



Analysis on the Compliance with GRI Guidelines and the Information Disclosed by Japanese Companies

Naoko Kawahara and Noriko Irie

Abstract Japanese companies do not comply with the Global Reporting Initiatives (GRI)'s Sustainability Guidelines as much as other developed countries, and their compliance levels are lower among developed countries. This study overviewed the characteristics of Japanese GRI compliance and analysed 15 Japanese listed companies on the information of their corporate sustainability reports in which they comply with the GRI version 3.1 Guidelines. The possible correlation between GRI compliance levels and the disclosure rates of the GRI core indicators was suggested. In addition, it was suggested that the issues including human rights, gender, and labor category discrimination, corruption in companies, and fines paid by companies, were not much disclosed. The lower disclosure of these issues suggests the weakness of Japanese corporate social disclosure.

Key words corporate social disclosure (CSD), sustainability reporting, GRI guidelines, performance indicators, compliance

January 14, 2015 accepted

1. Introduction

Disclosure of non-financial information,⁽¹⁾ including corporate social disclosure (CSD), in which stakeholders can be better understood about social and environmental impacts of business activities, has become an increasingly common practice globally in recent years (Boiral, 2013). The number of reports which disclose non-financial information is large in Japan compared to other developed countries (Araki, 2005; KPMG, 2013; METI, 2014). Many of representative large Japanese companies already undertake CSD (Kolk, 2008; KPMG AZUSA Sustainability, 2013). However, some analysis concluded that quality of disclosure of those reports has been considerably low (KPMG, 2013). It has been argued that one of the evidence for this low quality of CSD is low application levels from the Global Reporting Initiative (GRI); while GRI Sustainability Reporting Guidelines (hereafter GRI Guidelines) are usually regarded as the strictest guideline in the field (Moneva *et al.*, 2006; Brown *et al.*, 2009), the level of compliance with the Guidelines by Japanese companies are comparatively low compared to European and North American companies (METI, 2014; GRI database). More notably, as will be shown in Section 2 of this study, the percentages of higher application level of the GRI's Guidelines, namely A + , A, and B, as stipulated in the GRI Guidelines version 3.1 (hereafter GRI3.1), are considerably smaller than those of companies in Europe and North America. Conversely, many Japanese companies adopt 'Undeclared', which does not indicate to what extent companies meet the requirement of the guidelines by themselves.

In addition, as many as more than 70% of Japanese companies announce that they 'reference' to one version of GRI Guidelines in their CSD (KPMG AZSA Sustainability, 2013). To declare the highest application levels of GRI3.1, including A+ and A levels, companies have to disclose all the 'core' performance indicators of the GRI Guidelines (GRI, 2006; GRI, 2011). These indicate the possibility that the low compliance level

(1) Non-financial information is disclosed through various media such as stand-alone reports, annual reports, or companies' web-sites, with content including social and environmental reports, CSR reports, and sustainability reports. This paper treats all of these as 'corporate social disclosure'.

of Japanese companies cause from the lower coverage of the core elements of the Guidelines by Japanese companies.

It is worthwhile to analyse what kinds of information are undisclosed in current Japanese companies' CSD because it can serve not only as the basic knowledge for companies disclosing their information, but also to examine Japanese CSD policies. So far there has been the limited research on the determinants or specialties of Japanese CSD (Araki, 2007; Suzuki and Tanimoto, 2005; Kolk, 2008; Brown *et al.*, 2009; Kolk, 2010; Hayashi, 2014). In particular, there is little which have been clarified in the literature on the kinds of sustainability information relatively reluctant to be disclosed by Japanese companies.

In this research, after brief reviewing the previous studies, the relationship between application levels of GRI3.1 and disclosed or undisclosed information will be analysed, and then implications will be obtained. This will be conducted by analyzing 15 Japanese companies included in Japan's Nikkei 225 Stock Average index. Those companies declared their application levels of GRI3.1 as one of the four application levels including B+, B, C, and Undeclared', or merely referencing GRI3.1.

2. Literature review

Sustainability reporting can help companies to be accountable for different stakeholders, to meet their expectations and pressure, and also to show compliance with sustainability standards, if companies disclose their sustainability information as transparent as possible and reflect positive and negative impacts of corporate activities (Boiral, 2013).

