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Submitted via website

Brussels, 30 June 2026

**Subject: - Discussion Paper on Connectivity of Financial and Sustainability Reporting**

Dear Mr. Klinz,

Accountancy Europe commend EFRAG for this Discussion Paper on Connectivity of Financial and Sustainability Reporting (DP or the paper).

This comprehensive report represents an important contribution to the connectivity debate and provides an opportunity to reflect on essential concepts related to connectivity in general.

Our key points related to the DP can be summarised as follows:

- The DP provides a high-level definition of connectivity that constitutes a reasonable starting point and could be developed further through the standard-setting Due Process. Developing a robust and useful definition would allow for a common understanding of what connectivity means.
- We understand that the degree to which cross-referencing between Annual Report sections is accepted, or even encouraged, varies across jurisdictions. This needs to be taken into consideration if cross-referencing as an enabler of connectivity is to be developed further.
- Financial reporting standards were written for financial reports that are capable of standing alone. This contrasts with sustainability reporting standards that have been developed for sustainability reports that are designed to complement the financial report (and other parts of the annual report). Consequently, there could be asymmetry in the need for connectivity between financial reports and sustainability reports. This needs to be acknowledged by standard setters when developing connectivity guidance.
- Negative statements are helpful for connectivity purposes, under certain circumstances. They should, however, be used judiciously. Standard setters and preparers should expect users to have a reasonable knowledge of financial reporting and sustainability reporting such that explanations of differences between annual report sections are given only in the most necessary circumstances.

- The illustrative examples by themselves, are considered to be useful. We think it would be helpful to provide context for the examples to better understand what their objectives are and, sometimes, the reasons why they were considered as good practice.
- Finally, we do not see a need to undertake standard setting activities at this stage, to clarify the boundaries of financial and sustainability reporting.

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We kindly refer to the annexes to this letter (i.e. Annex 1) for our detailed responses.

Please do not hesitate to contact Nael Braham ([nael@accountancyeurope.eu](mailto:nael@accountancyeurope.eu)) in case of any questions or remarks.

Sincerely,



Eelco van der Enden

Chief Executive Officer

#### **ABOUT ACCOUNTANCY EUROPE**

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## **ANNEX 1: EFRAG DP – QUESTIONS FOR RESPONDENTS**

We are pleased to present below our detailed responses to the questions raised in the Exposure Draft.

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### **Question 1 - chapter 2: underpinning concepts**

*a) What is your view on Chapter 2's description of different types and mechanisms of connectivity of information across different reports (based on ESRS, ISSB Standards, the IFRS MCPS, and other publications), which include providing explanations that tell a story/integration of information; coherence via giving a more complete picture or explaining inconsistencies; consistency of data, assumptions, and narrative; connection of quantitative information via cross referencing and reconciliation; disclosure of current financial effects, and intertemporal (across reporting periods) connectivity via the disclosure of anticipated financial effects)?*

*b) If any, what other types or mechanisms of connectivity can be applied or are applied by companies that you consider useful but are not included in Chapter 2?*

*c) In paragraph 2.24 of Chapter 2, it is suggested that, as done under ESRS, ISSB Standards, and the 2025 IFRS MCPS, the IASB should develop explicit connectivity-related requirements for information within and outside the financial statements. If you either agree or disagree with this suggestion, please explain why.*

- (1) Firstly, we concur with the report that coherence and consistency are commonly used to enhance connectivity. They have been widely used for many years in preparing annual reports, as well as being assessed by auditors in their audit and assurance work. They have therefore an important role to play in building connectivity both within and between financial reports and sustainability reports and more generally between all sections of the annual report. Given their important role, coherence and consistency are to be considered enhancing qualitative characteristics of financial information.
- (2) Whilst we note the descriptions of coherence and consistency provided by EFRAG<sup>1</sup>, we think it is beneficial to expand on these notions to ensure a common understanding in practice. First and foremost, setting connectivity boundaries and principles will be useful to preparers. Furthermore, a basis for assessing the level of connectivity within and between reports would need to be developed so that assurance providers could then test compliance with that level. In the absence of a precise and operational connectivity definition, it is currently difficult to ascertain where connectivity starts and where it stops.
- (3) In our view, developing a robust connectivity definition should consider:
  - linkage to financial effects (current and anticipated)
  - consistency of underlying data and assumptions
  - clear explanation of relationships and trade-offs
  - integration across governance, strategy, risk management, and metrics.

