Abnormal Sustainability Reporting Tone and the Value Relevance of Accounting Fundamentals

A recent study by Alessandra Allini, Alessandro Corrado, Luca Ferri and Annamaria Zampella of the University of Naples Federico II, Napoli, Italy investigates whether and how abnormal sustainability reporting tone is associated with the firm's market value and conditions the value relevance of accounting fundamentals. It uses a sample of 2002 European listed firms from France, Germany, Italy, and Spain over the period 2017–2024.

The results show that abnormal sustainability reporting tone is positively associated with firm market value. More importantly, abnormal tone is associated with greater value relevance of both earnings and book value, indicating that discretionary narrative framing appears to condition how investors interpret and price accounting information. Overall, the findings suggest that sustainability reporting tone matters not because it substitutes for financial information, but because it appears to condition the informational context in which accounting fundamentals are assessed.

The study is available at https://onlinelibrary.wiley.com/doi/pdf/10.1002/csr.70907 .