Chapter 6

Conclusion

Japanese electric equipment companies are covering most of the material items while disclosing categorized materiality variables (CMV); nonetheless, coverage is below par when it comes to materiality disclosure quality variables (MDQV). In the CMV-set, the companies should disclose more on social capital, i.e., their approaches of empowering the underprivileged mass utilizing digital innovation and securing confidential information; two other material variables—recycling management and political contribution and accountability—require massive improvements. In the MDQV-set, the tone setters—materiality determination process and separate materiality section should be enriched with detailedness. Likewise, targets and progress towards targets and risk and opportunity-based disclosures should cover more ESG-based indicators.

These companies pursue a 'financial materiality' of sustainability approach and a mixture of various frameworks in a single integrated report for they have a tight preference towards local guidelines. International frameworks receive honorary mentions in their IRs since they are exposed to overseas investment scenarios—very few IRs comply with those. Moreover, dearth of linkages between the financial and ESG parts of the reports forces the IRs to be more of a 'combined' report rather than an 'integrated' one, making the reports overly loaded with information; this loophole combined with multi-framework attachment decreases the understandability and comparability of disclosures, punishing the materiality of IRs, ultimately.

Abiding by a single framework, starting the report with a step-by-step materiality determination process followed by a separate materiality section, acknowledging the influence of MDQV on CMV and shifting—slightly, not completely—from a 'financial materiality' of sustainability approach to a broad stakeholder-based one will increase the coverage, mutual-connections, and materiality of IR-disclosures of the Japanese electric equipment companies. Finally, adding measurable ESG-facts and targets—carbon dioxide equivalent of GHG emission, kilowatt-hours of energy consumed/saved, amount of renewable energy used, improvement figure in the energy efficiency, tons of hazardous material/waste managed or recycled, numbers/ratio of female in the workforce, diversity and outside member ratio in the board etc.—that are connected to identified material items and putting up quantifiable environmental accounting numbers related to applicable variables will make the IRs more beneficial to the users.

Furthermore, the motivations of report preparers to publish integrated reports (IR) varies following different contexts; they may try to defend themselves against reputation loss, may want to take advantage of a certain opportunity, or may just desire to follow the frontrunners of CSR practitioners in an uncertain state. Regardless of the scenario, the institutional theory is well-poised to explain the motivation behind IR-publication by utilizing three mechanisms, i.e., coercive, normative and mimetic. Furthermore, the institutional setting of Japanese CSR is featured with a traditional *J-firm* corporate governance (or modified version of it), flexible laws and guidelines, harmony centered societal values and social responsibility-based business code; these features constitute a congenial setup for the development of integrated reporting practice and Japan is one of the toppers in this area, logically.

Japanese CSR arena is coerced by a few numbers of laws, sanctions and listing requirements; some of these laws apply to specific entities and provide a 'comply or explain' based flexibility for the companies. Additionally, the Japanese companies are largely governed by guidelines and enjoy a voluntary terrain of corporate social reporting, i.e., integrated reporting. Hence, it can be concluded that, by text, Japanese report preparers are coerced to disclose through IR; however, in reality, norms can explain more regarding their primary motivation towards IR practices. The explanatory power of the normative mechanism is reinforced by the environmentally friendly mentality of the Japanese people who follow harmonious social norms and expect the companies to do the same. On top of it, the Japanese companies attach themselves with various social and environmental groups, hanker after environmental certification and self-regulate themselves towards sustainable business practice and CSR publications. Mimetic isomorphism has a voice in interpreting the managerial motivation of IR publications, too. Japan is keen to follow overseas CSR culture, especially, practices of the USA, the UK, and currently, the IR practices of South Africa. To add, it is marked by multiple model companies that are popular through award and rating ethos. Hence, whenever a company is confused due to the availability of a plethora of interpretations and/or contents—voluntary reporting attributes— and faces uncertainties while reporting they simply mime the model domestic or foreign companies.

