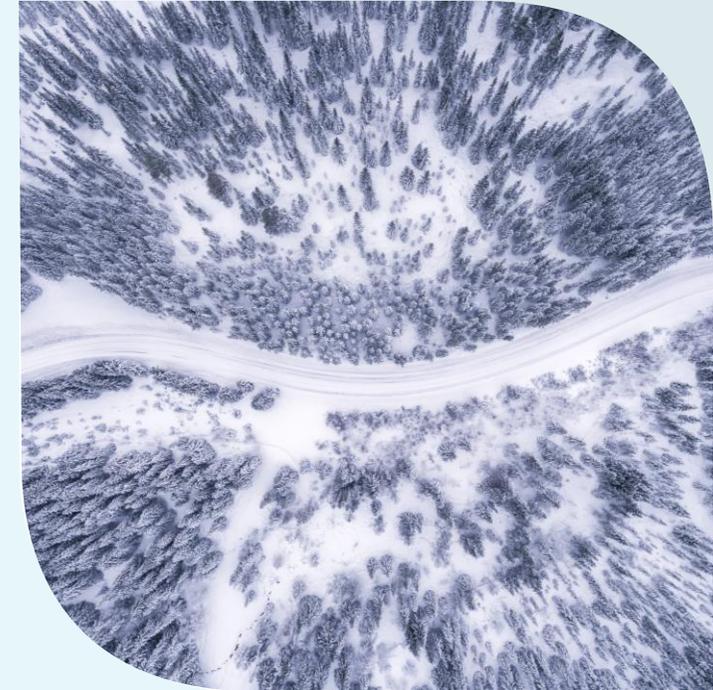


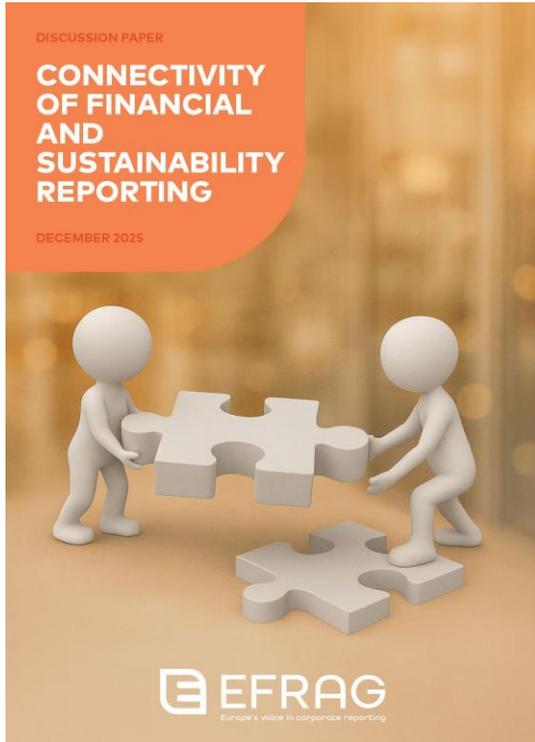
EFRAG CONNECTIVITY DISCUSSION PAPER PRESENTATION

-MARCH 2026 ASAF MEETING

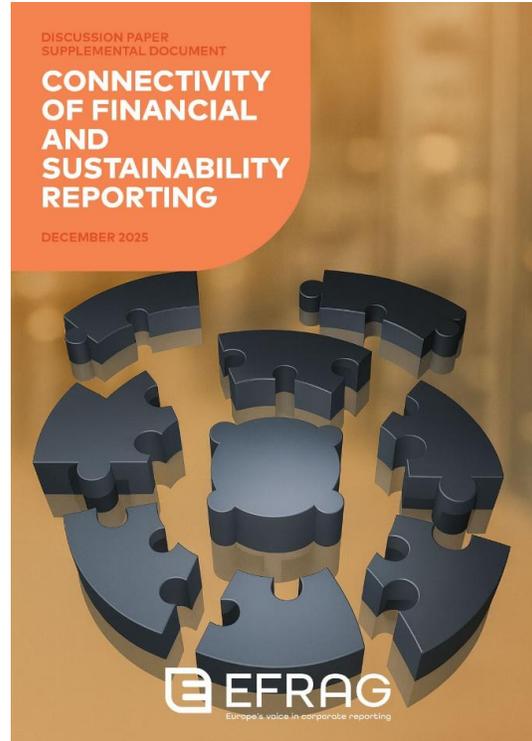


DISCUSSION PAPER PACKAGE- PUBLISHED IN DECEMBER 2025

Discussion Paper



Supplemental Document, to be read in conjunction with DP



Ongoing outreach

30 June 2026
consultation deadline

Feedback
statement – H2
2026

Next steps –
TBD

WHAT IS MEANT BY CONNECTIVITY?

Enabling attributes for the connectivity of reported information

Self-sufficiency of financial statements

Clear and concise information (including avoiding unnecessary duplication)

Connectivity in organisational processes

Connectivity in reporting requirements (including basis of preparation)

Types of connectivity of reported information

Providing explanations (telling a story/integration of information)

Coherence (including by giving a more complete picture and explaining significant differences)

Consistency of data, assumptions, units of measurement, and qualitative/narrative information

Direct and indirect connectivity as per ESRS (cross-referencing and reconciliation)

Intertemporal connectivity (anticipated financial effects disclosure in SR) and other reporting-date connectivity (current financial effects disclosure in SR)

Mechanisms of connectivity of reported information

Cross-referencing

Reconciliation of quantitative information

Disclosure of current financial effects in SR

Disclosure of anticipated financial effects in SR

Qualitative disclosures

Explaining differences in assumptions

Highlighting differences in financial statements' and sustainability statement's scope of consolidation

Disclosure of qualitatively material information about exposures

Disclosure of the process and material topics under a double materiality assessment

Signposting via content index (or similar) in sustainability statement

Explaining why information cannot be connected

Summary sustainability-matters note in the financial statements (e.g. climate note)

19+ SR and 12+ FS anchor points identified in DP (examples in Appendix)

