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Is it Always Desirable and Useful for Third Parties to Disproportionately Increase Disclosure Outside The Company?

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ABTRACT: The provision of information to outsiders has had a slow but steady increase in recent decades. At the beginning of the 1900s, a right to information for third parties outside the company and shareholders was not recognised. In the decades that followed, a right to information for third parties was identified in all countries, albeit at different times, and financial reporting was structured in such a way as to ensure complete and comprehensive information for third parties outside the company. Particularly in the last twenty years, the issue of disclosure outside the company also includes a communication concerning sustainability. What is noticeable, however, is that while financial reporting has increased but does not appear to be oversized concerning the needs of those outside the company, sustainability reporting has increased. A constant that leads to the drafting of oversized documents compared to the potential that companies can express and, probably, also compared to the information needs of third parties. Currently, a new European regulation has been passed, which will not change the directive itself comma and standards have been issued by EFRAG, which are under discussion but will come into force in the concise term. The information concerning the sustainability report comma no longer called non-financial information is expected to be increased, which appears to be decidedly oversized from every point of view. Companies will have to bear considerable costs to draw up such a document. Third parties will be overwhelmed by oversized information compared to the community's real needs concerning the sustainability implemented by the various companies. Overinforming is the main rule for not informing, and this seems to be the path that bodies intended to issue sustainability documents want to take. Such bodies, of course, take this path in good faith in the belief that by informing a lot of third parties will be more aware of the activities of companies. But in the face of documents of hundreds of pages, the writer is convinced that legitimate doubt may arise on this principle.

KEYWORDS: financial reporting, sustainability, corporate communication to the outside world, right to information, too much information not to inform

1) Information aimed outside the company: introductory considerations [1]

It is now widely held in the doctrine that the enterprise should be classified as an open and purposeful social system. The system is also defined as cybernetic in that it is characterised by a capacity for self-regulation, which, in turn, derives from the existence of so-called self-regulating mechanisms in the enterprise itself. Since the enterprise is not an argument against a living biological organism, it does not possess its natural memory and cannot communicate autonomously. For this reason, the business system, to be able to offer a representation of its reality and inform its component subsystems and third parties outside the company, must make use of artificial memories, i.e. financial reporting. Financial reporting represents economic and financial models, through which the company's reality is represented periodically or when particular events occur. These technical-administrative documents can therefore be regarded as the company's memory and communication media.

Financial reporting has three specific purposes:

1)decision-making purposes

[1] [1] To facilitate reading, I have decided not to include in the text, except in exceptional cases, the names of the scholars who have dealt with the subject under analysis since the bibliography is endless, I have opted not to indicate all the terms of the scholars in the text because this would have meant a continuous interruption of the reading of the complete sentence in which I express my thought.

2)legal purposes
3)fiscal purposes.
Concerning the decision-making objective, it is evident that if the management is not aware of the company's economic-financial performance, it can not take correct decisions. Financial reporting, together with other economic-financial data of analytical nature and forming part of management control, therefore has the purpose of facilitating the taking of effective and efficient decisions that maximise the company's profitability and cash flow. The legal drive is connected with the circumstance that in all countries, financial reporting is more or less regulated by legislation that sets basic standards so that financial statements, at least in the country in question, are homogeneous. The tax purpose is connected to the circumstance that financial reporting data always represent the starting values for the calculation of taxable income, about the latter. Each nation has its tax regulations characterised by diversified rules. However, there is no doubt that, in all countries, the financial reporting data represent the starting values for determining the income on which taxes are to be calculated. You were aware that the division into annual periods carried out by financial reporting separates what is, by its very nature, indivisible since management is characterised by what is commonly referred to as economic unity. Income and capital determined by financial reporting are therefore not specific economic quantities characterised by absolute precision or truth, since in addition to objective quantities, which are specific in a complete sense, there are also estimated quantities, which are an approximation to the truth, and conjectured quantities, which are a subjective representation of the truth, in the balance sheet and the profit and loss. For this reason, one cannot speak of truth in the context of financial reporting but must refer to greater or lesser reliability of the values contained therein, and it should note that financial reporting is a final document that is carried out and drawn up at the end of the period considered.
In addressing the issue of final financial statements, however, it must be emphasised that, although these statements refer to a period that has already ended, they are not exclusively absolute but also have forecasting aspects. This latter circumstance is due to the need to include in financial reporting a series of values whose determination depends not on a mere ascertainment of facts that have already passed but on forecasting and estimating future events. In this regard, one need only consider the calculation of depreciation and amortisation and provisions for future risks and charges.
Leaving aside the technical particularities of financial reporting, which are not discussed in detail in this article, it is important to emphasise that financial reporting is undoubtedly the external communication tool par excellence in both small and medium-sized enterprises and large corporations. Since in small and medium-sized companies, the external users are numerically smaller and have less interest in knowing the situation of the extremely small company, in almost all countries, these types of companies are expected to be characterised by financial statements that are abbreviated and reduced compared to ordinary financial reporting. Regardless of this circumstance, however, it can say that Financial reporting is the tool par excellence through which a user from outside the company can obtain income, balance sheet and financial information on the company's situation. It should note that in some countries, such as Italy, for example, the structure of external communication is completed for all companies subject to financial reporting under the rules of the Civil Code by the drafting of a document that, while not forming part of financial reporting, integrates the mandatory communication. In this report, in addition to technical information concerning financial reporting items, there is also a requirement to disclose non-financial information. For large listed companies, this non-financial communication is governed by specific laws that generally require the preparation of separate documents from financial reporting. We will return to this in the following paragraphs. For the time being, it is sufficient to point out that the communication structure intended for external companies currently provides for the mandatory communication of economic and financial data through financial reporting and non-financial data and data concerning sustainability in general through the use of reports attached to financial reporting and which form part of the company's overall communication.
With the passage of time, corporate communication to the outside world has increased enormously in the certainty that by providing more news and increasing communication, third parties would be able to make more effective decisions and would have a better understanding of the company's financial income situation and the impact the company could have on social and environmental sustainability. We will analyse in the following pages whether this opinion is always correct or whether a disproportionate increase in the critical information that companies must communicate to the outside world, instead of informing, implements real disinformation towards third parties outside the company.