Finally, it can be asserted that the strength of coercive mechanism in explaining the managerial motivation of publishing Japanese IR is low, whereas normative and mimetic mechanisms have the strongest and moderate vocal in rationalizing the same, respectively. These mechanisms are largely based on the sources of irrational motivation; however, the

rational one, i.e., legitimacy-based motivation of managers can be directly tied up to mimetic isomorphism and indirectly to the other ones.

The results of this research may vary marginally, due to an alternative selection of variables from the literature, varied disclosure index, subjectivity in the coding and theme creation process, and typicality of the Japanese context. This paper will be useful to three parties, such as scholars studying in the CSR-materiality domain, framework setters in the CSR-reporting arena, and IR-preparers of the electric equipment industry; the mentioned parties may draw values from universally accumulated materiality variables, segregation of the principle-based (materiality disclosure quality variables) and content-element based (categorized materiality variables) variable-sets and suggestion directed towards the Japanese integrated report-preparers. Currently, Value Reporting Foundation, in association with IIRC and SASB, is trying to portray a more complete picture of corporate long-term value creation through 'Integrated Thinking Principles'; Global Sustainability Standards Board and IFRS-foundation are thriving for a comparable and mandatory global reporting framework. Therefore, embedding the idea of 'materiality' in a mandatory non-financial reporting context and bringing debates about a 'qualitative threshold' of materiality on the table may provide scopes for future research; these will contribute toward a comparable framework.

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Appendix

A: Illustrations related to scores and score-definers – categorized materiality variable

A1: Score 1 (minimum) – Employee diversity and inclusion (EDI), from Hamamatsu Photonics K. K.'s IR (2019, p.20)

Future Challenges and Countermeasures

Hamamatsu Photonics primarily recruits science students. This has created a tendency to hire relatively few women because the percentage of women in the sciences is low. Ensuring diversity is important to facilitate multifaceted viewpoints in the development of new technology in the future. For this reason, we are engaging in recruitment activities as per the action plan outlined in the Database on Promotion of Women's Participation and Advancement in the Workplace. Additionally, we always strive to better the working environment and promote health management in an effort to make certain every employee can live a prosperous life.

A2: Score 2 (general) – Digital inclusion and social enabling (DISE), from Fujitsu Ltd.'s IR (2019, p.51)

Examples of Social Contribution Activities

Activities That Empower People through Partnerships

We are promoting activities that value all people equally, regardless of such attributes as age, gender, disability, race, ethnicity, origin, religion, or economic status. We also actively contribute to the environment and assist with natural disaster recovery to support safe and secure lives.

Soccer Viewing Events for Sensitive Children (Japan)

As part of the Fujitsu initiative supporting borderless minds, in collaboration with other relevant parties, Fujitsu held events where children with sensory sensitivity to crowds and loud noise watched J.LEAGUE (Japan's top-tier professional soccer league) matches with their families.

(Photo: J.LEAGUE)

Offering Education for Every Child

Fujitsu is aiming to eliminate educational inequality. In partnership with local non-profit organizations in India and the Philippines, we are providing education support to children in poor areas, such as dispatching teachers and donating ICT equipment.

Donation of Carbon Credits to the Tokyo Metropolitan Government

To support the Tokyo Metropolitan Government's initiative "Zero Emission Tokyo," we have donated all our excess CO_2 reduction credits acquired since the start of the Tokyo Metropolitan Government's "Tokyo Cap-and-Trade Program." These credits will be used as part of an offsetting initiative for the city of Tokyo.

Social Contribution Activities to Develop Science and Technology

We are undertaking activities that contribute to the development of science and technology. These activities include pro-bono tech projects promoted by volunteers using both ICT and business skills, as well as STEM (science, technology, engineering, mathematics) education activities.

Support for Student Contests in Russia

Fujitsu has supported a business idea competition led by students of the Kazan Aviation Institute in Russia. We have contributed to improving students' skills by holding various special courses related to ICT.

Pro-bono Tech Projects with UK Cancer Patient Support Charity

In a pro-bono project in partnership with a cancer patient support charity from the United Kingdom, Fujitsu provided a single technology platform to transform how volunteers give their time to the charity, greatly increasing work efficiency.