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<sup>1</sup> We note also that IASB's Conceptual Framework describes consistency helping to achieve the goal of Comparability – one of the Enhancing Qualitative Characteristics

- (4) It could also be pragmatic, as a start, to accept that the priority of connectivity should be avoiding contradictions within the annual report, between financial reporting (FR) and sustainability reporting (SR). Avoiding contradiction would, for example, mean ensuring that SR narrative about actions carried out by an entity are not inconsistent with reasonable expectations of the reported financial effects of these measures or providing explanation if the financial effects are inconsistent.
- (5) We also observe that the requirement to report “anticipated financial effects”, while conceptually useful, poses real practical challenges. Methodologies are still immature, and measurement uncertainty remains very high. We suggest that EFRAG explicitly recognises the need for clear limits: connectivity should not be interpreted as a requirement to provide full justifications or reconciliations for all anticipated effects, especially where methodologies are immature and measurement uncertainty is very high. In supporting work in this area, EFRAG could consider providing further guidance on how to assess anticipated financial effects.
- (6) Cross-referencing has clear benefits when it comes to avoiding duplication and achieving a more concise and efficient reporting. However, practices seem to vary from one country to another. In some jurisdictions, we understand that this technique is more developed and widely accepted than others.; this includes different views of regulators towards the use of cross referencing. We note that referring from financial statements to information located in another part of the annual report, often requires that information to be included in the audit scope. We also understand from some jurisdictions that if the information referred to has no impact on the financial statements and is included for information purposes only, then its inclusion in the audit scope is generally not required.
- (7) The mere cross-reference from one section to another section doesn’t necessarily achieve connectivity. Clear and sufficient explanation on how the cross-referenced sustainability matters relate to financial position and performance is also required.
- (8) We note that FR standards were written within a context in which financial reports are capable of standing alone. In contrast, the more recent SR standards, have been developed with embedded connectivity. In other words, sustainability reports are intended to be issued alongside financial statements and other sections of the annual report and therefore don’t “stand alone”. Consequently, there could be some asymmetry in the need for connectivity, because sustainability statements need financial statements in order to be complete, but not vice versa. More broadly, there is support to enhance connectivity across the entire package of general-purpose financial statements.
- (9) Due to the varying assurance levels within the same annual report, cross-referencing should be used in a balanced manner that doesn’t create confusion for users (Confusion may arise about the level of assurance provided by the audit firm, or by whom assurance has been delivered in the case of different audit firms assuring different sections of the annual report).
- (10) When using cross-referencing, the overall understandability and readability of FR and SR should be kept in mind to avoid having to jump from one section to another within the same annual report to gain a complete picture.
- (11) We believe that in developing guidance on connectivity, standard setters could reflect on the status of cross-referencing and try to bring more clarity on its impacts which may help bringing some consistency across jurisdictions.

- (12) In principle, we agree that negative statements (i.e., of adding information to either a financial report or a sustainability report to explain that a specific event or condition doesn't affect the entity) can, in some circumstances, be a connectivity enabler, especially when used in a pragmatic manner, applying the required materiality filters. Doing so will ensure that financial statements are understandable with key information not obscured by excessive disclosures.
- (13) When making use of negative statements, it is important to keep in mind that:
- Financial reports and sustainability reports have their own respective requirements and the standards applied in preparing them create the appropriate content boundaries for each report.
  - Ordinarily we would not see the need to make a negative statement in one report about a matter that is positively reported in the other report.
  - The IASB Conceptual Framework expects users to have a reasonable knowledge of business and economic activities and to review and analyse the information diligently. Similarly, ESRS 1 explains that 'general-purpose financial reports' and 'general-purpose sustainability statements' are prepared for users that have a reasonable knowledge of the general subject matters of such reports.
  - This expectation of users' knowledge should also be respected when considering the connectivity of financial and consequently, we think it would be a retrograde step if significantly more disclosure was added to annual reports in the name of connectivity; a suitably educated user should be able to find their way around the different sections of an annual report based on their own skills and experience, without the need for excessive "signposting".
- (14) Related to the above, we note the recent examples published by the IASB relating to disclosures about uncertainties in financial statements. Whilst these examples might support connectivity, in our view these examples primarily highlight the importance of fully meeting the requirements of IFRS Accounting Standards in relation to:
- The requirement to include additional information when that information is material to the financial statements (IAS 1, paragraph 31);
  - Disclosures about accounting judgements made in preparing the financial statements (IAS 1, paragraph 122); and
  - Disclosures about assumptions and sources of estimation uncertainty (IAS 1 paragraph 125).
- (15) Unlike financial reporting, sustainability reporting is relatively new for many companies. We expect that the level of sophistication and techniques for ensuring connectivity within the sustainability report and between the sustainability report and other parts of the annual report, will develop naturally over the short to medium term. Guidance from EFRAG, regulators<sup>2</sup> and standard setters can help accelerate that development.