ILLUSTRATIONS- KEY HIGHLIGHTS

72 COMPANIES REVIEWED

9 SECTORS COVERED

17 ILLUSTRATIONS FROM 15 COMPANIES

- 13 ESRS/NFRD
- 1 ISSB
- 1 TCFD

1K-340K EMPLOYEES

2024 REPORTING

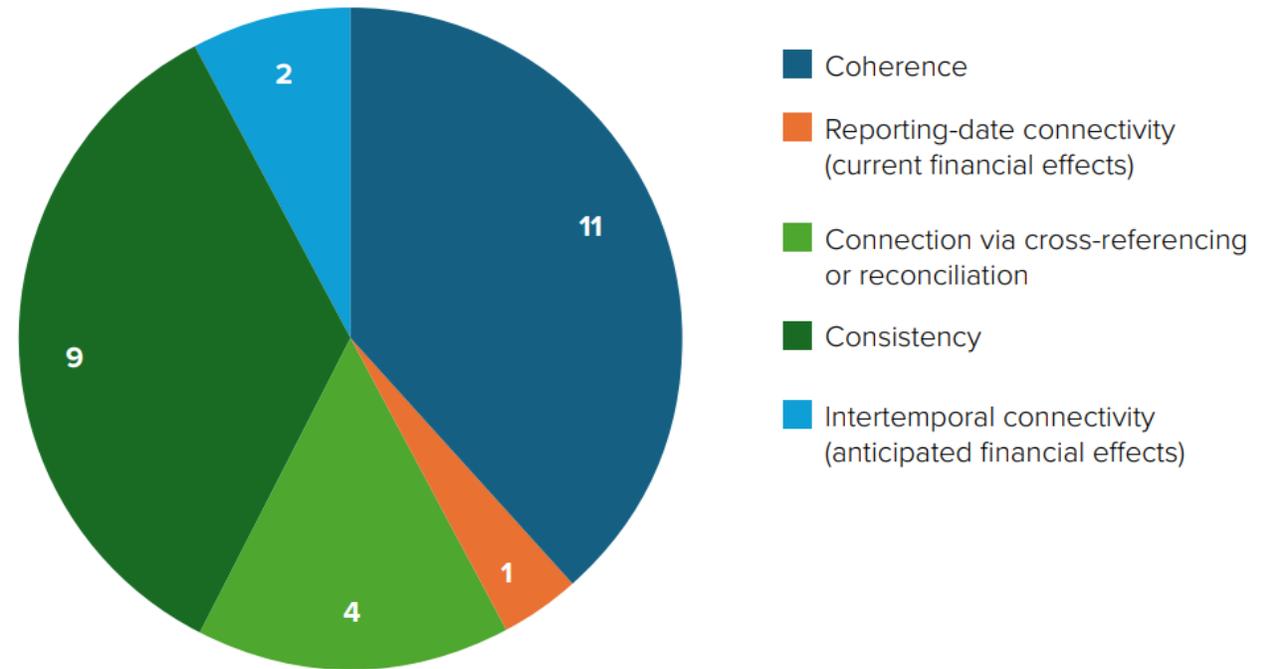
6 TYPES OF CONNECTIVITY

10 CLIMATE TOPICS (E.G. TRANSITION PLANS, SUSTAINABILITY-LINKED FINANCING)

3 OTHER SUSTAINABILITY TOPICS (WATER POLLUTION, OWN WORKFORCE, GOVERNANCE)

35 ANCHOR POINTS/CONNECTION POINTS ACROSS REPORTS

Types of connectivity across the illustrations



An illustration in the Appendix

- Relevance of connectivity is framework-agnostic (i.e., ought not to depend on the underlying reporting guidance or requirements)
- Relevance of connections is beyond a ‘financial statements to sustainability reporting’ matter. The DP suggests **the development of connectivity requirements for IFRS Accounting Standards**
- Companies are in the early stages of the journey, with **challenges and contrasting views on anticipated financial effects**
- Users’ views- **priority of coherence, consistency, and anticipated financial effects**
- **There are areas where there is a need to clarify the borders of financial statements with respect to disclosures (unrecognised intangibles, forward-looking information)**
- **Need to ascertain the reasons for perceived underreporting of what is expected to be material information in disclosed business segments**
- Explore whether the production and consumption of XBRL-generated structured data can lead to greater connectivity

USER PERSPECTIVES

- **Relative priority of types and mechanisms of connectivity:**

Very useful: Consistency, coherence and anticipated financial effects (notwithstanding limitations)

Moderately helpful: Cross-referencing and reconciliation

Less important: Dedicated notes and content indices

- **Level of aggregation/disaggregation across reports:**

- Sometimes insufficient or disconnected disaggregation observed in financial statements and sustainability statement/disclosures
- Users highlighted the importance of (quantified) CapEx and transition-related capital commitments
- Users conveyed that the disclosure of different risk profiles of renewable versus legacy businesses enables the separate valuation of these businesses

- **Connected reporting enhances users' engagement with companies' management:**

- Users can identify and engage with individuals responsible for sustainability governance, users can engage management on assumptions underlying the disclosed anticipated financial effects

ANTICIPATED FINANCIAL EFFECTS (AFE)