The current status of GRI compliance for companies in Japan, North America, and Europe, which are analyzed using the GRI's Sustainability Disclosure Database through the online, are in Table 1 and 2. As is shown in Table 2, the percentages of Japanese companies which comply with either the latest version of GRI G4 Guidelines (hereafter G4) published in May 2013, or GRI3.1 with compliance levels A to C published in 2011, is 15%, which is less than half of companies in Europe (39%) and North America (32%). Notably, only 3% of Japanese companies which comply with GRI3.1 declare the highest

compliance levels (A+ and A), which is much lower than those in Europe (39%) and North America (14%). On the other hand, 53% of the GRI3.1-compliant Japanese companies announce 'Undeclared', which is much higher than those in Europe (5%) and North America (18%). In addition, among the companies which are in GRI database, 34% of Japanese companies merely referencing GRI (hereafter 'GRI referenced'), which is much higher than Europe (7%) and North America (7%), which has made the reverse phenomenon in which the percentage of Non-GRI in Japan (25%) becomes lower than in North America (30%) and Europe (17%). The amount and quality of CSD of 'Undeclared' and 'GRI referenced' companies' CSD are unknown and it is suggested that the contents of CSD made by those companies need scrutiny.

Table 1 Number of companies complying with GRI Guidelines in Japan, North America, and Europe (Unit: number of companies)

	GRI 4	GRI 3.1	GRI 3				GRI 3 undeclared	GRI 3A	GRI 3B	GRI 3C	GRI 3 undeclared
			GRI 3.1A	GRI 3.1B	GRI 3.1C						
Japan	4	59	2	21	5	31	24	2	5	0	17
North America	11	223	31	96	55	41	149	30	60	32	27
Europe	17	597	231	226	110	30	531	116	200	163	52

	GRI 2	GRI 1	GRI referenced	Non-GRI	All
Japan	0	0	73	53	213
North America	0	0	41	184	608
Europe	0	0	105	258	1,508

Ref: GRI Sustainability Disclosure Database (2014)

Table 2 GRI compliance and compliance levels (Unit: %)

	(GRI 4+GRI 3.1A-C)/All	GRI 3.1 /All	GRI 3.1A /GRI 3.1	GRI 3.1B /GRI 3.1	GRI 3.1C /GRI 3.1	GRI 3.1 undeclared/ GRI 3.1	GRI re-fenced /All	Non-GRI
Japan	15	28	3	36	8	53	34	25
North America	32	37	14	43	25	18	7	30
Europe	39	40	39	38	18	5	7	17

Ref: GRI Sustainability Disclosure Database (2014)

Notes: A includes A+ and A, B includes B+ and B, also includes C+ and C.

Table 3 is about the percentages of 802 global companies which comply with GRI 3.1, which disclose the GRI Guideline's 'core' and 'additional' elements (hereafter disclosure rate) (GRI database). Average disclosure rate of all ('core' plus 'additional') indicators disclosed by all companies is 62% and 52% of the 'core' indicators are fully'

Table 3 Average performance indicator disclosure rate of global companies (Unit: %)

	Described			Not described
		(Fully)	(Partially)	
Total	62	52	9	38
Core	66	55	11	34
Additional	54	47	7	46

Ref: GRI Sustainability Disclosure Database (2014)

disclosed by these. Conversely, 38% of indicators are not disclosed. The average disclosure rate of the core indicators is 66%, while 34% of the core indicators are not disclosed. 55% of the core indicators are fully disclosed.

In terms of the theories of CSD, there have been various theories proposed in the previous literature, including stakeholder theory, voluntary disclosure theory, institutional theory, and legitimacy theory. These theories argue that intuitional factors or stakeholders' pressure have been the main incentives of CSD. Companies disclose sustainability information because they need to obtain legitimacy of operation by committing to regulatory, cultural, or normative requirements which the society require, or they have to reflect the most important stakeholders' needs.

The stakeholder theory focusses on the relationship between entities (such as companies) and their stakeholders, including customers, employees, suppliers, shareholders, and the local society. There has been continuing influences by such stakeholders to the entities (companies), and conversely actions taken by the entities can also affect their stakeholders (Freeman, 1984; Ullmann, 1985; Roberts, 1992; Gray *et al.*, 2010). This theory explains the quality and quantity of CSD by stakeholders' influence to the entities as well as entities' strategies and economic performances (Ullmann, 1985; Roberts, 1992; Fernandez-Feijoo, 2014). The way entities understand their stakeholders affects the nature of the entities' CSD, which explains the existence of varying of CSD quality and quantity among entities in different countries (Gray *et al.*, 1996; Van der Laan Smith *et al.*, 2005).