For further details, please visit the following websites.

Activities that empower people through partnerships:
https://www.fujitsu.com/global/about/csr/community/people/

Social contribution activities to develop science and technology:
https://www.fujitsu.com/global/about/csr/community/ict/

A3: Score 3 (detailed) – Hazardous materials and/or electronic waste/waste management (HEWM), from Hitachi Ltd.'s IR (2019, p.25, 102)

Natural capital

Guided by our Environmental Vision, we strive to create value while also contributing to the resolution of environmental issues to realize a low-carbon society, a resource efficient society and a harmonized society with nature.

Achieve the targets set forth in the Environmental Action Plan for 2021 looking toward the Hitachi Environmental Innovation 2050 long-term environmental targets.

(4) Enhance efficiency in the use of resources, reduce and recycle waste materials

- Reduction rate in waste and valuables generation per unit compared to FY 2010: 12%

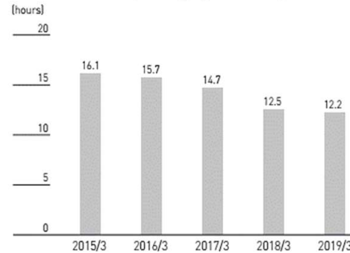
Implemented environmental activities aimed at achieving a low-carbon society, a resource efficient society, and a harmonized society with nature outlined in our Environmental Vision and the Hitachi Environmental Innovation 2050

- Enhanced efficiency in the use of resources, reduced and recycled waste materials in factories and offices

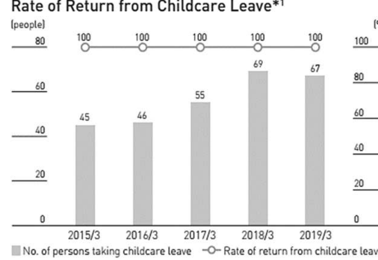
Environment	FY2014	FY2015	FY2016	FY2017	**FY2018**
Rate of reduction in CO_2 emissions from use of products and services (base: FY2010)*1 (%)	–	–	35	33	**34**
CO_2 emissions from factories and offices (kt-CO_2)	4,128	3,895	4,577*2	4,663*2	**4,470*2**
Water use (million m³)	4,686	4,391	4,134*2	3,854*2	**3,702*2**
Waste and valuables generation (kt)	692	618	1,336*2	1,356*2	**1,384*2**
Atmospheric emissions of chemical substances (t)	4,415	3,615	4,380*2*3	4,223*2*3	**4,392*2*3**

A4: Score 4 (very detailed) – Labor practice and working condition (LPWC), from Casio Computers Co. Ltd.'s IR (2019, p.11, 34, 35)

Overtime Hours (average per month)*2



No. of Persons Taking Childcare Leave / Rate of Return from Childcare Leave*1



Creating an Innovative and Invigorated Workplace

To increase employee motivation and productivity, we have implemented the following policies.

- Work hours reform
- Workplace reform
- Fundamental optimization of workflows

We are prioritizing employee-company engagement and view our goal as being the mutual growth and development of both employees and the company.

Promoting the Desire to Take on Challenges and Reform Activities

To reward and foster the development of employees who are motivated and act to contribute to Casio's growth and development, we are conducting a fundamental review of our wages and benefits and evaluation structure.

- Wage structure linked to role and expectations
- Goal management system that fairly evaluates achievement levels relative to role and expectations
- Process evaluation system that promotes the development of core personnel

Through the above systems, we will promote the creation of an innovative culture at Casio and work to increase our energy as a company.

