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## **Stakeholder Influence on the Adoption of Assurance in Sustainability Reporting: Evidence from Japan.**

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### **ABSTRACT**

While sustainability reporting (SR) has become a common phenomenon among the world's leading companies, a good number of companies also adopt assurance on such non-financial reporting in order to enhance the credibility of information provided. Japan offers an important opportunity to investigate the assurance practice where almost all the big companies publish SR. In Japan, the adoption of assurance in SR was 26% in 2002, and then increased to 31% before declined to 24% and 23% in 2008 and 2011 respectively. Another important feature of the Japanese companies is the adoption of 'third party comment' (TPC here after) in their reporting instead of or in addition to formal assurance, as KPMG (2008) shows that over 54% of the companies have issued reports with such commentaries. The objective of this study is to explore the corporate level determinants of adoption of assurance and/or TPC in SR in Japan. Stakeholder theory is used to examine the influence of a number of stockholders and consumers on the decision to adopt such third party services. Regression result shows that ownership by financial institutions, foreign investors and final consumers have strong preference to publish SR with assurance and TPC. Company size, industry category and financial performance also have influence on the corporate decision to adopt voluntary assurance and/or TPC in SR. This is the first known study to examine the emerging practices of assurance in SR in Japan

**Keywords:** Sustainability Reporting, Assurance, Third Party Comment, Japan