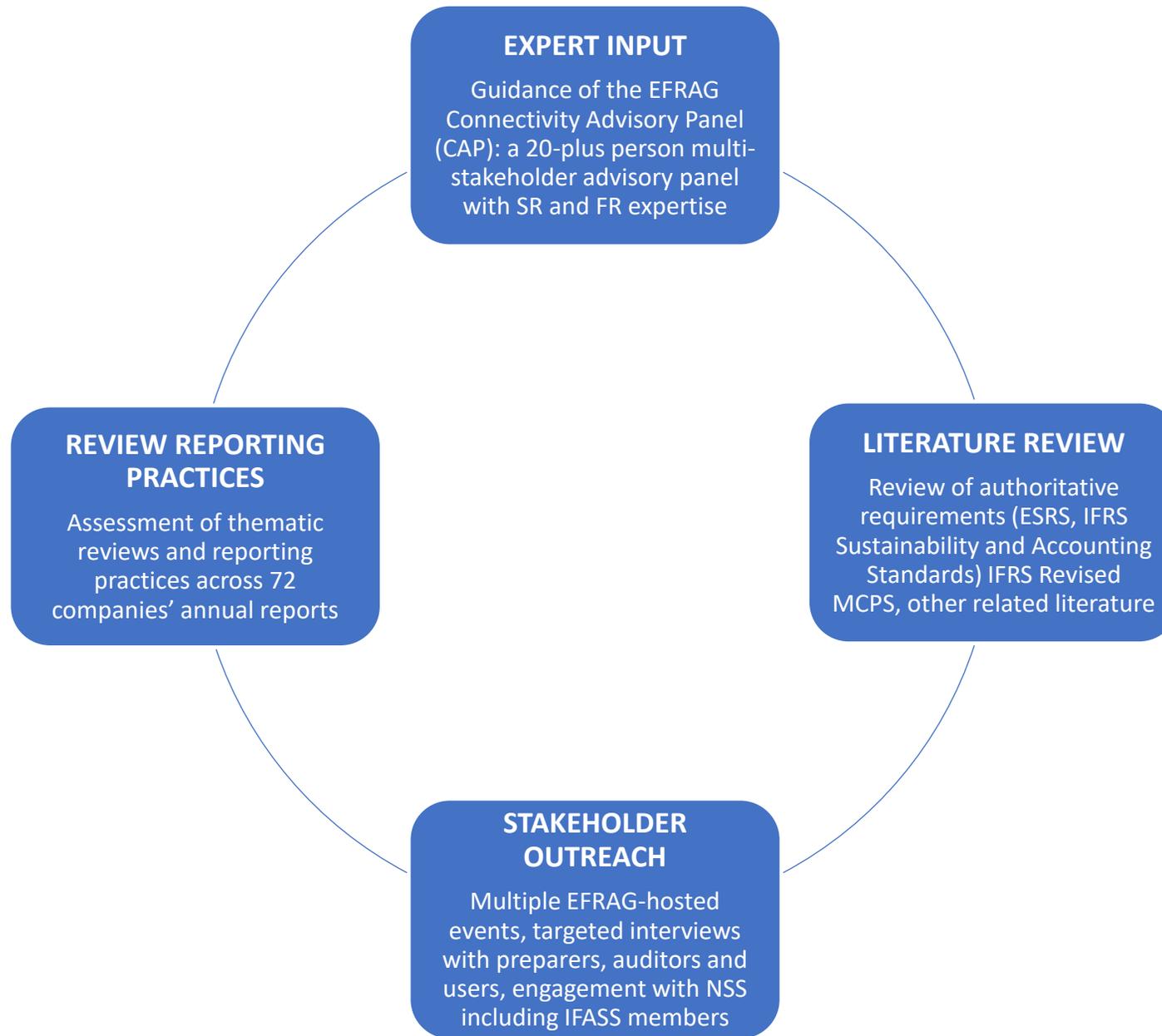
- **AFE relates to intertemporal (across reporting periods) connectivity**
- **Observations and views expressed on anticipated financial effects:**
 - **Pushback from preparers:** concerns aired about immature quantification methodologies, the lack of standardised information, and the commercial sensitivity of the information.
 - **Novel but welcome for users (described as an ‘analyst’s dream’).** Has predictive value, e.g., can inform on the recurrence of adverse incidents and possible obligations. **Users find quantitative AFE to be more useful than qualitative AFE.**
 - It is useful to **disclose anticipated business impacts along with AFE.**
 - **Understandability challenges** due to unclear terminology and methodology (e.g., financial impacts vs. financial effects). Are AFE related to balance sheet and/or income statement effects? Are they cash or non-cash items? Do they relate to the maximum exposure or expected value?
 - **Should be aware of different characteristics of AFE** (e.g., Short-term AFE may overlap with disclosures of sources of estimation uncertainty in the current-period financial statements, some AFE items may qualify to be recognised or disclosed in future financial statements, other AFE with high measurement or existence uncertainty **may never qualify** to be recognised or disclosed in future financial statements)