2) The information of external users: from an element to be fought to a mere wish of scholars.

In the preceding pages, it was pointed out that, at present, Financial reporting, supplemented by reports on non-financial information and the socio-environmental sustainability of the company, can be considered the information tool par excellence. Although it cannot, in fact, completely satisfy the need for knowledge of economic operators outside the company, since there is a concept of privacy and some information falls under the due corporate confidentiality connected to strategic reasons, there is no doubt that Financial reporting plays a fundamental role in corporate disclosure. In recent years, this prospectus has been the

subject of numerous in-depth studies precisely because of the now generalised recognition of the importance, in our economically advanced society, of external corporate information related to both the income and financial aspects of the company and the socio-environmental sustainability aspects of the company's activities. Unlike in the past, information is seen as a right attributed not only to shareholders but also to third parties and the community in general due to the ever-increasing importance of the company as a social phenomenon.

The road that led to the recognition of the right to information to subjects outside the company was long and tortuous since this tendency towards openness on the part of companies was strenuously opposed not only by the companies themselves but also by a part of the doctrine. In particular, by the majority of scholars who supported the so-called institutionalist conception of society, as is known according to the vision of the Unternehmen an sich , a theory founded in Germany, in the first post-war period, by Walter Rathenau, the social interest transcends the personal interest of the shareholders and is identified in the interest of the company in itself, that is, in the interest, pre-eminent over any other, of the productive efficiency of the company, considered the latter, not as a means to maximise profit, but as an instrument of general economic development. The basic conception of the institutionalist theory was emphasised in a particularly significant way by Rathenau himself with the now famous phrase, attributed to a director of Nord Deutscher Lloyd, who is said to have declared that "the purpose of the company was not to distribute dividends to the shareholders but to make the boats sail on the Rhine". From these brief remarks, it can be understood how, among the various characteristics of the theory of the internet before us, there is also the tendency to reduce the rights, including of course those of information, of the shareholders, or to be more precise, those of the minority shareholders, to a maximum, and this is due to the conviction ingrained in the supporters of this particular conception of the company, that the shareholders, dominated by selfish pursuits of personal profit, if they possessed broad powers would not prevail over the superior interest of the company to which, these subjects, have an obligation of absolute loyalty, but, on the contrary, would seek to pursue their own individual goals.

As opposed to the institutionalist conception, we find the so-called contractual theory, according to which the social interest arises, not as the interest of a distinct and opposing entity and shareholders, i.e. the interest of the corporation in itself of the vision of the innermost, but as the common interest of the latter in this theory the concept of social interest is understood as the interest of the shareholders and, to avoid the overpowering of the majority, most scholars have sought forms of practice and legislation to protect minorities. It is evident that accepting the contractual theory of Blackstone, who held that "a corporation has no soul", or upholding Gierke's institutionalist conception, according to which the corporation not only has a soul but also possesses a will, thoughts and feelings of its own, also has very significant consequences at the level of outward information. The theories of transparency and confidentiality concerning the company still depend on these conceptions of the company, the former thesis being generally advocated by those who do not attribute any soul to the company. At the same time, the latter is usually supported by those who do recognise that soul. Even though at the beginning of the century, there were these two conceptions, contractual and institutionalist, it should note that nowadays, the theory of the internet failed to counteract the natural evolution that was taking place in the area of the problem of outward information. In fact, the more the issues related to the economies of the various countries developed and became more complex, the stronger the need became for those outside the company to be able to come into possession of sufficiently comprehensive information on the course and situation of society. This process was destined to evolve more and more, despite the attempt of many institutionalists to prevent an improvement in corporate transparency in the name of the existence of a company's interest taking precedence over the shareholders' right to information.