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#### Question 2 - chapter 3: overview of illustrations, and illustrations in the supplemental document

*a) Do you have any comments on the practical usefulness of the 17 illustrations on connectivity in the Supplemental Document? Are you aware of any obstacles that your*

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<sup>2</sup> The European Securities and Market Authority (ESMA) [published a report](#) to help issuers create more consistency about accounting and disclosing for climate related matters.

company or other companies you are familiar with may face in applying the mechanisms of connectivity illustrated in the Supplemental Document?

b) Table 3.1 in Chapter 3 outlines the types and mechanisms of connectivity of reported information for the different illustrations in the Supplemental Document. Which of these do you consider most useful and why? If you have a view on this, please indicate under what circumstances it would be suitable or unsuitable to apply any of the mechanisms of connectivity shown in the illustrations.

- (16) We see the 17 illustrations as highly useful and highlight in a pragmatic manner practical examples and real-life scenarios of connectivity. We would have preferred if the examples were better framed to get an understanding of what their main objectives were and why they were considered to be good practice.
- (17) It is our understanding that these examples show what is possible but should not be read as implying that every entity must create a dense web of cross-references and reconciliations. Preserving the readability of the financial information remains essential as explained in paragraphs 6-11
- (18) Finally, we consider that the table 3.1 in chapter 3 provides a clear, understandable, and concise summary of these 17 illustrations.

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#### Question 3 - chapter 4: aggregated observations on the connectivity of reported information

a) *What is your view on the aggregated positive observations, observations on anticipated financial effects, and areas of attention to enhance the connectivity of reported information reflected in paragraphs 4.12 to 4.35? If any, what other observations or points of attention for the connectivity of reported information have you noticed with respect to current reporting practices?*

b) *How can the areas of attention, in paragraphs 4.27 to 4.35, related to the connectivity of reported information be addressed? What would be the required efforts to improve the connectivity of reported information?*

c) *If you are a user of the information in the annual report, if you agree or disagree with the preliminary feedback received on the usefulness of the connectivity of reported information, which is reflected in paragraphs 4.36 to 4.45, please explain why. If at all, how does the connectivity of reported information enhance your analysis of companies?*

- (19) Please refer to paragraphs 2-15

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#### Question 4 - chapter 5: considerations for enhancing the connectivity of reported information and related aspects

Standard setter consideration: Clarifying the borders of the financial statements with respect to disclosures in the notes to the financial statements (analysed in paragraphs 5.12 to 5.43)

a) *In paragraphs 5.12 to 5.43, it is argued that clarifying the borders of financial statements with respect to the disclosure of unrecognised sustainability-related intangibles, sustainability-related commitments for future investments, and synergies from business combinations in the financial statements would be an enabler of connectivity. If you either agree or disagree with this view, please explain why.*

b) *Paragraphs 5.20 to 5.22 outline suggestions for determining when information on sustainability related unrecognised intangibles should be disclosed in the financial*

statements (i.e. if such information meets the needs of users). If you either agree or disagree with these suggestions, please explain why.

c) Paragraphs 5.31 to 5.35 outline the mixed views that EFRAG has heard on whether forward-looking information (e.g. climate-related commitments on future Capex), which is not related to the defined elements of the financial statements, should be disclosed in the financial statements. In this regard, some stakeholders have suggested that application guidance for paragraph 31 of IAS 1 (paragraph 20 of IFRS 18), which is related to qualitatively material information about exposures, should be developed in addition to the existing IASB educational material and illustrative examples. What is your view on whether such disclosures should be in the financial statements and on the suggested development of application guidance for paragraph 31 of IAS 1 (paragraph 20 of IFRS 18)?

d) In paragraphs 5.39 to 5.43, it is suggested that identifying indicators (including event triggers) of the change in the nature or level of measurement uncertainty of items disclosed in the sustainability statement/disclosures and the rest of the management report, such that they could qualify to be recognised as assets or liabilities or disclosed as contingent assets or contingent liabilities in future period financial statements, could be helpful for the assessment of intertemporal (across reporting periods) connectivity.

