ORGANISMO ITALIANO DI CONTABILITÀ

***Usefulness of sustainability reporting***

The First ESRS Sustainability Reports: Understanding Market Perceptions and Regulatory Impact

The sustainability reports recently published by large European undertakings with public interest are the first to be prepared under the newly introduced European Sustainability Reporting Standards (ESRS). These reports mark a significant milestone, not only because they reflect a regulatory shift but also because they offer early insights into the real-world implications of an ambitious and, at times, controversial framework. The novelty and breadth of the ESRS have sparked institutional debate across the EU, with concerns raised over the excessive complexity and administrative burden the standards may impose.

It is worth noting that several major EU Member States have yet to transpose the directive mandating ESRS adoption, while the European Commission itself has proposed substantive simplifications to ease the reporting requirements. Against this backdrop, assessing how capital markets and stakeholders have responded to the new standards becomes particularly relevant. Beyond mere compliance, what matters is the extent to which: i) these standards have improved the quality and depth of ESG disclosures, ii) different stakeholders effectively use the disclosures included in ESRS reports.

We welcome studies employing different approaches (e.g., surveys, field experiments, archival analyses) to investigate stakeholders' perception of ESRS standards and their material impact. Importantly, such analysis should not treat sustainability reporting as a monolithic exercise. Disaggregating the effects across the environmental, social, and governance pillars of the report may help determine whether the new standards are delivering on their promise of enhanced transparency and accountability—or simply adding complexity without commensurate value.

***Connectivity between financial and sustainability reporting information***

There is growing attention from standard setters on connectivity between financial and sustainability reporting information. The ultimate outcome of connectivity is holistic, comprehensive, and coherent general purpose financial reports. The issue is addressed by both financial and sustainability standard setters. On the financial side, the IASB issued the Exposure Draft "Climate-related and Other Uncertainties in the Financial Statements," providing examples where such a connection becomes relevant. On the sustainability side, the ISSB requires specific information on connectivity in the IFRS, while the EU includes it in the ESRS. For example, ESRS 1 requires information by distinguishing between direct and indirect connectivity, depending on whether there is full or partial reconciliation between sustainability and financial information. The challenges posed by connectivity are under review by EFRAG, which, as part of its ongoing work, published a document in 2024 entitled "Connectivity considerations and boundaries of different annual report sections." 2

Given these challenges, we welcome studies investigating: i) whether current financial and sustainability reports efficiently interact with each other or provide duplicate redundant information; ii) the benefits of increased connectivity between financial and sustainability reporting; iii) potential technical and regulatory tools to avoid providing duplicate information.

***Rethinking the Statement of Cash Flows***

The Statement of Cash Flows (SCF) has traditionally been regarded as a fundamental component of financial reporting, offering users essential insights into an entity's liquidity, solvency, and capacity for value generation. However, a growing body of institutional and academic commentary has highlighted the limitations of the current reporting model under IAS 7—particularly its adequacy in capturing meaningful information in increasingly complex and dynamic business contexts.

In response, several standard-setting bodies—notably the IASB, EFRAG, and the UK Financial Reporting Council (FRC)—have launched initiatives aimed at revisiting the SCF's structure, content, and decision-usefulness. These efforts seek to enhance transparency, comparability, and coherence across financial statements, particularly as stakeholders call for a clearer articulation of the link between reported performance and actual cash dynamics.

The IASB's ongoing *Primary Financial Statements (PFS)* project represents a pivotal step, proposing standardised subtotals, increased disaggregation of cash flow components, and improved alignment with other statements. EFRAG, meanwhile, has stressed the role of the SCF in broader assessments of financial resilience and sustainable value creation—especially in light of the Corporate Sustainability Reporting Directive (CSRD). The FRC's empirical investigations into user needs further support these reform efforts.

These issues raise both technical and conceptual concerns and warrant further examination of how reporting practices shape—and are shaped by—managerial incentives, regulatory frameworks, and stakeholder expectations.

We invite contributions that provide academically rigorous and policy-relevant insights, including: critical assessments of managerial discretion in SCF preparation; empirical analyses of market reactions and user interpretations; explorations of the interaction between cash flow data and broader narratives of legitimacy, sustainability, and governance.

In sum, the SCF is undergoing a process of reconceptualisation, presenting fertile ground for interdisciplinary research at the intersection of financial reporting, regulation, and accountability.