The voluntary disclosure theory argues that companies have incentive to strategically make a signal to their stakeholders such as shareholders via information disclosure regarding environmental strategies when the companies' environmental performance

are favourable (Cho *et al.*, 2012). In this theory, the reason for companies that voluntarily disclose their social and environmental performances is to enhance their reputation by differentiating themselves from their competitors by announcing their environmental performances (Boiral, 2013).

The institutional theory argues that companies have been under pressures to enhance their legitimacy to continuously access resources which are necessary for their operation by adopting social rules and structures in their operating environment (DiMaggio and Powell, 1983; Deephouse, 1996; Brown *et al.*, 2009; Villiers, 2014). From this theory it is logically appropriate that the same amount of CSD are conducted by companies with different sizes.

The legitimacy theory is a simple version of the institutional theory described above (Villiers, 2014), although it explains larger companies tend to more voluntary disclose information in their CSD than medium and small companies. They have more exposed to various media and need to access more resources, which require them to more disclose sustainability information. Because the legitimacy theory argues that voluntary CSD is conducted by companies to enhance their image (Guthrie and Parker, 1989; Lindblom, 1994; Patten, 1992; Deegan, 2002), voluntary CSD tends not to contribute to the transparency, because companies concern image rather than the reporting of their actual performances (Milne *et al.*, 2006; Wagner *et al.*, 2009). The theory also explains that stakeholders have more influences and their requirement of high quality CSD have stronger legitimacy when companies have low sustainability performances (Lindblom, 1994; Adams *et al.*, 1995; Van der Laan Smith *et al.*, 2005; Cho, 2012; Momin *et al.*, 2013).

Should these theories are supported and if certain types of sustainability information are frequently undescribed by Japanese companies, it suggests that Japanese companies have undergone less pressure from their stakeholders in their companies they operate compared to those in European or North American companies. Such study will provide important implications for Japanese companies' CSD strategy and the CSD policies made by Japanese regulatory authorities.

There have been limited studies so far which analyses Japanese companies' CSD content. Suzuki and Tanimoto (2005) found that Japanese companies were reluctant to describe the issues such as corporate governance and female workforce in their reports

because, as Suzuki and Tanimoto (2005) analysed, other companies did not disclose such information. They analysed only five kinds of items reported in sustainability reports, including percentage of description of social issues compared to environmental issues, corporate governance, female workforce, the effort to collect employees' opinion, and effort to collect public opinion on CSR. Their main analyses were the determinants of GRI disclosure. They found that the adopters of GRI Guidelines in Japan tend to be larger, engaged in environmental businesses and more connected with foreign owners and buyers. Conversely, net profit and two domestic attributes did not significantly affect the likelihood of adoption of GRI Guidelines.

Hayashi (2014) conducted a statistical analysis to examine the possibility of the existence of foreign stakeholders' pressures which have promoted domestic companies' CSD. He analysed the determinants of the adoption of GRI Guidelines with a sample of 201 large Japanese companies in fiscal year 2012, conducting a logit analysis. He concluded that there is a significant and positive relationship between the adoption of GRI Guidelines and the percentage of international sales. Also, firm size, profitability and growth prospects affected the adoption of GRI Guidelines. Conversely, their results indicated no significant relationship between the adoption of GRI Guidelines and the percentage of foreign ownership. However, he has not analysed the reason for the low GRI compliance level nor the kinds of undisclosed information by Japanese companies.

3. Methodology

The companies with four compliance levels lower than A, namely B+, B, C, and Un-declared', which compliance with the GRI3.1, as well as GRI referenced' companies were selected with 3 companies in Nikkei 225 for each compliance level (Table 4).⁽²⁾ Some compliance levels were Self-declared', while others were checked by a third party. Only the companies which offered their content indexes which enabled to check the items of GRI3.1 disclosed were selected for this analysis. Therefore, it should be noted that there

(2) The 15 sample companies are listed in Japan's Nikkei 225 Stock Average index, which is used worldwide as the premier index of Japanese stocks (Nikkei web-site).

is biases for the sample results.

