Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany

DRSC

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INTERNE Unterlage
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GFA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	61. GFA / 09.07.2026 / 09:30 – 10:30 Uhr
TOP:	07 – Connectivity
Thema:	Abstimmung einer Stellungnahme zum EFRAG DP Connectivity
Unterlage:	61_07a_GFA_Connectivity_Präs

Stellungnahmeentwurf zum Diskussionspapier

Überblick der Themen

(1) Gesamteindruck

(2) Kapitel 5 – Fragen an Standardsetzer

(3) Erörterung der Abbildung von AFE in der Unternehmensberichterstattung

(1) Gesamteindruck – Intention of the DP

GFA supports

- Discussion of connectivity to foster development of a uniform understanding of connectivity, its main concepts and implications as well as its contribution towards establishing integrated reporting
- Collection of topics for a closer look at how they are part of connectivity (or not) and how further discussion of those aspects can foster connectivity and ultimately integrated reporting
- Identification of “anchor points” for connectivity to allow a better understanding of possible improvements for connectivity

Our assessment

Integrated reporting (still) viewed as ultimate goal. Connectivity important to discuss as a means toward this goal. However, intention of DP valid for various reasons.

(1) Gesamteindruck – Intention of the DP

ES3 This DP and its Supplemental Document aim to contribute to the thought leadership on the concepts of connectivity in reporting (outlined in Chapters 1, 2 and 5) and to illustrate its practical application as done in Chapters 3, 4 and the Supplemental Document. Suggestions and considerations (or points of attention) for enhancing the connectivity of reported information are included in Chapters 2, 4 and 5.

Preliminary assessment

- Support for contribution to „thought leadership“, focus on this aspect by careful discussion of concepts, terminology, implications
- Less focus on „practical application“ due to timing (current dynamic developments in standardsetting, connectivity as an „evolving concept“, p. 8) and understanding of the role of the standardsetter
- Decide on focus points for attention in DP

(1) Gesamteindruck

Definition of connectivity

definition. Hence, for this DP, a high-level definition[11] of the connectivity of reported information is that it 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'.* This definition builds on the Basis for Conclusions of ESRS Set

ES5 Putting meat on the bone, Chapter 2 details the types and mechanisms (i.e., techniques or approaches of applying the types) of connectivity of reported information. These include the following:

a) providing explanations (telling a story/integration of information across the annual report);

b) coherence of the reported information, including by providing a complete picture of matters and explaining any significant inconsistencies across reports;

c) establishing connections via cross-referencing or reconciliation of related quantitative information in the sustainability statement/disclosures to the related amounts in the financial statements; and

d) consistency of data, narrative and assumptions.

Preliminary assessment

Agree with definition and general understanding of connectivity.

Focus on connectivity across reports (rather than within same report, i.e. within f/s, coherence).

(1) Gesamteindruck

Background for conceptual and practical content of Discussion Paper

1.10 The conceptual and practical content in the DP, along with its Supplemental Document, 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 (see details in Appendix 1);

b) the interim deliverable of the EFRAG connectivity project (initial paper – Connectivity Considerations and Boundaries of Different Annual Report Sections, ESRS, ISSB Standards, the IFRS Conceptual Framework for Financial Reporting (hereafter referred to as IFRS Conceptual Framework), IFRS Accounting Standards, the 2025 IFRS MCPS, the 2021 EFRAG 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 2024 and 2023 annual reports of a sample of 72 companies. The 17 illustrations (included in the Supplemental Document) were excerpted from the 2024 annual reports of 15 of these companies. The sustainability reporting for these illustrations was done under the currently applicable ESRS Set 1, ISSB Standards and other voluntary reporting frameworks (e.g. TCFD recommendations), with most of them being ESRS reporters. The financial statements of the illustrations were under IFRS accounting requirements. Though the local GAAP of EU member states could have been considered, it is assumed that the principles of IFRS accounting requirements and EU member states' local GAAP are broadly similar;

d) EFRAG's dialogue with stakeholders through targeted outreach meetings and a series of EFRAG-hosted events (details are in Appendix 1).

Preliminary assessment

Support for including wide range of feedback and information considered for DP.

Need to clarify that DP contains (only?) feedback from stakeholders. Need to clarify whose feedback is presented (which stakeholder (group), which majority ratio).

Need to clarify that it is not EFRAG's view that is presented.

(1) Gesamteindruck

“Anchor points” – Auszüge aus DP, S. 38 ff.

