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EFRAG Connectivity project

Cover Note

Objective

- 1 The objective of this session is for the EFRAG FR TEG to recommend for approval and for the EFRAG FRB to approve EFRAG's Discussion Paper on Connectivity between Financial and Sustainability Reporting ('the DP').
- 2 The rest of the cover note includes
 - (a) Background;
 - (b) Overview of DP content;
 - (c) Next steps in finalisation of the DP;
 - (d) Suggested consultation timeline and approach;
 - (e) Agenda papers;
 - (f) Questions for EFRAG FR TEG and FRB members.

Background

- 3 The DP is a result of numerous discussions held over the last two to three years with the EFRAG Connectivity Advisory Panel (EFRAG CAP), the EFRAG FR and SR pillar technical governance bodies (TEGs and Boards), and EFRAG's advisory working groups (EFRAG IAWG, EFRAG FIWG, EFRAG User Panel, EFRAG Academic Panel, and EFRAG CFSS). The EFRAG CAP has guided both the drafting of the DP and the selection of various illustrations of connectivity.
- 4 This DP has been developed further to an interim deliverable of EFRAG's research project on connectivity (Initial paper- [Connectivity Considerations and Boundaries of Different Annual Report Sections](#)) (hereafter referred to as the 2024 EFRAG connectivity publication). The conceptual and practical content in the DP has been informed by:
 - (a) Discussions held by the EFRAG CAP, EFRAG's financial reporting and sustainability reporting pillars' technical governance bodies, and several EFRAG working groups (details in Appendix A) over the last two to three years.
 - (b) ESRS, ISSB Standards, IFRS Conceptual Framework for Financial Reporting, IFRS Accounting Standards, and the 2025 IFRS 1 Practice Statement-Management Commentary (2025 IFRS MCPS), the 2021 EFRAG Project Taskforce for Non-Financial Reporting Standard (PTF-NFRS) publications ([Proposals for a Relevant and Dynamic](#)

[EU Sustainability Reporting Standard Setting](#) and [Appendix A4 Interconnection between Financial and Non-Financial Information](#)), and other related regulator, national standard setter, audit firm, and academic publications.

- (c) EFRAG's review of the annual reports of a sample of 72 companies. The 17 illustrations (included in the supplementary document and Chapter 3) were excerpted from these companies. The sustainability reporting for these illustrations was done under the currently applicable Set 1 of ESRS, ISSB Standards and other voluntary reporting frameworks (e.g. TCFD recommendations). The primary focus was on European companies and ESRS-reporters. The financial statements of the illustrations were under IFRS Accounting requirements. Though local GAAP could have been considered, it is assumed that the principles of IFRS Accounting requirements and local GAAP are broadly similar.
- (a) EFRAG's dialogue with stakeholders through targeted outreach meetings (16 detailed interviews with users, preparers, and auditors) and a series of EFRAG-hosted events, including an April 2025 [multi-stakeholder webinar report](#) (details are in Appendix A of the DP).

Overview of DP's content

5 The draft DP (agenda paper 04-02) comprises the following:

- (a) *Executive Summary* with the main messages in the DP
- (b) *Questions to constituents* includes five proposed questions to constituents based on the content in the five chapters
- (c) *Chapter 1 (Background)* addresses the objectives and scope of the DP.
- (d) *Chapter 2 (Underpinning concepts)* lays out the types and mechanisms of connectivity and anchor points that underpin the illustrations of connectivity in the DP. The content is informed by past EFRAG publications (2024 EFRAG connectivity project initial paper, 2021 EFRAG Project task force on Non-financial Reporting Standards (PTF-NFRS) publications on connectivity, the ESRS, ISSB Standards, the 2025 IFRS Practice Statement 1 *Management Commentary* (2025 IFRS MCPS), and regulator, national standard setter, audit firm and academic publications.
- (e) *Chapter 3 (Overview of Illustrations of connectivity)* covers 17 illustrations of various types of connectivity and different anchor points of financial statements and sustainability statement/disclosures information. It is noted that the review is based on 2024 reports and ESRS Set 1 requirements, ISSB Standards.
- (f) *Chapter 4 (Aggregated observations on connectivity of reported information)* provides aggregated observations on the application of connectivity of reported information in current reporting practices based on a review of the annual reports of 72 companies, feedback from outreach to stakeholders, and a review of external publications.
- (g) *Chapter 5 (Considerations for enhancing the connectivity of reported information and related aspects)* is a wrap-up chapter, and it includes considerations for enhancing the connectivity of information across different reports in the Annual Report and the related aspect (e.g. further clarifying the borders/differentiating features of the financial statements).

- (h) *Appendices* include a detailed glossary of terms.
- 6 Included in the DP package are supplemental documents (agenda paper 04-03- Summary of illustrations; and 04-04- detailed illustrations). Through interactive features, these documents will be accessible within the DP.
- 7 At the joint EFRAG FRB- SRB meeting held on 14 October 2025, it was agreed that the approval of the DP at this meeting should be subject to the DP being updated (i.e. references to ESRS paragraphs and changes to ESRS) in late November based on EFRAG's submitted technical advice to the EC on draft revised ESRS, which would be indicative of a stable version of ESRS.

Next steps in the finalisation of the DP

- 8 As agreed by the EFRAG FRB, including at the October 2025 joint EFRAG FRB and SRB meeting, the DP is expected to be published in December after incorporating any drafting suggestions from this meeting, being updated for EFRAG's technical advice to the EC on the draft revised ESRS, and undergoing a final editorial review.

Suggested consultation timeline and approach

- 9 Consistent with EFRAG's proactive research, the EFRAG Secretariat suggests a consultation timeline of six months, whereby only a targeted consultation will occur. This takes into account the limited EFRAG staff resources available given the context of EFRAG's envisioned workplan for 2026.

Agenda Papers

- 10 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 04-02 – Draft DP '*Connectivity of Financial and Sustainability Reporting*';
 - (b) Agenda paper 04-03 – Summaries of illustrations; and
 - (c) Agenda paper 04-04 – Supplemental document (17 Connectivity illustrations).

Question to EFRAG FR TEG and FRB

- 11 Do EFRAG FR TEG and EFRAG FRB members have any comments on the draft Chapters 1 to 5, the glossary of terms in Appendix B, and the related questions to constituents?
- 12 Do EFRAG FR TEG and EFRAG FRB members have any comments on the Executive Summary?
- 13 Does the EFRAG FR TEG recommend the DP for approval to the EFRAG FRB?
- 14 Does the EFRAG FRB approve the DP?
- 15 Do the EFRAG FR TEG and EFRAG FRB members agree or disagree with the suggested consultation period of 6 months? Please explain.