There were no companies in the sample with a C+ level of GRI3.1 and G4 which was already published in year May 2013, but as shown in Table 1, there were only 4 companies in compliance with G4. In addition, G4 does not distinct the compliance level and analyses of G4 companies did not provide implications for compliance level. Therefore, only GRI3.1 complied and referenced companies were analysed.

Two out of three reports with B+ were 'Third-party-checked', while the reports with B or lower levels than B were all 'Self-declared'. If third-party-checked indicates the higher quality of CSD (Hodge *et al.*, 2009; Moroney *et al.*, 2012; Zorio *et al.*, 2013), suggested correlation of compliance levels and quality of CSD is an interesting fact of analysing further. However, no further analysis was made in this study.

Table 4 Japanese companies in the sample (n=15)

Company	Sector	GRI 3.1					Status	
		B+	B	C	Undeclared	Referenced	Self-declared	Third-party-checked
Fujitsu	Equipment	1						1
Sumitomo Chemicals	Chemicals	1						1
Toshiba	Conglomerates	1					1	
Astellas Pharma Inc.	Health Care Products		1				1	
Casio	Computers		1				1	
Dai Nippon Printing	Other		1				1	
Ebara	Conglomerates			1			1	
Fujikura Ltd.	Technology Hardware			1			1	
Isuzu Motors	Automotive			1			1	
Daikin Industries	Household and Personal Products				1			
Mitsubishi Heavy Industries	Other				1			
Minebea	Other				1			
Kirin	Food and Beverage Products					1		
Sojitz	Conglomerates					1		
Sekisui House	Real Estate					1		

Source: Authors (2015)

4. Results

Interesting implications would be obtained by observing Table 5. Firstly, lower the compliance levels, lower the disclosure percentages of 'core' performance indicators can be observed. On the other hand, there is no clear correlation between them for addi-

Analysis on the Compliance with GRI Guidelines and the Information
Disclosed by Japanese Companies (Kawahara • Irie)

Table 5 Performance indicators described by the sampled Japanese companies
(Unit: %, n=15)

	Level	B+	B	C	Undeclared	Complied companies total	Referenced
Indicators (total)	Discribed	60	56	55	53	56	49
	Not applicable'	5	0	15	3	6	1
	Not discribed	35	44	30	44	38	50
	Not discribed + Not applicable'	40	44	45	47	44	51
Core indicators	Discribed	63	62	58	55	60	52
	Not applicable'	8	1	16	2	7	1
	Not discribed	29	38	26	42	34	48
	Not discribed + Not applicable'	37	38	42	45	40	48
Additional indicators	Discribed	53	45	48	49	49	45
	Not applicable'	0	0	15	5	5	2
	Not discribed	47	55	37	46	46	53
	Not discribed + Not applicable'	47	55	52	51	51	55

Source: Authors (2015)

tional' performance indicators. Notable things are disclosure rate of 'core' indicators for 'Undeclared' is lower than that of compliance level 'C', and disclosure percentages of 'core' indicators for 'GRI referenced' is even lower than of 'Undeclared'

By comparing Tables 6 with 3, it is shown that the disclosure rate of 'core' indicators by the GRI3.1 complied companies is 58% and lower than global average, 66%. It should be noted that global average covers developing countries as well as developed countries. In addition, out of the sampled 15 Japanese companies, 11 were multinational enterprises, which are well known large companies, and usually the disclosure rate of such companies tends to be high (KPMG, 2013). Therefore, disclosure rate of population (total Japanese companies) may be lower than the average disclosure rate of 15 sampled companies. It should also be noted that only Japanese GRI complied companies with compliance level B (and B+) or less than B (and B+) were analysed; if companies with compliance level A are included in the analysis, the discrepancy of disclosure rate of Japanese companies with that of global companies can shrink. However, the percentages of Japanese GRI complied companies which announced 'Undeclared' and 'referenced' were larger than global companies, while this analysis sampled only three each out of 15 companies which announced 'Undeclared' and 'referenced'. Because disclosure rate of 'core' indicators

for 'Undeclared' and 'referenced' companies are lower than those of other compliance levels, disclosure rate of population (total Japanese companies) may be even lower than the average disclosure rate of 15 sampled companies. It should be noted, however, that there is the obvious limitation of this analysis because it sampled only 15 companies.