SUSTAINABILITY STATEMENT/DISCLOSURES ANCHOR POINTS

2.35 The sustainability statement/disclosures anchor points that are expected to be connected to either the reporting-date financial statements or future-period financial statements include:

a) disclosure of scope of consolidation disclosure (related to consistency or otherwise of the boundary of the reporting entity);

b) disclosures of scenarios and assumptions used;

c) disclosures of the business model, strategy, value chain(s), significant sectors of operations;

d) governance disclosures and incentive shemes;

e) resilience disclosures;

f) disclosures of material IROs;

g) disclosure of entity’s actions, including its investments and transition plans;

h) mandatory EU taxonomy Capex, Opex and revenue disclosures;

i) anticipated financial effects disclosures;

j) assets at risk, revenue at risk disclosures;

k) stranded assets disclosure;

l) internal carbon pricing disclosure;

m) environmental and decommissioning or rehabilitation liabilities;

n) disclosure of GHG emissions and mitigation actions;

o) disclosure of environmental, social and business conduct incidents;

p) human capital metrics, including employee benefits disclosures;

q) sustainability-linked financing[54] disclosure;

r) sustainability-linked loans disclosure; and

s) disclosure of convictions, sanctions and fines (for corruption and bribery).

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"Anchor points" – Auszüge aus DP, S. 38 ff.

FINANCIAL STATEMENTS ANCHOR POINTS

2.36 These anchor points represent the information in financial statements where connections to information in the sustainability statement/disclosures were considered likely. They include:

a) capitalisation of expenditures;

b) impairment of non-financial assets, useful lives, and residual value;

c) impairment of financial assets – expected credit loss (ECL) for financial institutions;

d) provisions and disclosures of contingent liabilities and provisions, including those related to asset retirement obligations, legal fines;

e) disclosures of major sources of estimation uncertainty in the next 12 months;

f) segment disclosures;

g) share-based payment disclosures;

h) sustainability-linked financing (sustainability-linked loans and green bonds);

i) disaggregation of revenue disclosures;

j) disclosures disaggregating PP&E and research and development (R&D) intangibles;

k) disclosures of carbon credits/emission trading schemes; and

l) disclosures of power purchase agreements (PPAs).

(1) Gesamteindruck

Practical examples – Supplemental Document

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Table of Contents (interactive)

(1) Gesamteindruck

Practical examples – Supplemental Document

Table of Contents (interactive)

Preliminary assessment

- Necessary to note the circumstances for the illustrations (e.g., ESRS Set 1)
- Dynamic (standardsetting) developments re/ sustainability reporting
- Illustrations / Examples typically mark a level of „good / noticable practice“- especially when published by the standardsetter itself
- However, currently, the practice is still evolving (e.g. adapting to simplified ESRS, improving from experiences of past reporting cycles etc.)
- Reconsider the usefulness of extensive „Illustrations“ published by EFRAG

(2) Kapitel 5 – Fragen an Standardsetzer: Borders of F/S

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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.

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Preliminary assessment

- Disagree (to the general statement) for various reasons, such as:
- Aspects seem to address standardsetting for financial statements; addressees are IFRS Foundation (ISAB / ISSB) or EU Commission, but not covered by EFRAG guidance (limited mandate)
- Sustainability-related „unrecognised intangibles“, “unrecognised commitments” etc. are very complex concepts (that have long been discussed); Suggestions need in-depth analysis, for example: “Synergies from business combinations” seem to already be in the f/s (i.e., goodwill) or also “intangibles”? / similar concerns re/ concept of “sustainability-related unrecognised commitments”
- Furhter concerns re/ statements on “materiality” (p. 72, 5.13 b)) having different objectives for IFRS f/s and sustainability statements; whereas difference mostly with ESRS (due to double materiality)

(2) Kapitel 5 – Fragen an Standardsetzer: Borders of F/S

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(iii) Hence, an entity's sustainability-related commitments (which could be obligations to transfer economic resources in the future)[89], while mitigating sustainability-related risks, may fail to meet the criteria for recognition as provisions or disclosure as contingent liabilities in the financial statements due to there being no 'past event' or due to uncertainty associated with the obligation. Such risks and related obligations could, however, be disclosed in the sustainability statement/disclosures. For example, such possible obligations could be disclosed as anticipated financial effects. Similarly, if an entity has sustainability-related opportunities[90] (potential future economic benefits) from its available resources and relationships, but if no 'past event' has occurred that results in the entity having exclusive rights to the economic benefits from these resources and relationships, then these opportunities do not qualify to be recognised as assets or disclosed as contingent assets in the financial statements. Such opportunities could, however, be disclosed in the sustainability statement/ disclosures as anticipated financial effects (potential revenue/income or potential assets).