Stimulation of organization and human resources

Create organization aligned with business environment changes	**Maximize performance through organizational streamlining and promoting young employees**	
		FY2019 > FY2020
	Streamline departments	-11%
	Appoint young employees to management positions (section manager average age)	Department managers: -2 years old / -3 years old
	Secure career personnel with advanced expertise: Digital marketing / Global / AI/IoT / e-commerce	
Build next-generation development environment Reforms for motivation	**Build next-generation development environment** • Build quality manufacturing environment by rebuilding the Hamura R&D Center • Workstyle reforms and cocreation space development that promotes innovation Workstyle: Place, space, time Cocreation space: Stimulating internal and external communication **Innovative and stimulating workplace creation** • Workstyle reform / workplace stimulation • Development of energetic personnel who embrace the spirit of challenge	

Fuse top-down and bottom-up to achieve Medium-Term Management Plan

Career support structure

We have adopted a career support structure that provides support to employees at the ages of 30, 40, and 49, pivotal turning points in an employee's career, to help employees with self-assessments and help them evaluate future workstyles. We provide insight into potential career paths, both inside and outside the company, with the hope that employees will actively form their own careers based on their own interests and preferred workstyle.

Part of this structure is the Job Challenge System. This is a framework that enables spontaneous changes in an employee's job rotation. Expanding the scope of one's duties will enable employees to improve their skills. Also, the active personnel changes promoted through this system help stimulate the organization and help employees find their ideal positions within the company.

Promoting women and younger workers

Initiatives related to diversity are extremely important to stimulating our organization and human resources.

We have established KPI related to workplace stimulation as it relates to young employees, senior employees, and female employees. We are strengthening initiatives related to further promoting diversity.

To promote the advancement of young employees in particular, we strictly enforce our age-based mandatory retirement system to enable the aggressive hiring of talented young personnel.

Physical Environment

To create a next-generation development environment that improves development productivity and promotes innovation, we are conducting a fundamental rebuild of the Hamura R&D Center that will serve as the core of our development activities. We also are planning to establish satellite offices to enable workstyles that promote free thinking not bound by place, space, or time.

Virtual Infrastructure Environment

To operate the new Hamura facility, satellite offices, and the Hatsudai main office as One CASIO, we must establish an environment that allows employees to achieve the same or better work performance as their main office, regardless of their physical location. To achieve this, we have already decided on the companywide integration of cutting-edge technology and equipment solutions for communications and IoT.

B: Illustrations related to scores and score-definers – materiality disclosure quality variable

B1: Score 1 (minimum) – Identification and description of the system of risk and opportunities (SRO), from OSG Corporation Co. Ltd.'s IR (2019, p.21)

Risk and Compliance Management Committee

In addition to these measures to improve management transparency and fairness and ensure timely information disclosure, we have also established Risk Management Rules as a framework for the creation of risk management structures to maintain management soundness and corporate ethics in the OSG Group. We have also established the Risk and Compliance Management Committee to ensure the effective and efficient implementation of the Risk Management Rules. Its role is to formulate basic risk management policies and consider and implement timely countermeasures after assessing the significance and urgency of risks.

B2: Score 2 (general)– Separate materiality section describing material issues (SMS), from NEC Corporation's IR (2019, p.11, 12)

Initiatives to Ensure Respect for Human Rights Such as Privacy Policies and Measures Aligned with Societal Expectations

Amid the rapid spread of smartphones and other mobile devices driven by advances in ICT, public interest in respect for human rights, personal information protection, and privacy considerations is also growing. Failure to consider these issues would be a serious risk for NEC as a provider of safe, secure, efficient, and equal products and services. On the other hand, by considering these issues we can provide highly reliable services and solutions to society, including our customers.

NEC therefore positions these personal information protection initiatives and "Privacy policies and measures aligned with societal expectations" as part of its "materiality," a selection of priority management themes from an ESG perspective, and places the highest priority on respect for human rights in its business operations.

Sustainably and Socially Literate Human Resources

Recognizing that people are the Company's most significant resource, NEC believes "sustainably and socially literate human resources" are important for providing true value to customers and society.

We have positioned this as part of our "materiality," a selection of priority management themes from an ESG perspective, and we are enhancing education programs for understanding social issues and promoting inclusion and diversity aimed at understanding and accepting different values and cultures. In addition, we are taking steps to reform our personnel systems and work styles in order to realize an organization that enables employees to maximize their capabilities and has the capacity to carry out actions to completion.

