

REVIEW

RESENHA

Gibbons, B. (2024). The financially material effects of mandatory nonfinancial disclosure. *Journal of Accounting Research*, 62(5), 1711-1754. <https://doi.org/10.1111/1475-679X.12499>

ABSTRACT

The article by Gibbons (2024) investigates the financial effects of mandatory disclosure of non-financial information, focusing on environmental and social factors (E&S). The study encompasses the analysis of the implementation of regulations in various countries, exploring how this obligation impacts the investment decisions of institutional investors and the financing and resource allocation decisions of companies. The results indicate that non-financial disclosure increases investment in R&D and encourages innovative projects, attracts institutional investors with long-term orientations and E&S preferences, which modifies the financing profile of organizations. The research suggests that these changes produce real and material effects, even when the disclosed information related to E&S does not have a direct financial impact.

Keywords: ESG Disclosure, institutional investors, innovation, sustainability, real effects.

RESUMO

Gibbons (2024) investiga os efeitos financeiros da divulgação obrigatória de informações não financeiras, com foco nos fatores ambientais e sociais (E&S). O estudo abrange a análise da implementação de regulamentações em diversos países, explorando como essa obrigatoriedade impacta investimentos de investidores institucionais e decisões de financiamento e alocação de recursos das empresas. As evidências indicam que a divulgação não financeira aumenta o investimento em pesquisa e desenvolvimento (P&D) e incentiva projetos inovadores, atrai investidores institucionais com orientações de longo prazo e preferências E&S o que modifica o perfil de financiamento das organizações. A pesquisa sugere que essas mudanças geram efeitos reais e materiais, mesmo quando as informações divulgadas referentes a E&S não têm impacto financeiro direto.

Palavras-chave: divulgação ESG; investidores institucionais; inovação; sustentabilidade; efeitos reais

Palloma Rossany Maciel Rodrigues Oliveira

Doutoranda, Mestre e Graduada em Ciências Contábeis pela Universidade Federal de Uberlândia (UFU). E-mail: palloma@ufu.br. ORCID: <https://orcid.org/0000-0002-3699-4989>. Lattes: <http://lattes.cnpq.br/6252540578816298>

Brian Gibbons' (2024) study, published in the *Journal of Accounting Research*, examines the financial impacts of the mandatory adoption of non-financial disclosure standards focused on environmental and social (E&S) aspects. This topic has gained prominence alongside the growth of socially responsible investment, which already enjoys strong adherence in the United States. Such trends have prompted regulators and institutional investors to pressure companies into adopting more transparent and comparable practices regarding their environmental and social responsibilities. Although debates persist about the financial materiality of E&S information, Gibbons' (2024) investigates how the mandatory introduction of these standards across countries can influence the attraction of institutional investors, The allocation of resources toward innovation, and corporate financing decisions.

To examine this relationship, the author employs a difference-in-differences (DiD) approach, considering 40 mandatory disclosure regulations implemented in 34 countries over two decades (2000–2019). This methodology enables a comparison between firms affected by the regulations and those in countries where E&S standards were not adopted, controlling for firm- and year-specific effects.

The study's theoretical framework rests on the premise that high-quality financial disclosure reduces information asymmetry and improves investment decisions, thus lowering capital costs and enhancing investor appeal. Extending this logic to non-financial information, the author posits that mandatory ESG (environmental, social, and governance) reporting may generate similar effects by clarifying companies' long-term practices and risks, while catering to institutional investors' sustainability preferences.

Within this framework, the author investigates the hypothesis that clientele effects, referring to investors' preference for sustainable investments that direct their resources to companies that meet these requirements, can shape corporate behavior. The study's results are divided into three main dimensions: the effect of mandatory E&S disclosure on institutional ownership, investment decisions, and financing choices..

First, the author assesses whether mandatory E&S standards alter shareholder composition by examining institutional investor holdings in affected firms. The analyses show that, following regulation implementation, institutional ownership increases by an average of 0.80%, indicating that such information is deemed relevant by large-scale investors. This change appears to stem from investors valuing sustainable practices, suggesting that pressure for improved ESG disclosure is not merely rhetorical but indeed influences decision-making. This finding suggests mandatory ESG disclosure may attract a more committed, long-term oriented shareholder base.

Second, the study explores the impact of E&S disclosure on investment decisions, particular focus on innovation. The findings demonstrate that firms subject to these regulations increase their research and development (R&D) expenditures by approximately 4.8%. Robustness checks using an alternative R&D variable confirm these results. This increase in innovation is consistent with earlier findings, aligning with the expectations of long-term investors who favor companies committed to sustainable practices and willing to allocate resources in long-term projects.

The third dimension examines the impact of ESG regulations on financing decisions. Findings show that, after the adoption of mandatory disclosure, firms increased equity issuance by 15.6% while reducing debt issuance. This shift suggests a preference for raising capital through equity rather than increasing leverage, potentially linked to the attractiveness that greater ESG transparency holds for long-term investors, particularly in equity markets. The study argues that this effect may lower the cost of equity capital for these firms.

To confirm the robustness, Gibbons (2024) conducts several additional tests to mitigate biases in treatment group comparisons across different periods. These tests show that the findings remain consistent over time and across contexts, reinforcing their validity. Additional tests with alternative variables further corroborate the results.

The analyses indicate that mandatory E&S disclosure did not significantly reduce informational asymmetry between investors and managers, suggesting that the observed clientele effect results from attracting sustainability-oriented investors. This clientele mechanism is a key contribution of the study, highlighting the central role of institutional investors with ESG preferences in shaping firms' financing profiles and innovation strategies.

The study's strengths include a robust empirical approach and a broad, diverse dataset covering different regulatory contexts and time periods. The detailed analysis of the clientele effect is also innovative, providing insight into how the presence of ESG investors can influence firms' investment and financing decisions.

However, one limitation is that the heterogeneous regulatory environments of the countries studied may constrain the generalizability of the results to firms in other sectors or in countries with different governance practices. The study also does not examine sector-specific impacts, such as in energy or technology, where ESG practices may be even more relevant and decisive for institutional investors.

In sum, Gibbons' (2024) research contributes to the literature on the real effects of mandatory ESG disclosures by showing that transparency in environmental and social information has a material impact on financial decisions and attracts a specific, long-term investor base. These findings suggest that mandatory ESG disclosure policies can be an important tool for attracting sustainability-oriented investors and encouraging firms to allocate resources toward sustainable innovation. For policymakers, the study provides evidence that mandatory E&S disclosure can enhance companies' appeal to long-term investors, fostering a more sustainability-oriented and innovation-driven corporate environment.

REFERÊNCIA

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