In the early 1900s, the right to information from third parties was a right that was not recognised by the majority of scholars and by companies themselves. Businesses were very closed-minded and, relying on institutionalist theory, fought a hard battle to ensure that the right to confidentiality always prevailed over the right to information to third parties. Even at the legislative level, this ideology was supported by the tendency to have no legislation concerning financial reporting. This issue will be dealt with in the following pages but, as of now, we can anticipate how the legislation, particularly in the Italian state, but also widespread in most other countries, did not provide for any particular rules concerning the drafting of financial reporting and the disclosure of income and financial information to third parties. As we shall see later, in Italy, in the 1930s, it was even decreed by the judiciary that it was impossible to intervene in financial reporting that had been declared false because it was an act of the directors on which no other person could interfere. Evidently, in this situation, to speak of third parties rights to information was pure utopia. At the Italian level in the 1930s, some scholars began to address this issue, pointing out that, especially concerning large companies, it was necessary to recognise the right of third parties outside the company to know income, assets and financial information on the performance of the company in which the third parties themselves had an interest. However, this type of right to information for third parties outside the company was merely a wish of doctrine and thus of scholars. From the total absence

of data to third parties, the doctrine then shifted to a partial realisation of the need for the general public to be recipients of corporate income and financial information.

The legislation did not provide anything about this right to disclosure to the outside world and was characterised by highly concise rules concerning the structure of financial reporting. In this situation, in Italy, certainly, the right to information in the first decades of the 1900's was a mere wish of some scholars but, in essence, also considering the attitude against recognising this right to information of the judiciary, the right to information of third parties was substantially neglected only with the change of legislation in 1942 as this opened a crack in the rubber wall of the inscrutability of the corporate situation of companies. Only in Italy, only from this date, can one begin to address the right to information from a . legislative point of view. Even if the other European and non-European nations have followed different paths at the legislative level, the element that assimilates all these states is the absence of recognition of a right to information at the practical level. In the first decades of the 1900s, the contractual theory was not so powerful as to counteract the institutionalist one. The legislators of the various countries, as well as the judiciary of those nations, continued to pursue the path of corporate confidentiality and to deny, in substantive terms, the possibility of third parties obtaining information on the income, financial and asset situation of even large companies.

In this context, therefore, the right to information of third parties external to the company was a mere utopia and a mere wish of a few scholars who believed that there should be an obligation to communicate some basic information about a company's income, financial and asset nature to third parties external to the company. All this, however, you have in the first decades of the 1900s was a mere wish of a few scholars. T

3) Company disclosure intended for the outside world as the right of third parties to come into possession of information of a financial and income nature. The universally recognised right to information, resulting in a slow but inexorable increase in external disclosures of an income, financial and asset-related nature.

The evolution that took place over time concerning the recognition of the right to information destined for third parties outside the company began in the 1930s and, inevitably, continued until arriving at today's situation, which has seen an exponential increase in the information that companies must obligatorily provide to the community outside the company. As we shall see in the following pages, an increase in information destined for the outside world can be beneficial and desirable when the. The starting point is minimal external information; therefore, there is a need to shape a structured communication destined for the community that informs third parties on companies' financial, patrimonial and profitability situations. What we have to ask ourselves, and which AE we will address in the following pages, is whether a constant increase in disclosure to third parties is always desirable or whether there is a limit beyond which disclosure overpowers the real needs of external users and, instead of informing, creates substantial disinformation. The process towards an increase in disclosure intended for external users was thus a process destined to evolve more and more, despite the attempts of companies and many institutionalists to prevent an improvement in corporate transparency in the name, as we have already pointed out in the preceding pages, of the existence of the interest of the company in itself being pre-eminent over the right to disclosure of shareholders and, even more so, of third parties. Thus, despite strong opposition from many quarters, in 1933, legally binding provisions were enacted in the United States of America for the first time, which provided for implementing a genuine disclosure policy. The American legislator, implicitly recognising the basis of the thesis advanced by economists, according to whom the cause of the 1929 crisis was to be found in the existence of a chaotic and disorderly stock market, characterised, above all, by a complete lack of information to the outside world, intervened with two laws, the Security Act of 333 and the Security Exchange of 343 , the aim of which was precisely that of bringing about a significant improvement in the field of disclosure.