Table 6 Average performance indicator disclosure rate of the sampled Japanese companies
(Unit: %, n=15)

	Described	Not applicable'	Not described	Not described + Not applicable'
Total	55	5	40	45
Core	58	5	37	42
Additional	51	5	45	49

Source: Authors (2015)

The analysis on GRI3.1 indicators relatively less disclosed than other indicators by Japanese companies were as follows. The GRI indicators not disclosed by more than 70% (more than 11 out of 15 companies) were shown in Table 7. All the companies did not disclose (Not described or Not applicable') the index of HR1, which is, according to the GRI3.1, one of the sustainability performance indicators and required to be disclosed about percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening'. Over all, the performance indicators relatively undescribed were, in the order of the number of indicators not disclosed, 4 indicators of 'HR' which address human right issues, HR1, HR4, HR10, and HR11, 3 of 'LA' which are labor issues, LA5, LA14, and LA10, 2 of 'SO' which are social issues, SO8 and SO4; one of 'EC' which are economic issues, EC4, one of 'PR' which are product responsibility, PR9, and one of 'EN' which are environmental issues, EN11.

Among these indicators relatively undescribed by Japanese companies, according to GRI's Sustainability Database, the HR indicators, namely HR1, HR4, HR10, and HR11 were described in the range of 46% to 72% by global companies, the LA indicators 55% to 83%, and the SO indicators 66% to 68%. Among the four HR indicators, three (HR1, HR10, and HR11) were not described much by global companies as well (the disclosure rate was lower than 66% which was the average disclosure rate of 'core' indicators for

Analysis on the Compliance with GRI Guidelines and the Information
Disclosed by Japanese Companies (Kawahara • Irie)

Table 7 Description of core performance indicators in GRI 3.1 (Unit: %)

Performance Indicators	Components of the disclosure	Japanese companies				Global companies			
		Discribed	Not applicable'	Not discribed	Not discribed + Not applicable'	Discribed	Fully	Partially	Not discribed
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	0	0	100	100	50	40	10	51
EC4	Significant financial assistance received from government.	7	7	87	93	67	60	7	33
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	7	0	93	93	57	52	5	43
HR4	Total number of incidents of discrimination and corrective actions taken.	7	13	80	93	72	68	4	28
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	13	7	80	87	46	39	7	54
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	13	20	67	87	63	62	1	36
LA14	Ratio of basic salary of men to women by employee category.	20	0	80	80	55	45	10	46
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	20	7	73	80	52	47	5	48
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	20	20	60	80	48	41	7	52
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	20	20	60	80	68	65	3	32
SO4	Actions taken in response to incidents of corruption.	27	20	53	73	66	60	6	34
LA10	Average hours of training per year per employee by gender and by employee category.	27	0	73	73	83	44	39	17

Source: Authors (2015)

global companies).

Also, among two out of the three LA indicators (LA5 and LA14) were relatively undescribed by global companies. However, more than 50% of these indicators were still disclosed by global companies, while more than 80% (12 out of 15) of Japanese

companies did not disclose the indicators at all, which suggested the low disclosure rate of these indicators by Japanese companies compared globally.

Moreover, there were HR, LA, and SO core' indicators which were relatively more disclosed (disclosure rates were more than 66%) globally, but relatively undescribed by Japanese companies. Such indicators were HR4, LA10, SO8, and SO4. In particular, many global companies disclosed HR4 and LA10 (disclosure rates were 72% and 83%, respectively), while more than 90% and 70% of Japanese companies did not disclose HR4 and LA10, respectively.

From the above it is suggested that the low disclosure rates of these HR, LA, and SO core' indicators were clearly characteristic of Japanese CSD. In particular, the low disclosure rates of HR4 and LA10 were distinctive features of Japanese CSD.

It is also useful to analyse the additional' performance indicators. Table 8 shows the additional' indicators which did not disclose (not described or Not applicable') by 11 (more than 70%) of the Japanese companies. All the 15 companies did not disclose EC5, which is the range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation'. Other indicators relatively undescribed were four EN indicators (EN15, EN25, EN24, and EN9) and two PR indicators (PR8 and PR7). Global companies also did not disclose much about these four EN indicators because the disclosure rates were in the range of 29% and 47%. Therefore, relatively little disclosure about EN indicators was not particular Japanese CSD characteristic. On the other hand, disclosure rates of the PR indicators for global companies were 50% to 57%, which suggested that the PR indicators were not undisclosed globally. Therefore, there was the possibility that the low disclosure rate of the PR indicators was also a Japanese CSD characteristic.