2 illustrations of AFE in the DP package

- **EFRAG DP's call for clarifying boundaries is not a call to revamp the existing recognition, measurement, and disclosure requirements of financial statements. Call also made in response to various IASB projects (e.g., disclosures about uncertainties in the financial statements, BCDGI synergy disclosures, some unrecognised intangibles)**
- **It relates to clarifying the disclosure of certain grey areas (i.e., where there are multiple views on the suitable location for disclosure)**
- **Expected benefits of clarifying boundaries of the financial statements**
 - **Will help avoid unnecessary duplication of information across different reports**
 - **Can help identify any information gaps that need to be addressed within different reports**
 - **Related to connectivity: Helps in shaping expectations around what information can be connected**
 - **Useful in consideration of the placement/location for disclosing unrecognised intangibles (including sustainability related intangibles) and forward-looking sustainability related commitments for future Capex**
 - **Can help in understanding the relationship between information disclosed outside the financial statements and future-period financial statements (e.g. Trigger events for asset retirement obligations)**

APPENDIX: OVERVIEW OF CONTENT

APPROACH TO DP'S DEVELOPMENT



ANCHOR POINTS CONSIDERED IN DP

- **Data and/or qualitative or quantitative information that allows the connection of sustainability disclosures and financial statements information**

19+ SR and 12+ FS anchor points identified in DP (examples below)

General SR anchor point

Material IROs, segments in SBM disclosure

Specific SR anchor points

Disclosures of current and anticipated financial effects

Article 8 Taxonomy investments, revenue and assets at risk

Disclosure of environmental, social, and business conduct incidents

Disclosure of human capital and social capital metrics

FS anchor points

Balance sheet effects:
Valuation and impairment of assets, provisions including AROs

Income statement effects:
Revenue, R&D expenses, Opex, share-based expenses

Disclosures
Segment disclosures, contingent liabilities, long-term capital commitments, disclosures of sources of estimation uncertainty,

Sample of anchor points in the illustrations

General anchor point

Material IROs, segments in SBM disclosure

Specific SR anchor point

Water pollution disclosure

Energy optimisation strategy disclosure

Disclosure of GHG intensity metrics

Disclosures of environmental impact targets and gender diversity targets

FS anchor points

Contingent liability disclosure

Power purchase agreements disclosure

Revenue in the consolidated income statement

Share-based payments disclosure

COHERENCE ILLUSTRATION

Connectivity profile and basis of reporting

Anchor points

- Disclosure of water pollution incident and remediation (SR)
- Disclosure of contingent liability (FS)

Type and mechanism of connectivity

Coherence (more complete picture of water pollution incident from related information disclosed across reports)

Basis of reporting

Sustainability statement and the financial statements have the same scope of consolidation

Applicable SR requirements or framework

Sustainability statement prepared voluntarily under ESRS

ESRS E2 *Pollution* requires the disclosure of material emissions of pollutants to air, water and soil from its own operations

Connectivity requirements are explained in Chapter 2 of the DP (coherence)

Level of assurance of SR

No external assurance of the sustainability statement

Applicable accounting requirements

Financial statements prepared in accordance with IFRS Accounting Standards

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires the disclosure of information about a contingent liability, including, for each class of contingent liability– a brief description of the nature of the contingent liability and where practicable, financial effect estimate, indication of uncertainties and possibility of reimbursement

COHERENCE ILLUSTRATION

Excerpt – Sustainability statement and financial statements connectivity (coherence)

Sustainability statement

Grigeo Klaipėda AB environmental incident in 2020

The environmental incident occurred in 2020, when it was announced that Grigeo Klaipėda AB released partially biologically treated wastewater into the Curonian Lagoon through the treated wastewater collector of municipal company Klaipėdos vanduo AB.