B3: Score 3 (detailed)– Separate materiality section describing material issues (SMS), from Toshiba Corporation's IR (2019, p.37)

Material Issues

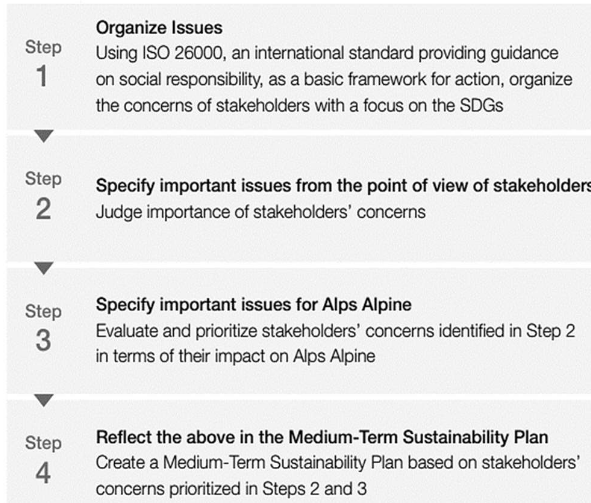
Toshiba Group identified "Respect for Human Rights," "CSR Management in the Supply Chain," and "Environmental Management" as material issues (key themes) in 2013 following consideration of self-evaluations based on ISO 26000, opinions received via dialogue with stakeholders and evaluative reviews from third-party organizations, and respecified the issues in March 2015. Since then, we have continued our efforts to tackle these issues.

B4: Score 4 (very detailed)– Materiality determination (assessment) process with stakeholder engagement (MDP), from Alps Alpine Co. Ltd.'s IR (2019, p.23, 30)

Achieving Sustainable Growth at Alps Alpine and Deepening Our Dialogues with Stakeholders

At Alps Alpine, we believe proper disclosure of information and engaging in meaningful discussions with stakeholders to reach mutual understanding are essential to achieving sustainable growth and increasing corporate value over the medium-to-long term. We have therefore expanded the content of our annual report compared with previous years and, starting in 2019, we have begun publishing an integrated report for the newly formed Alps Alpine. We hope to deepen our dialogues with shareholders at the General Meeting of Shareholders held every year and also deepen our dialogues with institutional investors by holding results briefings and regularly scheduled plant tours for institutional investors and analysts and by introducing new technologies and products at private showings held once every two years. Through these efforts, we will further improve the quality of our discussions with stakeholders.

Process of Establishing Material Issues



Step 1
Organize Issues
Using ISO 26000, an international standard providing guidance on social responsibility, as a basic framework for action, organize the concerns of stakeholders with a focus on the SDGs

Step 2
Specify important issues from the point of view of stakeholders
Judge importance of stakeholders' concerns

Step 3
Specify important issues for Alps Alpine
Evaluate and prioritize stakeholders' concerns identified in Step 2 in terms of their impact on Alps Alpine

Step 4
Reflect the above in the Medium-Term Sustainability Plan
Create a Medium-Term Sustainability Plan based on stakeholders' concerns prioritized in Steps 2 and 3

C1: Deviated connecting ideas of material issues in the separate materiality sections (SMS)

Company		Connecting ideas
1	Advantest Corporation	Goals (SDGs) and reasons
2	JVC Kenwood Corporation	Materiality matrix
3	Mabuchi Motor Co. Ltd.	Goals (SDGs)
4	Minebea Mitsumi Inc.	Goals (SDGs)
5	Nippon Chemi-Con Corporation	Targets
6	Nitto Kogyo Corporation	Value creation process, SDGs and risks & opportunities
7	Ricoh Company Ltd.	SDGs, targets, strategy and risks & opportunities
8	ROHM Co. Ltd.	SDGs, reasons and risks & opportunities
9	Seiko Epson Corporation	Value creation process and SDGs
10	Sysmex Corporation	Consequences, target, SDGs and stakeholder value