In the USA, therefore, 'information as a breaking legal institution, has not been placed within the dynamics of the rights arising from the company contract but has instead developed alongside it, creating, alongside company law, a law of property values. In fact, the security regulations do not belong to the category of company law but rather to the rules concerning real estate values. The overturning of the traditional law, based on secrecy, did not occur directly but rather through the addition of new legislation, which, while keeping the old one alive, finished its contents and attenuated its relevance. The years 33 and 34 can certainly be considered milestones in corporate disclosure to the outside world. The real revolution in the field of corporate disclosure that occurred in the USA in the early 1930s, however, remained an isolated case. in all other countries, confidentiality was, in fact, for a long time, a particularly deep-rooted principle at the level of both legislation and corporate practice. In the 1930s, one feature that characterised even the most industrially advanced nations was the considerable scarcity of information that companies provided to external economic operators. Practically everywhere, the shareholder's right to be informed of company news was neglected both by the prevailing doctrine and by the legislature; in most cases, this behaviour was justified precisely by the invocation of the existence of special interest of the company judged to be pre-eminent over the shareholders' right to information. In this regard, the Notverodnung issued by the Reich President in 131 and the German Aktiengesezst of 137 can be

examples. With the Notverodnung, an exception was made to the principle of publicity, according to which the directors were obliged to periodically publish a report on the company's progress if this was contrary to the interests of the company or the community.

The influence exercised in Germany by the institutionalist theory in company matters, a concession to which the Aktiengesetzt of 1937 was also substantially based, is evident at this point. Although this law did not speak of a shareholder's right, no fundamental right to social information was recognised since, in addition to being undefined concerning the other rights of the shareholders, it was subordinated, as was the case with the decree of 131, to the pre-eminent interest of the ap company. If practically everywhere it did not recognise the shareholder's right, even less was this right conferred on others outside the company. The only persons to be informed about the company's management were the directors and, consequently, the command group to which the directors owed their appointment.

In the 1940s, the situation began to change radically in almost all industrialised countries. in Italy, for example, the civil code was enacted in 1942 and this document, for the first time, regulated financial reporting, albeit in a restrictive manner, and the right to external information from third parties and the community. This situation can also be found in the other industrialised countries where, in the 1940s, laws began to be enacted that, albeit always in a limited manner, began to address the issue of financial reporting and the right to information for third parties outside the company and the community in general.

From the 1940s onwards, each country developed its legislation on financial reporting and disclosure of income, assets and financial data to third parties in different ways. Each country has had a different timing in enacting laws and has regulated financial reporting differently.

If, however, one analyses the various laws enacted, over time, in the different European nations and other continents, one can see a tendency to unify the type of evolution that has occurred in the disclosure to third parties outside the company. In general, starting in the 1940s in Italy and it regulated other countries in later years, the structure and content of the balance sheet first, and only later were the structure and scope of the profit and loss. In the decades that followed, each legislation provided for the preparation of a report accompanying the financial reporting to supplement the figures in the balance sheet and profit and loss account. In most countries, this directors' report, in Italy, its name is "nota integrativa" (relation attach to balance sheet and profit and loss), is an integral part of financial reporting. Over time, as the information needs of third parties outside the company continued to increase and the community demanded more information on the company's situation, not only financial and profitability, but also regarding its social and environmental impact, in many countries it became compulsory to draw up a report that, while not forming part of Financial reporting, required companies to disclose non-financial or financial information that was not merely financial reporting but rather showed the company's performance. We mean ratios, ratios and cash flows. This report is attached to financial reporting and is not part of financial reporting, and has a differentiated relevance in various countries. As far as the Italian situation is concerned, the doctrine and judiciary have tended to position themselves on a concept of overall corporate communication formed by Financial reporting and attached reports. This report, however, has been considered by many magistrates as a document that, not being part of the financial reporting, cannot influence the validity of the latter. For some magistrates, the incorrect preparation of this report attached to the financial reporting does not lead to the invalidity of the entire financial reporting. In this regard, however, it should note that the judiciary is not unanimous on this issue since, at least in Italy, there have been rulings that have declared Financial Reporting invalid due to the invalidity of the report attached to the Financial Reporting and not part of the latter. In this report, there is generally an obligation in the various countries to include socio-environmental information.