Based on your experience with the information disclosed in annual reports, if you agree with this view, do you have any suggestions for indicators that items disclosed outside the financial statements may change their nature and level of measurement certainty and qualify to be recognised or disclosed in future-period financial statements? If you disagree with this view, please explain why

- (20) We noted the high-level definition of connectivity contained in the DP: Connectivity is “the attribute of high-quality information that supports the provision of a holistic and coherent set of information within and across different annual report sections”.
- (21) We think this could be a reasonable starting point for a definition, but this should be developed further through the standard-setting due process.
- (22) We disagree with the need for financial reporting standard setters to undertake specific work to clarify the borders/boundaries of financial reports – these are well established and understood, for example through the use of the control concept. With respect to the boundaries of sustainability reports, we think that time should be allowed for practice to develop in the application of ESRS and ISSB standards – the need for such guidance could then be assessed in the light of that experience.
- (23) With respect to the question about application guidance on paragraph 31 of IAS 1, we note that the examples published by the IASB in November 2025, illustrate the application of this requirement. Consequently, we do not think more guidance on this point should be developed at this time
- (24) At this moment in time, and subject to the outcomes of the IASB project on intangible assets, we have particular concerns about bringing into financial statements additional information on unrecognised sustainability-related intangible assets. Our concern lies on the need for such information in the financial statements, given the IFRS conceptual Framework’s definition of an asset, and the auditability of such disclosures (how these items are identified, measured and documented). While better explanations of key resources and relationships are beneficial, we would see this additional information primarily located in management/sustainability reports, rather than as quasi-recognition of unrecognised intangibles in the financial statements.

- (25) We note above that the respective accounting and sustainability standards already define the boundaries of each report. However, we think that standard setters should be conscious of areas where their respective standards require different information about the same transaction, event or condition. While we see no immediate need to undertake standard setting activities in relation to boundaries, we would expect standard setters to work together to ensure that, wherever possible, a consistent approach is taken to the information required. This would likely enhance understandability of the information by users and reduce the costs of preparation by companies.

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#### Question 5 - chapter 5: standard-setter consideration: differences in level of disaggregation

*a) Some stakeholders (including users) have observed differences in the level of disaggregation in the financial statements and the sustainability statement/disclosures. The analysis in paragraphs 5.44 to 5.47 suggests that these are mainly a result of differences in what is material in the context of each of these reports. Thus, it should not be seen as a problem. If you either agree or disagree with this view, please explain why.*

*b) The analysis in paragraphs 5.49 to 5.54 suggests that the observed underrepresentation of sustainability-related revenues and profitability-related metrics in segment disclosures could be a result of the IFRS 8 aggregation being done based on the management approach, and this supports the need for the IASB to review segment reporting requirements. Conversely, the failure by a sample of companies to link the business activities in the sustainability statement to IFRS 8 segments could be because these companies were in early stages of implementing ESRS, including the related ESRS 2 requirements. If you agree or disagree with either or both of these views, please explain why.*

- (26) It is key to reflect on the starting point of connectivity. Should it be Financial or Sustainability reporting? In other words, who provides context to whom? And who takes precedence? It is widely accepted that financial statements are standalone elements and therefore self-sufficient.
- (27) We do not necessarily perceive the different level of aggregation between FR and SR to be a problem. Different aggregation levels in FR and SR often reflect different materiality perspectives and are not a problem in themselves. The observed absences of linkages between IFRS 8 and sustainability statements in some annual reports might be a consequence of the absence of incorporation of sustainability data in the decision-making processes by/of management.
- (28) We also believe that if connectivity expectations are interpreted too strictly, preparers may feel pressured to realign the structure of the financial statements with the sustainability report. This could undermine the clarity and conciseness of financial statements. We therefore support EFRAG's view that such differences are acceptable and should not be "corrected" at the expense of financial reporting quality.

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#### Question 6 - chapter 5: considerations to be addressed by multiple stakeholders

*Do you have any additional suggestions or comments for the following considerations?*

*a) Assessing differences in reporting boundaries (i.e. the entities, assets and sites/operations reported on) between different reports (analysed in paragraphs 5.55 to 5.60)*

*b) Enhancing connectivity in organisational processes (analysed in paragraphs 5.61 to 5.63)*

- (29) Sometimes different teams are engaged to provide assurance over financial and sustainability reporting. In those circumstances, it is important to be clear on the responsibility for assuring the

connectivity between the two parts. This can be even more critical when different firms are engaged to provide assurance over different parts of the same annual report.

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#### Question 7 - chapter 5: exploring digitisation to enhance connectivity of reported information

*In the analysis in paragraphs 5.64 to 5.74, it is concluded that the use of structured data has yet to meet its full potential for enhancing connectivity in the provision and consumption of reported information.*

*What is your view on this observation? If you agree, how could this situation be changed?*

- (30) It might be useful to consider the potential of Artificial Intelligence (AI) in extracting and analysing the data. AI can process large amounts of data and identify incoherences and contradictions. It could be an enabler for connectivity.

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#### Question 8 - Other

*If any, what aspects of connectivity that are not addressed in the DP would you like to raise?*

- (31) We believe the paper doesn't sufficiently acknowledge one of the main benefits of connectivity, namely reducing risks of greenwashing. With proper connectivity, this should come as a natural consequence.