5. Implications

There is a possibility that the average disclosure rate of core' indicators for Japanese GRI compliant companies (58%) is lower than that of global companies (66%). This observation coincides with the analysis of CSD conducted by 15 large and multinational Japanese companies in this study, as there is a correlation between the compliance levels

Analysis on the Compliance with GRI Guidelines and the Information
Disclosed by Japanese Companies (Kawahara • Irie)

Table 8 Description of additional performance indicators in GRI3.1 (Unit: %)

Performance Indicators	Components of the disclosure	Japanese companies				Global companies			
		Discribed	Not applicable'	Not discribed	Not discribed + Not applicable'	Discribed	Fully	Partially	Not discribed
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	0	0	100	100	48	40	8	51
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	0	13	87	100	41	40	1	59
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	7	7	87	93	29	25	4	71
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	7	7	87	93	33	29	4	67
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	7	7	87	93	53	52	1	47
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	13	0	87	87	39	35	4	60
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	13	20	67	87	36	31	5	64
EN9	Water sources significantly affected by withdrawal of water.	20	7	73	80	47	42	5	53
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	20	13	67	80	57	55	2	42
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	27	13	60	73	50	48	2	50

Source: Authors (2015)

and the disclosure rate of 'core' indicators in Japanese CSD. The distinctive characteristics of Japanese companies are that more than 50% of Japanese GRI complied companies are 'undeclared', and there are many 'GRI referenced' companies. This suggests

the weakness of Japanese CSD, if disclosure of GRI core' indicators is the indication of high quality disclosure, as disclosure rates of core' indicators are lower for Undeclared' companies than level C' companies, and for GRI referenced' companies than Undeclared' companies.

The implication of the analysis of relatively undescribed core' indicators for Japanese companies are the following. Firstly, it is suggested that enhance of the disclosure of the HR, LA, and SO core' indicators including HR4 and LA10 indicators by Japanese companies would raise the GRI compliance levels of Japanese companies. The examination of the content of these undescribed indicators would provide implications about the kinds of sustainability information which are relatively weak for Japanese CSD. The disclosure content for HR4 is total number of incidents of discrimination and corrective actions taken', and LA10 is average hours of training per year per employee by gender and by employee category.' The contents of other relatively undescribed HR, LA, and SO indicators were human right issues and the fair treatment of gender and different employment category groups in companies and actions in response to the incidences of corruption and fines paid by companies.

It should be noted that GRI compliance and compliance levels and actual social and environmental performances do not frequently coincide and low GRI compliance (Boiral, 2013) and application levels do not mean that the actual sustainability performances of Japanese companies are low.

The obvious limitation of this study is sample size (15 companies) and sampling method. A similar study with an improved sampling method and a larger number of samples would yield a more accurate analysis, and such analysis would assist companies looking to improve their disclosures and the Japanese government in regulating Japanese CSD.

6. Conclusion

Japanese companies not only less comply with GRI Guidelines, but also the compliance levels are lower compared to other developed countries. There is the possibility that low level of GRI compliance suggest that the disclosure rates of core' performance

indicators for Japanese companies are comparatively low. It is worthwhile to analyse the kinds of information relatively undisclosed by Japanese companies, but it has not been analysed in depth so far.

This study overviewed the characteristics of Japanese GRI compliance and analysed 15 Japanese companies on the relatively undisclosed information. The correlation between GRI compliance levels and the disclosure rates of the GRI 'core' indicators was suggested. In addition, it was suggested that the 'core' indicators related to human rights, labor, and social issues were relatively undescribed by Japanese companies. These issues were in terms of human right, gender and labor category discrimination, corruption, and fines paid by companies. The lower disclosure of these issues was the Japanese CSD characteristic and could be its weakness.

