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Update on the EFRAG research project on connectivity between financial and sustainability reporting information

Cover Note

Objective

- 1 Following the January 2023 EFRAG FR TEG and SR TEG meeting, the EFRAG FRB and FR TEG approved the scope and approach of the EFRAG research project on the connectivity between financial and sustainability reporting information. Thereafter, the project was discussed at the April and May 2023 EFRAG FR TEG meetings and the May 2023 joint EFRAG FRB and SRB meeting.
- 2 The purpose of this session is to update EFRAG SR TEG on the status of the project. The following papers will be applied for this session:
 - (a) Agenda Paper 05-02: A slide presentation that will be used for the update to EFRAG SR TEG
 - (b) Agenda Paper 05-03: Background paper that details the research objective, scope, and approach. The Appendices have a summary of other connectivity-related workstreams, multi-dimensional elements of connectivity, and illustrative draft ESRS requirements that may be linked to financial statements information.

Point of note – Connectivity Advisory Panel

- 3 Following the approval of the scope and approach by the EFRAG FRB and FR TEG, in March 2023, EFRAG launched a call for candidates for a multistakeholder EFRAG Connectivity Advisory Panel (EFRAG CAP). After 150+ applications, it is expected that 20+ appointments will be made including preparers, users, representatives from the audit profession, academia, and other subject matter experts including users besides investors.
- 4 EFRAG CAP is expected to be operational in Q2 2023 and it will be updated on the agreed objective, scope, elements of connectivity, and two-phase approach of the research project. EFRAG CAP will also be consulted on the following:
 - (a) User needs and expectations on connectivity including questions and concerns they face (it will cover their expected connections and what they don't expect to be connected).
 - (b) establishing an inventory of anchor points with good coverage of the E-S-G sustainability matters related to the agreed connectivity elements for the first phase of the EFRAG research project.
 - (c) For each anchor point (or an initial subset of them depending on the effort required):



- (i) develop a brief illustration of the conceptual boundaries of the different documents to be connected (i.e., what should and what should not be expected to be found in the primary financial statements, in the notes to the financial statements, in the sustainability statements and other sections of the management report);
- (ii) identify the possible applicable connectivity technique/s; and
- (iii) collect good existing examples and, where existing practices cannot be identified, consider developing mock-up disclosures.

Next Steps

- 5 The next update made to EFRAG SR TEG will be at the joint EFRAG FR TEG and SR TEG in-person meeting to be held on 18 October 2023. Concurrently, all agenda papers and the summary of discussions/decisions of EFRAG FR TEG meetings and EFRAG FRB meetings are and will be made available for EFRAG SR TEG members through ShareFile.
- 6 A Discussion Paper for Phase 1 of the project is expected in 2024. If appropriate, other deliverables may be considered as the project evolves.

Questions for EFRAG SR TEG

- 7 Does EFRAG SR TEG have any comments on the project update, the intended interaction with EFRAG CAP and the next steps?