In Italy, for example, the civil code article governing this report states that it must include socio-environmental information if the situation so requires. This means that the obligation is currently limited. Applying a restrictive interpretation of the regulations can reduce such details to a minimum if it concerns the socio-environmental impact of the company. It should note that in Italy, the civil code applies to all unlisted companies, whereas listed companies must prepare their financial reporting following IAS/IFRS. A special decree, decree number 254 of 2016, concerning non-financial information has been dedicated to such companies. In the document required by this decree, companies must supplement the information in the financial reporting with details concerning the socio-environmental impact of the company's activities. The issue of disclosure regarding the socio-environmental sustainability carried out by companies will be addressed in the next paragraph. In this paragraph, we intend to make a few observations on the evolution that has taken place over time, in the various countries, regarding the issue of reporting an income, financial and economic nature. To complete what has been stated above, it should note that, in European countries, following the IAS/IFRS principles, almost all countries provide for the mandatory preparation of the cashflow statement. This document is considered an integral part of financial reporting in all legislation. This document is compulsory in European nations and many other North and Latin American nations. As seen from what has been said so far, over the decades, there has been a slow but steady increase in external reporting. As far as the company's income, financial and asset aspects are concerned, one can note an

opening up of companies, which, however, has not been voluntary but instead imposed by legislation. Companies tend to increase their disclosure to third parties and the community as a result of a regulatory obligation. As far as financial reporting is concerned, it can be seen that in the various legislations of the various countries, there has been a constant increase in the information included in the notes to financial reporting or in the report forming part of financial reporting, which in Italy, as already mentioned, is called the notes to the financial statements.

Concerning the income, financial and equity aspects of the company, looking at the various legislations of the different European and non-European nations, one can see that the increase in the information required by companies and that companies are obliged to include in financial reporting has increased incrementally. It should note, however, that the starting point was the absence of disclosure, so this increase should be viewed positively as, at least so far, there is no over-reporting concerning the needs of users outside of companies. Large companies will have more complex financial reporting than those small and medium-sized companies. Still, even in large companies, analysing the financial reporting, one can see that the analytical nature of the information is not excessive and is sufficient to be able to say that, at present, the information destined for the outside world is adequate for the knowledge needs of the community and third parties who need to have information on the performance of the companies income, financial and asset situation.

Based on the above, it can be asserted that the income, financial and balance sheet information that companies currently have to communicate externally is not over-abundant compared to the needs of third parties outside the companies. There is no excessive analytical about this issue that would render the communicative value of financial reporting null and void. This is also due to the circumstance that, concerning the company's profitability, financial and balance sheet issues, the need and necessity for a degree of corporate confidentiality is still very much felt, which cannot be overstepped on pain of disclosing information of a strategic nature that would seriously damage the company's profitability. Concerning financial reporting, therefore, it can say that the evolution of disclosure has been slow but steady and has not reached such analyticity as to render real communication to the outside world null and void because, as is well known, informing too much is the ideal method for not informing at all. In fact, if you put relevant information in the context of an 800-page document full of useless information, it will go unnoticed and will not be picked up by those interested in that issue. This situation of maximum information that prevents true effective and efficient communication outside the company is not found in the area of financial reporting. Therefore, the judgement on financial reporting, on average in the various countries, can be said to be complete and not over-abundant for the real needs of third parties outside the company and the community.

Since the current situation of Financial reporting information, on average in the various nations, can be considered complete is more than sufficient is sufficiently analytical, it is evident that a further expansion of the information concerning the company's income, financial and asset aspects would lead to an oversizing of the information intended for the community. Therefore, while it is always desirable for a company to be open to the information needs of third parties outside the company, it is equally desirable that the law does not impose too high an analytical nature on the data to be provided since, as noted above, providing too much information means not providing information. In the writer's opinion, therefore, the analytical nature of financial reporting, especially in the bloc countries of Europe and the United States, is more than sufficient to be able to say that third parties have all the information they need to be able to express an opinion on the company's situation without entering into a field of confidentiality that, necessarily, must be acknowledged by companies. Requesting further information in terms of, for example, income and financial ratios, or other types of information relating to financial reporting accounts, could be considered an obligation that, indirectly, goes to affect the area of confidentiality that companies necessarily, must be accorded. The current situation, it seems to me, is optimal. If companies feel they want to expand the disclosure, adding more information than is required by law, third parties will undoubtedly welcome the openness shown by the company. However, this does not correspond to an oversizing of the information that, in reality, could have the purpose of hiding the really important information in a tangle of news. Suppose the right to information is a universally recognised right for third parties and the community outside the company. In that case, it is equally true that, on the one hand, it is necessary to recognise the right to a sphere of confidentiality for the company for tactical and strategic reasons.