References

- Adams, C., Coutts, A. and Harte, G. (1995): Corporate equal opportunities (non) disclosure, *British Accounting Review*, 27, 87-108.
- Araki, M. (2007): Improvement of social dimension on corporate social responsibility and strengthening of international competitiveness -challenging issues for Japanese enterprises-, *the bulletin of the Graduate School, Soka University*, 29, 31-45 (in Japanese).
- Boiral, O. (2013): Sustainability reports as simulacra? A counter-account of A and A + GRI reports, *Accounting Auditing and Accountability Journal*, 26(7), 1036-1071.
- Brown, H. S., de Jong, M. and Levy, D. L. (2009): Building institutions based on information disclosure -lessons from GRI's sustainability reporting-, *Journal of Cleaner Production*, 17(6), 571-580.
- Cho, C. H., Freedman, M. and Patten, D. M. (2012): Corporate disclosure of environmental capital expenditures: a test of alternative theories, *Accounting, Auditing and Accountability Journal*, 25(3), 486-507.
- Deegan, C., Rankin, M. and Tobin, J. (2002): An examination of the corporate social and environmental disclosures of BHP from 1983-1997 -a test of legitimacy theory-, *Accounting, Auditing and Accountability Journal*, 15(3), 312-343.
- Deephouse, D. L. (1996): Does isomorphism legitimate? *Academy of Management Journal*, 39(4), 1024-1039.
- DiMaggio, P. J. and Powell, W. (1983): The iron cage revisited -institutional isomorphism and collective rationality in organizational fields-, *American Sociological Review*, 48(2), 147-160.
- Fernandez-Feijoo, B., Romero, S. and Ruiz, S. (2014): Effect of stakeholders' pressure on transparency of sustainability reports within the GRI framework, *Journal of Business Ethics*, 122(1), 53-63.
- Freeman, R. E. (1984): *Strategic management, a stakeholder approach*, Boston, Pitman.
- Hayashi, J. (2014): Determinants of CSR disclosure for Japanese corporations -analyzing the attributes of participating companies in GRI guidelines-, *Journal of Japan Society for Business Ethics Study*, 21, 235-244 (in Japanese).

- Ho, L.-C. J. and Taylor, M. E. (2007): An empirical analysis of triple bottom-line reporting and its determinants -evidence from the United States and Japan-, *Journal of International Financial Management and Accounting*, 18(2), 123-150.
- Hodge, K., Subramaniam, N. and Stewart, J. (2009): Assurance of sustainability reports -impact on report users' confidence and perceptions of information credibility-, *Australian Accounting Review*, 19(3), 178-194.
- Hofstede, G. H. (1983): National cultures in four dimensions, a research-based theory of cultural differences among nations, *International Studies of Management and Organization*, 13(1/2), 46-74.
- Hofstede, G. H. (1984a): Cultural dimensions in management and planning, *Asia Pacific Journal of Management*, 1(2), 81-99.
- Hofstede, G. H. (1984b): National cultures revisited, *Asia Pacific Journal of Management*, 2(1), 22-28.
- Hope, O.-K., Kang, T., Thomas, W. and Yoo, Y. K. (2008): Culture and auditor choice -a test of the secrecy hypothesis-, *Journal of Accounting and Public Policy*, 27(5), 357-373.
- Gray, S. J. (1988): Towards a theory of cultural influence on the development of accounting systems internationally, *Abacus*, 24, 1-15.
- Gray, R. H. (2010): Is accounting for sustainability actually accounting for sustainability. . . and how would we know? An exploration of narratives of organisations and the planet, *Accounting, Organizations and Society*, 35(1), 47-62.
- Gray, R. H., Owen, D. and Adams, C. (2010): Sustainability, environmental performance and disclosures, *Advances in Environmental Accounting and Management*, 4, 1-5.
- Gray, R. H., Owen, D. and Adams, C. (1996): *Accounting and accountability*, Pearson Education, Harlow.
- Gray, R. H., Adams, C. and Owen, D. (2014): *Accountability, social responsibility and sustainability -accounting for society and the environment-*, Pearson Education, Harlow.
- GRI (Global Reporting Initiative) (2006): *Sustainability reporting guidelines, Version 3*, GRI, Amsterdam.
- GRI (2011): *Sustainability reporting guidelines, Version 3.1*, GRI, Amsterdam.
- GRI (2013): *The G4 Sustainability Reporting Guidelines*, GRI, Amsterdam.
- GRI (2015) (accessed 2015.1.5): *Sustainability disclosure database*, (online), <<http://database.globalreporting.org/search>>
- Kawahara, N. (2013): Development of international standard for sustainability reporting, *Journal of Business Studies*, 59(3), 1-18. (in Japanese with English summary).
- Kolk, A. (2008): Sustainability, accountability and corporate governance -exploring multinationals' reporting practices-, *Business Strategy and the Environment*, 17(1), 1-15.
- Kolk, A. and Perego, P. (2010): Determinants of the adoption of sustainability assurance statements -an international investigation-, *Business Strategy and the Environment*, 19(3), 182-198.
- KPMG AZSA Sustainability (2013) (accessed 2015.1.3): *Nihon niokeru sustainability houkoku 2012 (Sustainability reporting in Japan (2012) (in Japanese)*, (online), <<http://www.kpmg.com/jp/ja/knowledge/article/kpmg-sus-newsletter/pages/sus-report-survey2012-201304.aspx>>
- KPMG International Cooperative (2013) (accessed 2015.1.3): *the KPMG survey of corporate responsibility reporting 2013*, KPMG International Cooperative, the Netherlands, (online), <<http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Pages/corporate-responsibility-reporting-survey-2013.aspx>>
- Legendre, S. and Coderre, E. (2013): Determinants of GRI G3 application levels -the case of the Fortune Global 500-, *Corporate Social Responsibility and Environmental Management*, 20(3), 182-192.
- Lindblom, C. K. (1994): The implications of organisational legitimacy for corporate social per-

