

**EFRAG**

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Direct dial: +31 (0)88 4960391
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Re: DASB reaction to EFRAG Discussion Paper Connectivity of Financial and Sustainability Reporting

Dear Sir, dear Madam,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to comment on EFRAG's Discussion Paper *Connectivity of Financial and Sustainability Reporting*, issued for public consultation on 17 December 2025. We value EFRAG's continued efforts to advance thought leadership in this area and recognise the considerable work invested in articulating the concept of connectivity and illustrating its application in current reporting practice.

The DASB fully acknowledges the importance of achieving a coherent and holistic set of information across the various components of corporate reporting. We support the definition of connectivity as an attribute of high-quality information that enhances the internal consistency of the annual report as a whole.

In this letter we will share some of the DASB overarching thoughts on the content of the Discussion Paper. The appendix contains our answers to the specific questions in the Discussion Paper.

1. Similar underlying assumptions for various report sections prerequisite for connectivity

In line with the Discussion Paper, the DASB emphasises the importance of respecting the boundaries between the different components of annual corporate reporting. The boundaries between various sections of corporate reporting are primarily defined by corporate legislation and reporting rules, as well as various levels of assurance engagements for specific parts of corporate reporting. The DASB is of the opinion that connectivity should support a coherent narrative, and should not blur the distinct purposes of financial statements, management board reports, and sustainability reporting/disclosures. For

instance, excessive use of cross-referencing may create unintended consequences such as hampering readability or unintentionally enlarging the audit scope.

The DASB believes that identical or similar underlying assumptions for the various sections of corporate reporting with similar objectives are a prerequisite for a coherent narrative of the annual corporate report. Within that entity-specific narrative, different sections of corporate reporting may appropriately highlight different aspects of performance and strategy while simultaneously be consistent. However, we would also like to note that if certain information has a clearly different objective, any differences in assumptions may be justified, for example a best estimate (of most likely outcome) versus worst/best-case scenario-analysis.

2. Connectivity between sustainability reporting and financial reporting

The Discussion Paper contains a broad definition of connectivity that is applicable to all corporate reports regardless of the size of the reporting entity and/or the (mandatory) legal framework applied. However, the Discussion Paper and supplemental document focus on the interaction between sustainability and financial information. The DASB notices that in EU member states only a limited group of companies is, or will be, required by the EU CSRD to report sustainability information .

The DASB notices that the Discussion Paper and the topic of connectivity in the corporate reports is perceived differently by entities within and outside the scope of the EU-CSR. Thinking about connectivity seems to be more mature for entities that are experienced in sustainability reporting or are used to (mandatorily or voluntarily) prepare a more extensive management report. Entities outside the scope of the EU-CSR might need some more guidance to increase connectivity in their corporate reporting.

3. Connectivity: follow-up suggestion

The current legislative framework that is applicable to the various sections of the annual corporate report, combined with existing frameworks and (practical) guidance on connectivity, can already be applied as tools to increase connectivity within the corporate report. The DASB believes that in this Discussion Paper sufficient research is conducted and, therefore, at this moment no additional research, clarification or standard setting on connectivity is needed.

The principle of connectivity is an unmistakable part of corporate reporting. The DASB suggests EFRAG to consider a lighter-touch approach going forward in order to safeguard and improve connectivity. The DASB suggests continuing this project by publishing annual observations on connectivity from reporting practice, similar in nature to the supplement accompanying the Discussion Paper. These observations are likely to inspire companies and stimulate developments or discussion. If specific issues or bottlenecks should emerge over time, targeted solutions can then be explored.

4. Conclusion

In conclusion, the DASB much appreciates EFRAG's initiative including this Discussion Paper. At this stage, we do not see a compelling need for additional standard-setting or formal guidance on connectivity. We encourage EFRAG going forward to facilitate learning from practice and to monitor developments over time. Should clear shortcomings emerge, targeted solutions can then be considered.

Please feel free to contact us if you wish to discuss the contents of this cover letter or our appendix.

Yours sincerely,

drs. G.M. van Santen RA
Chairman Dutch Accounting Standards Board

APPENDIX

The DASB believes that with the Discussion Paper sufficient research is conducted and no additional research, clarification or standardsetting on connectivity is needed at this moment. The principle of connectivity is an unmistakable part of corporate reporting. The DASB suggests EFRAG to consider a lighter-touch approach going forward to safeguard or improve connectivity. Example of a lighter-touch approach could be continuing this project by publishing annual observations on connectivity from reporting practice, similar in nature to the supplement accompanying the Discussion Paper. These observations are likely to inspire companies and stimulate developments or discussion. If specific issues or bottlenecks should emerge over time, targeted solutions can then be explored.

The DASB answers to the questions from the Discussion Paper should be read in light of the above.