Preliminary assessment

- Need to be careful re/ wording, for example with regard to "unrecognised sustainability-related commitments":

Use of terminology

- "risks and related obligations" … could be disclosed
- "possible obligations"
- Potential future economic benefits
- "exclusive rights" (with no past event)
- …

(2) Kapitel 5 – Fragen an Standardsetzer: unrecognised intangibles

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.

Preliminary assessment

- Disagree (to the general statement)
- „Unrecognised intangibles“ addresses a complex concept that has been discussed and analysed for many years in order to define reasonable criteria for recognition / disclosure; general requirement for disclosure on sustainability-related unrecognised intangibles is not helpful, but needs to be embedded in the „intangible-projects“ at level of IFRS Foundation / IASB
- “Synergies from business combinations” seem to already be in the f/s (i.e., goodwill) or also “intangibles”? / similar concerns re/ concept of “sustainability-related unrecognised commitments”

(2) Kapitel 5 – Fragen an Standardsetzer: qualitative materiality

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)?

Preliminary assessment

- Changes / amendments to understanding of (financial) “Materiality” is a far-reaching requirement
- Generally, agreement to existing understanding of “qualitative materiality”
- (qualitative) Materiality application guidance to be developed by IASB / ISSB
- In addition: aspect to be discussed in audits / enforcement processes?

(2) Kapitel 5 – Fragen an Standardsetzer: disclosure on changes in recognition

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.

Preliminary assessment

- Requirement is in line with other disclosures required in IFRS re/ future changes (i.e., impairment depending on changes in assumptions), such disclosures are often decision-useful
- Therefore, support for development toward extension of disclosure on assumptions (to allow for better understanding of future developments of assets / liabilities etc.), however, additional disclosures typically result in additional reporting / auditing burden (especially on implications of future developments); needs to be discussed as part of the AFE concept / understanding of AFE

(2) Kapitel 5 – Fragen an Standardsetzer: risk report vs. sustainability statement

5.40 A company may have sustainability-related and other commitments, including those that are constructive obligations[115] and for which there are no 'past events'. Such commitments will not qualify to be disclosed as contingent liabilities or recognised as provisions, but could be disclosed in the sustainability statement/ disclosures or elsewhere in the management report. Also, a company's business model could be inherently exposed to the risk of future liabilities due to potential fines or lawsuits for which there is no 'past event' that creates a present obligation. For instance, as noted in an academic working paper (Boustanifar and Verriest, 2024)[116], a company's business model could make it susceptible to potential lawsuits from a) competitors for infringements of patents or copyrights; b) communities due to environmental damage; and c) individuals injured because of using the company's products or services. Such risk exposures could be qualitatively disclosed in the risk report or the sustainability statement/disclosures.

Preliminary assessment

- Important question to differentiate whether / which "risk exposures" to be reported in the risk report vs. sustainability statement.
- In depth analysis necessary

(2) Kapitel 5 – Fragen an Standardsetzer: level of disaggregation

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.

Preliminary assessment

- DP seems to suggest that the different level of disaggregation are intentional and inadequate; it is important to highlight (in 5.44-5.47) that the level of disaggregation depends on the specific disclosure requirement / specific information to be conveyed

(2) Kapitel 5 – Fragen an Standardsetzer: level of disaggregation

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.

Preliminary assessment

- Level of disaggregation by definition different between entity level (sustainability statement) and segment reporting
- Information at segment report level depend on requirements regarding segment level disclosure
- Understanding of “management approach” seems misleading; information based on the view of the management provides decision-useful information; it does not seem adequate to assume management approach to be the reason for lack of sustainability-related segment disclosures

Anticipated Financial Effects

Main criticism

Reporting on AFE is a **key topic** in the current debate.

The Discussion Paper should:

- Be precise and accurate, importantly:
  - Correctly reflect the applicable rules and regulations
  - Avoid implying requirements that go beyond the existing regulatory framework
- Be transparent, importantly:
  - Distinguish between stakeholders' views and EFRAG's own position
  - Be clear about the sources of information (incl. sample sizes)

Not all of these points are fulfilled with respect to AFE.

Anticipated Financial Effects

Open issues

How are these statements **supposed to be understood**? The ESRS do not distinguish between likelihoods of events, it should not be implied that Connectivity extends the reporting requirements.