Analysis on the Compliance with GRI Guidelines and the Information
Disclosed by Japanese Companies (Kawahara • Irie)

- formance and disclosure, Paper Presented at the Critical Perspectives on Accounting Conference, New York.
- Matsumoto, Y., Hayashi, T., Miyamoto, K. and Naitou, F. (2014): Cross-national analysis on disclosure of and audit or assurance of corporate risk information and CSR information, *the Business Review of Kansai University*, 59(1), 139-169 (in Japanese with English summary).
- METI (Minister of Economy, Trade and Industry) (2014): *Report on a survey of enterprises' CSR challenges in global business and management*, METI, Japan.
- Milne, M. J., Kearins, K. and Walton, S. (2006): Creating adventures in wonderland: the journey metaphor and environmental sustainability, *Organization*, 13(6), 801-839.
- Milne, M. and Gray, R. H. (2013): W(h)ither ecology? The triple bottom line, the Global Reporting Initiative, and corporate sustainability reporting, *Journal of Business Ethics*, 118(1), 13-29.
- Momin, M. and Parker, L. D. (2013): Motivations for corporate social responsibility reporting by MNC subsidiaries in an emerging country -the case of Bangladesh-, *British Accounting Review*, 45(3), 215-228.
- Moneva, J. M., Archel, P. and Correa, C. (2006): GRI and the camouflaging of corporate unsustainability, *Accounting Forum*, 30, 121-137.
- Moroney, R., Windsor, C. and Aw, Y. T. (2012): Evidence of assurance enhancing the quality of voluntary environmental disclosures -an empirical analysis-, *Accounting and Finance*, 52(3), 903-939.
- Nikkei (2015) (accessed 2015.1.5): *Nikkei Indexes*, (online), <<http://indexes.nikkei.co.jp/en/nkave/index/profile?idx=nk225>>
- Orij, R. (2010): Corporate social disclosures in the context of national cultures and stakeholder theory, *Accounting, Auditing and Accountability Journal*, 23(7), 868-889.
- Owen, D. L., Swift, T. A., Humphrey, C. and Bowerman, M. (2000): The new social audits: accountability managerial capture or the agenda of social champions? *European Accounting Review*, 9(1), 81-98.
- Simnett, R., Vanstreeben, A. and Chua, W. F. (2009): Assurance on sustainability reports: an international comparison, *the Accounting Review*, 84(3), 937-967.
- Suzuki, K. and Tanimoto, K. (2005): Corporate social responsibility in Japan -analyzing the participating companies in Global Reporting Initiative-, *EIJS Working Paper Series*, 208.
- Ullmann, A. A. (1985): Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of US firms, *the Academy of Management Review*, 10(3), 540-557.
- V. d. L. Smith, J., Adhikari, A. and Tondkar, R. H. (2005): Exploring differences in social disclosures internationally -a stakeholder perspective-, *Journal of Accounting and Public Policy*, 24(2), 123-151.
- Wagner, T., Lutz, R. J. and Weitz, B. A. (2009): Corporate hypocrisy: overcoming the threat of inconsistent corporate social responsibility perceptions, *Journal of Marketing*, 73(6), 77-91.
- Zorio, A., Garcia-Benau, M. A. and Sierra, L. (2013): Sustainability development and the quality of assurance reports -empirical evidence-, *Business Strategy and the Environment*, 22(7), 484-500.