The DASB suggests EFRAG finalizing the consultation by publishing a concise feedback statement (instead of redrafting or a new version of the Discussion Paper).

- 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 MCPS¹, 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)?**

In the Discussion Paper the types and mechanisms of connectivity of reported information are summarized in figures 2.2 and 2.3. and described from paragraph 2.14 onwards. The description of the different types and mechanisms of information across different reports is very thorough and complete. The DASB feels the figures clarify the topic.

The DASB suggests considering ranking the various connectivity types and mechanisms (e.g. from basic to more advanced) to provide additional clarity or guidance. Does the EFRAG DP expect a company to connect information by using every type and mechanism of connectivity or are some types/mechanisms of connectivity more important than others?

Regarding the content of chapter two, the DASB is critical regarding the additional mechanisms of connectivity as discussed in paragraph 2.29. *Requiring companies to explain*

¹ 2025 IFRS 1 Practice Statement-Management Commentary

why information cannot be connected (DP par. 2.29a/ Figure 2.3) could be quite burdensome for a company and less relevant for users. The DASB is unsure whether an explanation should always be required, or whether other solutions—such as flagging—might already provide enough clarification when the company has reasonable grounds to suspect that the information suggests a connection that does not actually exist.

Summary of sustainability-matters note in the financial statements (DP Par. 2.29b/Figure 2.3) might increase the scope of the financial statements, especially if the sustainability matters note contains more information than would be included in the financial statements, like information on anticipated financial effects. The DASB is of the opinion that connectivity-information shouldn't increase the content of the various sections of the annual report, which might blur the boundaries of the sections.

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?

DP Chapter 2 doesn't discuss voluntary information that might be included in the annual report. Chapter 1 (DP par. 2.6) and DP chapter 5 (par. 5.34) point out additional information that might be included in the annual report for example to comply with the fair presentation requirements. However, companies may include additional, sometimes non-standardized information, such as alternative performance measures or other information as requested by their stakeholders in the annual report. Stipulating the connection with the information in the annual report – especially if the additional information is non-standardized information – might be helpful for users.

c) 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.

Development of explicit connectivity- related requirements within the financial statements and from the financial statements to other sections of the corporate reports doesn't seem necessary. Naturally, connectivity within corporate reporting can improve.

The requirements and principles for financial reporting are mature and clear. The requirements and principles for sustainability reporting are maturing.

For that reason, the DASB suggests EFRAG to consider a lighter-touch approach going forward and continuing this project on connectivity for instance by publishing annual observations. These observations on connectivity from reporting practice, similar in nature to the supplement accompanying the Discussion Paper, are likely to inspire companies and stimulate developments or discussion. If specific issues or bottlenecks should emerge over time, targeted solutions can then be explored.

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

- illustrations from practice are a helpful tool in visualizing various examples of connectivity;
- some illustrations only illustrate connectivity in a basic shape (e.g. just a cross-reference or example of coherence (illustration ,2)) which may - unintentionally - hamper the ambition in developing connectivity. Although it is stated in the disclaimer of the supplemental document, it might be good to stipulate also in the discussion paper that the illustrations are a mapping of existing practices rather than clear benchmarks for leading practice.
- When specific issues or bottlenecks arise regarding connectivity, targeted solutions can then be explored. EFRAG could then consider adding suggestions on how to enhance connectivity to the illustrations from practice.
- DASB suggests continuing regular publishing illustrations from connectivity in practice as source of inspiration.

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.

The DASB is in favour of the use of illustrations and suggest EFRAG to keep sharing these in order to inspire companies and stimulate developments or discussion on connectivity. The DASB considers the illustrations of connectivity the most useful if connectivity is illustrated when it goes beyond the mechanisms of coherence and consistency of narrative and amounts. Like, illustration 1 which goes beyond the mechanisms of coherence and consistency of narrative amounts and illustrates the complementarity of the financial and the sustainability report. Whereas example 4 and example 12 are very useful in illustrating anticipated financial effects, including the difficulty of assessing uncertainty..

The DASB values the set of illustrations of connectivity, since the various examples together highlight the broadness of connectivity. We agree, in addition to the illustrations mentioned above, that connectivity is underlined by illustration 8 as it illustrates a form of reconciliation at the anchor point of Capex according to the EU Taxonomy and PP&E and by illustration 11

(Excerpt 1) as it illustrates a rare example of quantitative information on the risk of asset impairment due to transition risks.

- 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?**

The DASB believes the mentioned views on the observations on anticipated financial effects are recognizable. On the one hand, having quantitative disclosures might provide useful, but potentially less reliable information for users given the large amount of estimation uncertainty in these numbers. Qualitative information might then be more cautious and give a more prudent view.