On the other hand, it must remember that an overly analytical news jumble does not inform or increase third parties' knowledge of the company's situation. A certain degree of conciseness is necessary and is, in the opinion of the writer, achieved precisely by the legislation currently in force in the various countries. Therefore, the writer does not wish to see an increase in information relating to the issue of financial reporting, but believes that the information currently imposed on companies in the various nations of the European and North American blocs is more than sufficient to guarantee a complete and exhaustive right to information for third parties outside the companies.

4) Corporate reporting is transformed from financial-equity-accounting to financial-income-accounting, equity-accounting and sustainability reporting with an inexorable increase in corporate communication to the outside world. Consequences of the over-dimensioning of corporate reporting.

Over the last two decades, corporate reporting has been supplemented by information concerning the social and environmental sustainability of the company's activities. The legislative obligation concerning such information varies and, over time, has been characterised by profound differentiation from nation to nation. In Italy, for example, there is Article 2004 28 of the Italian Civil Code, which regulates a report that is not part of financial reporting but is compulsory for companies in which the issue of sustainability is addressed, albeit in a somewhat restrictive manner. The article in fact, states that:

Art 2428 c.c.

"Financial reporting must be accompanied by a directors' report containing a faithful, balanced and exhaustive analysis of the company's situation and the performance and result of operations, as a whole and in the various sectors in which it has operated, including through subsidiaries, with particular regard to costs, revenues and investments, as well as a description of the principal risks and uncertainties to which the company is exposed.

The analysis referred to in the first subparagraph shall be consistent with the size and complexity of the company's business and shall contain, to the extent necessary for an understanding of the company's position and performance and the results of its operations, financial and, where appropriate, non-financial performance indicators relevant to the particular business of the company, including information relating to the environment and personnel. The analysis shall, where applicable, contain references to and additional explanations of amounts reported in financial reporting......."

As can be seen in the second-first.com of Article 2428 of the Italian Civil Code, it states that The company, where appropriate, must provide non-financial information pertinent to the company's activities, including information relating to the environment to personnel. The circumstance that the phrase "where appropriate" is used makes it clear how the obligation is interpreted subjectively by the company, and the company's social-environmental information is defined by the company in a rather voluntary manner. In contrast to this article is a more stringent obligation for listed companies which, according to article a decree issued in 2016, number 254, are obliged to draw up a report on non-financial data that provides general and specific information on the socio-environmental impact of the activity carried out by the companies. This decree imposes obligations that are certainly more stringent than those indicated in the management report. As things stand, it can say that listed companies and large corporations are subject to a more rigorous sustainability reporting obligation than companies that prepare financial reporting under the civil code.

In this article, we do not intend to go through all the various steps involved in dealing with the issue of corporate sustainability reporting. In this context, we would like to point out that concerning this issue, especially in recent years, there has been an exponential increase in proposals for standards or standards issued by non-legislative bodies that have, over time, represented valuable references for companies wishing to draw up financial sustainability reporting or integrated reporting having widely accepted international standards as a basis. However, what has occurred is an exponential increase in the number of bodies dealing with this issue with the creation of commissions and sub-commissions for each international body and the truly emblematic rise in the number of standards that these bodies believe companies should follow.

If not accepted by the law of a nation, it is evident that such standards are non-regulatory and non-mandatory but merely voluntary points of reference. If, however, reference is made in communication to the outside world to the standards of a particular international organisation, it is evident that it must observe everything defined by that organisation and those standards. In recent years, as we have already pointed out, there has been an increase in documents proposing schemes of reference for financial reporting concerning sustainability, with an ever-increasing rise in information intended for external use. Emblematic is the case of the standards issued by GRI in 2016 that were amended in 2021. This shift from 2016 to the 2021 standards represented a leap forward in the amount of externally intended information. The GRI standards issued in 2021 entail a significantly more structured, complex, and analytical disclosure obligation on companies' part than in 2016.

A similar situation is also occurring in the European Union, where the new European Directive on Corporate Sustainability Reporting (CSRD) has been approved by several bodies delegated to this task (there is still a final approval pending, which will not change the Directive). This Directive substantially increases the companies that will be subject to the sustainability reporting obligation based on the content of the Directive and the standards to which the Directive refers. In particular, the new Directive will apply sustainability reporting to all large companies, unlisted European banks and insurance companies, as well as to all listed companies, except listed micro companies. For small and medium-sized listed companies, it will issue differentiated and simplified European standards. And it is worth mentioning that in 2013, with directive number 34, a large enterprise was defined as an enterprise that exceeds two of the following criteria: 20 million total assets, 40 million turnovers, and more than 250 average annual employees. It should note that the new Directive no longer speaks of non-financial reporting but refers exclusively to ah

