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Determinants of Narrative Content of Sustainability Reporting by Japanese Companies

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ABSTRACT

In this study, we explore environmental performance and other determinants of sustainability reporting by Japanese companies using an estimation method that accounts for sample selection bias. We applied the computer-aided text analysis software DICTION to a narrative content of those reports with a particular focus on two linguistic themes: “Optimism” and “Certainty.” These analyses yielded several notable results. First, we found that companies with high environmental and social performance typically engage in sustainability reporting. Second, we showed that the narrative content of reports released by companies with low environmental performance tend to contain expressions related to “Optimism,” whereas reports released by companies with high environmental performance tend to use expressions related to “Certainty.” Finally, we found no effect of social performance on the narrative content of company reports.

Keywords: Narrative content, Corporate sustainability reporting, DICTION, Content analysis