Grigeo Klaipėda AB assumed legal responsibility for this incident, carried out internal inspections and commissioned international expert investigations to establish, through scientific research, the fact and extent of possible environmental damage. It also started implementing environmental remedial measures on its own initiative to remove the pollutants discharged with its wastewater from the natural environment.

Pollutants released into the natural environment with the wastewater of Grigeo Klaipėda AB that was only partially biologically treated were nitrogen and phosphorus (i.e., water-soluble nutrients of organic origin that are necessary for every living organism) and BOD₇ (biochemical oxygen demand per 7 days). Pollutants contained in the biologically untreated wastewater of Grigeo Klaipėda AB are attributable to non-hazardous pollutants that have not had a significant negative impact on (significant damage to) the water state, biota, and ecosystem of the Curonian Lagoon.

Grigeo Klaipėda AB seeks to cooperate with state authorities in implementing wastewater management solutions and environmental remedial measures that would remove the allegedly released pollutants from the natural environment, implement environmental remedial measures (improvement of the state of water of the Curonian Lagoon), restore lost public confidence, and ensure business resilience in the long run. It is very important to the management of Grigeo Klaipėda AB that this incident not only becomes a painful lesson for the company, but also prevents the recurrence of such cases in the future in all economic activities of the country.

Financial statements

Conclusion

The Subsidiary is not denying its legal liability and is prepared to compensate for objectively calculated damage. The Subsidiary's management, following the scientific research performed by the independent TIG Environmental experts, estimates that the potential costs of offsetting ecological impact from the releases of biologically untreated wastewater are limited. On the upper limit of the range the assessment of the EPD, the claim filed amounts to EUR 48,257,676.57 which is uncertain in the following areas:

- The claim amount is based on the mathematical formula specified in the Methodology with the key components of the formula – quantities and biochemical composition of sewage – being uncertain. The management thus far does not possess objective information to reliably estimate quantity of the pollutants (BOD₇, nitrogen, phosphorus or any other elements) in the biologically partially untreated wastewater released.
- The management considers that the claim is not in line with the methods entrenched in the above-mentioned local legal acts and the Directives.

International Accounting Standard 37 requires measuring the provision in the amount of the best estimate of the expenditure required to settle the present obligation. As there is a wide range of estimates depending on the source of information and significant uncertainties relating to them, as described above, it is difficult to estimate probability of any outcome as well as to assess the amount of expenditure required to settle this obligation. Having no objective information on the quantities and biochemical composition of the sewage discharged to the collector of municipal company Klaipėdos Vanduo AB, the management could not reliably estimate the amount of provision and the provision was not recognised in the financial statements, but instead is disclosed as a contingent liability. At the date of this report, the trial that started in 2022 did not change the management's estimations over the general situation and the outcome of the case. The management remains to hold an opinion that any compensation for the potential damage should be scientifically based and estimated following the legal acts and in accordance with the legal framework of the Republic of Lithuania and the European Union.

✘ **Coherence (by giving a more complete picture of the incident):** The sustainability statement explains a past water pollution incident and the company's follow-up actions. This contextualises the contingent liability disclosure (as the civil claim amount is deemed uncertain) in the financial statements. Elsewhere in the sustainability statement, it is also disclosed that the company subsequently removed reed biomass from the affected lake, and modernised the wastewater treatment facilities of its subsidiary.