sustainability reporting. To reach the most significant number of users, the Directive stipulates that it must place sustainability reporting in a section within the management report, i.e. the statement accompanying financial reporting, and not in a separate document. This means that sustainability reporting will become one with income, financial and balance sheet reporting. This trend can also be seen in other documents, such as the Exposure Drafts: IFRS S1 General Requirement for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosure issued by the International Sustainability Standard Board (ISSB), an emanation of the IASB. Nel Draft S2 it is in fact stated “In summary, the Draft stresses that “proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The proposals include requirements and guidance to support the disclosure of material information about significant sustainability-related risks and opportunities not specifically addressed by an IFRS Sustainability Disclosure Standard. In such cases, to identify sustainability-related risks and opportunities and to disclose information about them, entities are directed to consider sources that include the disclosure topics in the industry-based Sustainability Accounting Standards Board (SASBJ Standards, the International Sustainability Standards Board's (ISSB) non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies. The proposals would require an entity to explain the coiuiections between different pieces of information, including between various sustainability-related risks and opportunities and information in the entity’s financial statements”.”

Based on these statements, it can be understood how there is a general tendency to think about corporate communication that is not divided between financial and income information and sustainability information but rather is aligned to a concept of global corporate information that includes income, financial, asset and sustainability information on the same level. This is undoubtedly desirable and very valid from a communication point of view. Corporate communication will be a set of information concerning the company's income, financial and asset situation. It will be supplemented by communications on how the company's strategy is implemented concerning complex sustainability issues. Third parties external to the company will find all the information that may be useful to them in a single document.

What is perplexing is not the fact that we are moving towards a unified reporting of profitability, finance and sustainability, but rather the fact that, over time, all the organisations dealing with this issue continue to issue standards, which are periodically updated, to significantly increase the sustainability information that companies must provide externally. This is also the case with the new EU directive, as this Directive requires the disclosure of quantitative and qualitative data as well as prospective and retrospective information. As is emphasised in the Directive, it must include forthcoming information in sustainability transition plans, which are to be illustrated and analysed in the sustainability report. Already such a sentence gives an idea of the amount of data that can include in these concepts.

In brief, it can state that the information required by the new EU directive includes:

(a) A brief description of the company's business model and strategy that indicates:

(i) The resilience of the company's business model and strategy to risks related to sustainability issues

(ii) The opportunities for the business related to sustainability issues

iii) The company's plans to ensure that the business model and strategy are compatible with the transition to a sustainable economy with the limitation of global warming to 1.5° in line with the Paris Agreement

(iv) How does the company's business model and strategy take into account the interests and stakeholders of the company and its impact on sustainability issues

(v) How the company's strategy is implemented concerning sustainability issues

b) A brief description of the objectives related to sustainability issues defined by the company and its progress in achieving them

c) A description of the role of the administrative, management and control bodies concerning sustainability issues

d) A description of the companies' policies about sustainability issues

e) A description

i) Of the due diligence procedures applied with sustainability issues

ii) Of any significant adverse impacts, actual or potential, related to the company's value chain, including its operations, products and services, business relationships and supply chain

(iii) Of any actions taken to prevent or implement actual or potential adverse impacts or to remedy them, and the results of such actions

(f) A description of the main risks to the company related to sustainability issues, including the main dependencies of the company on these questions and how the company has addressed these risks

(g) Relevant indicators for reporting the information referred to in points (a) to (f).

Enterprises shall also disclose intangible assets, including intellectual, human, social and relational capital details.

Companies must indicate the procedures implemented to identify the information included in the management report and, in this process, take into account the short-, medium- and long-term outlook.

From the indications posted by the directive regarding the content of the sustainability report, it can see that the sustainability report must also include information and data on suppliers and clients, a circumstance that is of great concern to companies, as many companies have highlighted the difficulty of finding data on these issues.

The European Union's new sustainability directive also highlights how the European Financial Reporting Advisory Group, the European Commission's advisory group, is charged with issuing sustainability reporting standards differentiated for large companies and small and medium-sized enterprises. In this regard, frag has issued 13 draft sustainability standards, including five environmental standards covering climate change, pollution, water and marine resources, diversity and the ecosystem, resource utilisation and the circular economy; four social standards on the workforce, workers along, the value chain, communities in potato from the company's socio-environmental activity, consumers and end users; and two governance standards on general aspects of governance. The latter two standards are not limited to sustainability but address, in general terms, corporate governance, risk management and internal control processes, ethics, corruption, anti-competitive behaviour and political involvement. This European initiative, consisting of the directive and the issuing of sustainability standard reports issued by the EFRAG, is part of a complex process in which national and international IFRSE approaches overlap, where the need for coordination between the various bodies and standards is more than ever a necessary element in a perspective of multinational and competitive multilateral. Therefore, a coordination process between national and international approaches has been taking place in recent months that is more desirable than ever.

