

Review of: "Do investors value higher reporting quality, and can expanded audit reports unlock this value? A sustainability reporting reflection"

Abdulrahman Alomair¹

¹ Victoria University

Potential competing interests: No potential competing interests to declare.

The author sheds light on the importance of the disclosure of non-financial information (i.e., Sustainability-related Disclosure) on investors' perception and willingness to pay (WTP) more than a firm's fundamental value, which is calculated based on financial information, for a firm which discloses more information about environmental, social, and governance (ESG) matters. This is a very interesting and recent topic that has been attracting researchers and accounting standards setters (e.g., the International Sustainability Standards Board).

The paper is well-written, clear, easy to understand, and has accurately summarised Elliott et al.'s (2020) article. It includes recent references that indicate that the topic is still growing. The paper consists of two and a half pages, excluding the reference list. Of those two and a half pages, two pages provide a descriptive summary of the Elliott et al.'s (2020) article. The remaining half page provides arguments (i.e., the creation of the ISSB in 2021, the UN Climate Change Conference, and the scarce experimental studies in the area) for the need to include sustainability reporting as a factor when examining investors' perceptions and WTP for a firm's valuation.

However, the paper could be further improved by considering the following points. First, the article should be rewritten to be consistent with reflection paper structure as the current version of the paper has no sectioning nor subheadings. Thus, it would be more interesting if the author introduced the reader by providing a background on investors' perceptions and WTP for non-financial information and the importance of sustainability reporting. Then, it should be followed by a designated section for Elliott et al.'s (2020) article, which should include a summary, discussion, and rationale for selecting Elliott et al.'s (2020) article for the review. **NOT JUST A SUMMARY OF ELLIOTT ET AL.'S (2020) ARTICLE** After that, the author should provide an in-depth analysis of Elliott et al.'s (2020) article in a designated section. The paper, then, can be concluded in a designated section as well by providing a summary of Elliott et al.'s (2020) arguments and the author's reflection based on his analysis presented in the prior section.

Second, the author should link his arguments and analysis of Elliott et al.'s (2020) article to related theories and articles (published in high quality journals) to justify his contribution and findings. Here are a few examples of articles that can be considered:

- Briem, C. R., & Wald, A. (2018). Implementing third-party assurance in integrated reporting: Companies' motivation and auditors' role. *Accounting, Auditing & Accountability Journal*,
- Dennis, S. A., Griffin, J. B., & Zehms, K. M. (2019). The value relevance of managers' and auditors' disclosures about material measurement uncertainty. *The Accounting Review*, 94(4), 215-243.
- Eilifsen, A., Hamilton, E. L., & Messier Jr, W. F. (2021). The importance of quantifying uncertainty: Examining the effects of quantitative sensitivity analysis and audit materiality disclosures on investors' judgments and decisions. *Accounting, Organizations and Society*, 90, 1-18.
- Guiral, A., Moon, D., Tan, H. T., & Yu, Y. (2020). What drives investor response to CSR performance reports?. *Contemporary Accounting Research*, 37(1), 101-130.
- Haji, A. A., Coram, P., & Troshani, I. (2021). Effects of integrating CSR information in financial reports on investors' firm value estimates. *Accounting & Finance*, 61(2), 3605-3647.
- Hoang, H., Moroney, R., Phang, S. Y., & Xiao, X. (2022). Investor reactions to key audit matters: Financial and non-financial contexts. *Accounting & Finance*, 1-25.
- Misiuda, M., & Lachmann, M. (2022). Investors' Perceptions of Sustainability Reporting—A Review of the Experimental Literature. *Sustainability*, 14(24), 1-24.
- Reid, L. C., Carcello, J. V., Li, C., Neal, T. L., & Francis, J. R. (2019). Impact of auditor report changes on financial reporting quality and audit costs: Evidence from the United Kingdom. *Contemporary Accounting Research*, 36(3), 1501-1539.

Third, the author should explain how he selected prior studies that are related to the article under investigation (i.e., Elliott et al.'s (2020) article). This could be done by using the Google Scholar search engine or by selecting a few journals on sustainability. By doing this, the author will be able to convince the reader about the validity of his findings, his analysis, and ultimately his contribution to knowledge and the field.

Fourth, the referencing style in the reference list should be consistent throughout, with some references having DOIs and others not. Fifth, the full form should be used for abbreviations that are mentioned for the first time. For example, ESG should be stated as Environmental, Social, and Governance for the first time, and then the abbreviation (i.e., ESG) can be used in the remainder of the paper.

Overall, I think that the author has addressed a very interesting topic, but he needs to revise his article a bit further by following the widely accepted structure of a reflection article, analysing Elliott et al.'s (2020) article (not just a summary), linking his arguments to related theories and prior studies, and explaining the methodology of the selected articles for his review.

Finally, I would like to wish the author the best of luck with his research.