If an entity would disclose quantitative anticipated financial information, it is key to disclose information on the judgements and assumptions applied so users will be able to understand in the appropriate context and include a statement of caution related to the interpretation of that information.

The principle of connectivity applies in corporate reporting, regardless of the framework used. However, the applicable framework does affect connectivity possibilities, for example by the boundaries it creates and the way it determines which information can be linked or integrated across topics. The DASB stipulates that the legislative framework has to mature on this point. The DASB gives in consideration the regular disclosure of annual observations. These observations on connectivity from reporting practice, similar in nature to the supplement accompanying the Discussion Paper, are likely to inspire companies and stimulate developments or discussion.

Regarding the inconsistent terminology across different reports the DASB is of the opinion that consistent terminology increases the readability of the overall report. Alignment of terminology used should be supported, and companies should try to keep that in mind and not use too many alternative performance measures (APM) in sustainability reporting in order to tell their story, unless this really helps in the narrative. If APMs are being used, then, in line with the use of APMs in financial reporting these should be explained, reconciled, and connected to other directly related measures as much as possible. In the view of the DASB

the overall view arising from each individual section of the corporate report should be aligned, the overall view should be one coherent narrative/storyline.

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?

The DASB feels the current legislative framework that is applicable to the various sections of the annual corporate report combined with existing frameworks and (practical) guidance documents on connectivity, can already be applied as tools to increase connectivity within the corporate report. The DASB questions whether additional research, clarification or standard-setting on connectivity is needed.

The basis of (improvement of) connectivity in reporting is found within the organisation's strategy and the cohesion and collaboration within the organisation in preparing annual corporate reports. Examples of which are:

- Coherent communication: increasing the linkage between the strategy, IROs, actions and reported metrics as well as financial effects requires a company to have an integrated approach by both the financial and non-financial information teams within a company to bring the overall storyline of the company together.
- One storyline with different highlights in the reporting of entities' strategies and business models in the various sections of the report: To address this, this would require sufficient collaboration between management and the non-financial team to translate the overall strategy to how this relates to sustainability, and the other way around.
- Awareness and identification of connections across different sections of the annual reports. To address this, a 'stand-back' approach from the preparers in the preparation phase of the report might help, in which it is questioned whether all information can be understood on a stand-alone basis, or requires additional information / reconciliations etc to be understandable.
- Prevention of inconsistent terminology across various sections of the annual report: This can be improved by increased collaboration between teams of the preparer, and agreement on terminology to use.

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?

N/A

- **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.**

The DASB underlines that if unclarity arises about the borders of the financial statements then this could be a trigger to research the cause of the unclarity and – if needed – find suitable solutions. Currently, the DASB feels a rationale is lacking for standard-setting or guidance documents on (further) connectivity. Also, differences in the level of assurance engagements for the financial and sustainability statements strengthen the current boundaries between the various parts of corporate reporting and in a way hamper efforts to increase connectivity.

- 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.**

In general, the suggestions could provide more clarity and enhance connectivity. The DASB is of the opinion that the entity should only disclose such information of unrecognised intangibles if this is relevant in the context of the purpose of the financial statements, however the DASB is aware that such disclosures are in practice often a source of discussion. In most situations you would rather expect that such information would be included in the management board report, such that these investments are linked to the related overall strategy and performance of the company.

- 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)?

Currently, the DASB believes a rationale is lacking for rule-setting or guidance documents on (further) connectivity.

- 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.**

Identifying these indicators can enhance the assessment of intertemporal connectivity.

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:

- transition from intent or exposure to binding commitments
- regulatory developments
- occurrence of actual incidents

- 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.**

The DASB expects that aggregation and disaggregation is based on the legislative framework as well as the principle of materiality, which is focused on the user's needs. In the financial statements (dis)aggregation is mainly segment based while sustainability reporting uses different bases for (dis)aggregation such as location. Following up on these observations on differences in the level of (dis)aggregation in the financial and sustainability statements, the sharing of these observations as illustrations might be a source of inspiration and discussion

although this may not necessarily result in an increase of similar levels of aggregation. If problems arise, targeted solutions can be developed. Currently, the DASB is not aware of problems caused by differences in the level of (dis)aggregation in the financial statements and sustainability statements. However, for financially material sustainability information it may be helpful for users if this information is disaggregated in line with the segment reporting in the financial statements.

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

We do not have specific comments on this question.

- 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)**

We do not have specific comments on this question.

- 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?

The DASB emphasizes that digital taxonomies should reflect the structure of information as envisaged by reporting standard setters. XBRL is not a tool to discover such a structure, meaning that XBRL is digital layer added to information and XBRL does not create information. The development of structured data can proceed only to the extent that standards have identified clearly defined information elements with a clearly understood connectivity relationship.

- **Question 8: Other**

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

We do not have any additional input in this respect.