While this process of coordination is desirable and to be welcomed, what is puzzling is the net and structured increase that sustainability reporting will undergo if all standards and fragments and the entire directive are applied to companies. This will certainly be the case, as at most, the standards and frag will possibly be subject to amendment but not deletion. as far as the directive is concerned, it should be noted that there is only one approval that will not change the directive in any way. What is taking place, therefore, is a tsunami of information regarding sustainability that will hit companies that are not ready for this increase in communication to the outside world. During this period, numerous meetings between organisations issue reports and professional companies. In Italy, for example, there was a confrontation promoted by the Italian accounting Board, which issues the Italian national accounting standards and frag with professional companies. From this confrontation, it became evident that the companies see the application of the directive as an element that will create numerous problems for the management of the entrepreneurial activity. for example, consider that the 13 eh EFRAG standards are documents that in total reach 400 pages and in these 400 pages are listed a whole series of information that according to the standards of frag must, necessarily, be communicated externally. Since the directive gave left frag the power to issue the reference standards, it is evident that these 13 standards will be the reference documents for Italian as well as European and international companies. Just from the size of the standards one can understand how companies and professionals are and will be opposed to such a large increase in the externally addressed disclosure obligation concerning sustainability, especially taking into account the tight timeframe of the regulations that are staggered from 2023 to 2025.

The increase, which in this case is not slow and steady but sudden and of disproportionate dimensions, is also due to the application of the so-called double materiality, which is now a concept unanimously shared by the doctrine of the. To be material and therefore to be included in the sustainability report, the European directive must be relevant for the company from a financial, income or socio-environmental point of view with reference to ESG factors. Materiality, therefore, contains within it financial materiality and impact materiality. It can see that even this concept does not have clear and precise boundaries, and its content can be blown out of proportion. In the short term, therefore, companies will be obliged, if not all a very large number of them, to draw up sustainability reports, which will represent a considerable cost for the company and will also have another feature that, regardless of the company's interest, may be negative. It is well known that the fundamental principle Ale not to inform and to inform too much. Suppose a relevant piece of information is highlighted within a few pages of a document intended for that issue. In that case, any external user is facilitated to identify the information intended outside the company. But suppose the document where the important information is highlighted is included in a document of hundreds of pages of much less important information. In that case, it is inevitable that the general public and third parties, or at least most of these parties, will not be able to identify the essential information and cannot distinguish between unimportant and crucial communications. The circumstance that the 13 documents and fragments on sustainability standards represent a structured unitary document of more than 400 pages, listing all the information that must contain in a sustainability report, makes it clear that it is highly probable that sustainability reports, which are already very voluminous, especially due to the presence of non-informative elements such as

photographs and other graphic elements, will become a document that is difficult to read and will certainly not inform third parties about the social and environmental impact of the company, as the document will be substantially illegible.

Informing third parties adequately is the golden rule that should be followed by anyone subject to an external communication obligation. As we have pointed out on the previous pages, Financial reporting, so far, has followed this process and has reached a . that allows for complete but not oversized communication. On the other hand, as far as sustainability is concerned, we note that even today, i.e. before the coming into force of the directive and the new sustainability standards, documents of hundreds of pages containing relevant information mixed in with a series of elements with limited informative importance. In this context, the issue of greenwashing, i.e. the policy of companies to highlight a sustainability situation that is different from what is happening in companies, should not be underestimated. Look at sustainability reports, in general. You can see that the colours green and blue are predominant and that many photos have nothing to do with the information given to external users in the report intended for the outside world, all of which is written on glossy paper and with attractive graphics. The colours green and blue in fact lead one to think of products with no negative impact on the environment, and seeing pictures of children happily running in green meadows full of flowers, even though next to this is indicated the percentage of carbon dioxide produced by the industrial activity of the company to which the sustainability reporting refers, are forms, not even that refined, of greenwashing. A document of hundreds of pages with these characteristics is not an informative document and gives no information to third parties. Instead, it would be desirable to produce a sustainability document that is smaller, more concise, and focused on the essential information that is of interest to the community and third parties outside the company. But what is happening at the current regulatory level suggests this is not the way forward. On the contrary, it seems to be heading towards a further inexorable and not slow increase in information that will be limited on the one hand by the ever-increasing diffusion of greenwashing policies and, on the other, by the excessive size of such reports. Circumstances will result in the sustainability report failing to achieve the fundamental objectives for which it should disseminate to third parties and the community outside the company.

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