(d) the ***current financial effects*** of the undertaking's material risks and opportunities on its financial position, financial performance and cash flows and the material risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;

ESRS 2, SBM-3

g) During EFRAG's outreach for this DP, stakeholders highlighted that, when considering information disclosed as anticipated financial effects, it is important to distinguish between

(i) information that can be connected to financial statements at the reporting date Such as, the disclosure of short-term anticipated financial effects that may overlap with disclosures in the financial statements of assumptions and sources of estimation uncertainty that may result in a material adjustment in the carrying value of assets and liabilities within the next financial year under paragraph 125 of IAS 1 (paragraph 31A of IAS 8);

(ii) information that is likely to be connected to future-period financial statements; and

(iii) information that will never crystallise in future-period financial statements due to high existence and/or measurement uncertainty.

How is information that **overlaps** with financial statements considered AFE and not CFE?

CFE in the currently applicable ESRS include information **up to 1 year** (in any case, AFE would not be reflected in current financial statements)

Is the information likely to be **connected** to future-period financial statements or is the information **itself** likely?

How is information that **never** crystallises relevant for financial or sustainability reporting?

DP, p, 36.

Anticipated Financial Effects

Open issues

Again, the **distinction between CFE and AFE** needs to be clear.

Disclosure of anticipated financial effects Anticipated financial effects of sustainability matters may include: • potential liabilities (net-zero commitments, environmental and decommissioning liabilities, health and safety liabilities); • potential assets (R&D in transition-related assets and products, circular economy/ recycled materials, stranded assets, capex disclosed in the sustainability statement/disclosures); • potential expenses and revenue.	Anticipated financial effects may only crystallise in future-period financial statements. Nonetheless, there are possible anchor points in current-period financial statements as described below. **Forward-looking assumptions** related to current-period recognised line items measured based on forward-looking information (asset impairment, fair value of recognised assets and liabilities) **Disclosure of assumptions and other sources of estimation uncertainty** that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next 12 months under paragraph 125 of IAS 1 (paragraph 31A of IAS 8). The information in this disclosure may overlap with short-term anticipated financial effects disclosed in the sustainability statement/ disclosures **Disclosure of forward-looking information** on long-term investments and commitments	**Intertemporal connectivity** – link to future-period financial statements **Cross-referencing:** Where there is an overlap, the disclosure of anticipated financial effects in the sustainability statement/disclosures could cross-reference the disclosure of sources of estimation uncertainty in the financial statements under paragraph 125 of IAS 1 (paragraph 31A of IAS 8) **Coherence** by explaining any key differences between assumptions in the sustainability statement/ disclosures and the assumptions in the forward-looking information in the financial statements (e.g. differences in time horizon, whether amounts are discounted, likelihood of occurrence, scenario analysis outcomes versus accounting estimates based on best management estimate)

It needs to be clear that these are **examples**; it is not an exhaustive list

What about **cashflows**? Why revenues and not **income**?

This section is **important** – **but** should these aspect be guided through a DP on connectivity?

DP, p, 42.

Anticipated Financial Effects

Open issues

The **statistics are not interpretable** without concrete evidence. It needs to be clear (1) where the information is coming from, and (2) what the sample size and individual shares are.

b) During EFRAG's targeted outreach for this DP, the Draft Revised ESRS EDs' options were not presented or discussed. Instead, the focus was on getting stakeholders' views on the usefulness of this disclosure as a mechanism of intertemporal connectivity. Similar to the response to the Draft Amended ESRS EDs, a clear divide in the opinions of preparers and users about this disclosure emerged. Several preparers favoured qualitative disclosures for practicability reasons, including the challenges they faced when applying the currently immature methodologies for determining quantitative information. On the other hand, users and several other stakeholders indicated that quantitative disclosures are useful for the analysis of the companies' prospects and risk profiles. At the April 2025 EFRAG-hosted multistakeholder webinar, users described the information in this disclosure as an 'analyst's dream'. As highlighted in Chapter 2, it was underscored that when interpreting this disclosure, there is a need to distinguish between anticipated financial effects that may be reflected in current or future financial statements from those that may never crystallise in the financial statements.

Anecdotal evidence can be helpful, but it seems doubtful that multiple users called the topic – in quotes – an "analyst's dream". Do all users mean the same when they talk about AFE?

- There are **no AFE** in **current** financial statements
- Effects that are expected to **never** materialize are **not to be reported** as AFE

DP, p, 58.

Vielen Dank für Ihre Aufmerksamkeit.