



EFRAG

Stockholm 29 June 2026

FAR comments: EFRAG Discussion Paper Connectivity of financial and sustainability reporting

FAR, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the above-mentioned EFRAG *Discussion Paper Connectivity of financial and sustainability reporting*.

FAR has outlined its most important general feedback below. Additionally, please find further comments related to individual questions in the Appendix to this letter.

FAR appreciates the effort spent by EFRAG on this discussion paper (DP) and FAR finds it is helpful in aggregating existing information on the topic and moving the discussion forward, facilitating a shared understanding and vocabulary on the topic.

The stated purpose and suggested way forward are noted; however, it is still important to emphasize the need for EFRAG to reflect on how it intends to move this project forward and achieve actual meaningful outcomes.

It is noted as important that EFRAG explicitly mentions that connectivity as a concept is broader than only connectivity between financial statements and sustainability reporting. Meanwhile, most of the DP, and illustrations in the supplemental document, relate specifically to sustainability. FAR considers it beneficial if the fact that connectivity is broader is more clearly reflected in both text and examples.

On the topic of the recommendation to the IASB to consider including explicit requirements in the IFRS Accounting Standards for connections of information within and outside the financial statements, and other recommendations to the IASB in the DP, FAR does not identify a need for changes to recognition requirements within financial reporting. Also, FAR generally does not consider it necessary to include explicit requirements on connectivity in the IFRS Accounting Standards.

FAR emphasizes that the financial statements remain a standalone report and would argue that the reporting boundary is already clear. Sustainability information deemed financially material within the



time periods relevant for financial reporting should already be included in the financial statements under current financial reporting regulations, either through specific requirements or through IAS 1.31 / IFRS 18.20 and the concept of faithful representation in the Conceptual Framework.

Regarding negative statements, i.e. disclosures that something does not exist/apply or has not occurred, FAR cautions against such requirements in standard setting, especially for financial reporting. This would risk opening the door to a large number of negative statements being included in reports which could obscure relevant information. However, FAR acknowledges that certain targeted disclosure requirements regarding negative statements can be of great use to stakeholders. Such disclosure requirements should in FAR's opinion be restrictively implemented, targeted, specific, and be accompanied by examples/guidance to clarify in what situations such new requirements would be relevant.

Lastly, FAR considers the large number of illustrations and examples covered in the DP and its supplemental document as generally helpful in framing the understanding of the current use of connectivity in practice.

However, FAR believes it is very important to uphold principle-based standards and reporting. Therefore, FAR would caution EFRAG that including a large number of examples risks being interpreted as best practice even if it is stated that this is not the intention. This could lead to boilerplate-type disclosures for areas where examples exist, but where the matter is not actually significant to the reporting entity as well as non-disclosure on matters significant to the reporting entity, but where no example exists. A balanced approach and careful framing of examples is needed to combine the positives of adding examples while reducing the potential downsides. Further, FAR would emphasize that connectivity in general, and sustainability reporting practice in particular, is an evolving area and that this likely warrants a need to update examples given the risk of being seen as best practice.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Pernilla'.

Pernilla Lundqvist
Chairman Accounting Practices Committee

Appendix

Question 1:

- Comments related to connectivity mechanisms cross-referencing and disclosing in a summary note:
 - From a financial statement perspective, practical experience shows that these two connectivity mechanisms often correspond with higher quality and more entity specific disclosures about climate-related matters directly in the financial statements. This is typically evident when specific sections of the sustainability report are referenced, rather than just a general statement that the entire report was considered in preparing the financial statements. Cross-referencing from the sustainability statement to other information reduces the risk of information duplication and facilitates collaboration within the company among teams regarding the disclosed information.
 - However, this does not necessarily entail the need to develop specific requirements for these connectivity mechanisms or to introduce a dedicated connectivity requirement within the IFRS Accounting Standards. This aspect is intended to be addressed by the requirement in IAS 1.31 (IFRS 18.20), as demonstrated in Example 1, Scenario 1 of the IASB's *Disclosures about Uncertainties in the Financial Statements—Illustrative examples* (Illustrative disclosures).
 - It is also noted in the DP that connectivity is not part of the Conceptual Framework. However, FAR is not certain it is necessary to define this concept within the Conceptual Framework, as the concept of faithful representation, one of the qualitative characteristics, already serves as an overarching requirement that financial statements should be complete. If connectivity were to be added this would require a clear definition of both the concept and of the users for which this information is provided.
 - IFRS Accounting standards are, and should stay, principle-based. Additional standard setting or even adding too much application guidance and illustrative examples (e.g. to IAS 1.31 / IFRS 18.20) may take a step towards more rule-based accounting.
- FAR agrees that the concepts of consistency and coherence have an important role to play in building connectivity both within and between reports. An important such application of connectivity is a focus on avoiding contradictions between financial and sustainability reporting. For example, by ensuring that the actions (already carried out) described in the sustainability reporting narrative are aligned with the significance of the current financial effects of these actions. To be noted, however, that coherence is not clearly defined yet.
- FAR does not identify significant issues with cross-referencing to the financial report from the sustainability report, in a Swedish setting, as means of creating connectivity. Varying levels of assurance between different parts of the annual report may create temporary challenges for the assurance providers, but FAR is confident that the profession will be able to solve these in due course. FAR recognizes that in jurisdictions with a tradition of multiple assurance providers for different parts of the annual report this may be considered differently, but this is not a prevalent issue in Sweden.

- Differences in reported information between different reports may only be perceived as inconsistencies, as the underlying principles are different. For example, the financial statements and the sustainability statement have a different time perspective regarding financial effects. Therefore, there might be disclosures on potential future financial effects in the sustainability statement which are not yet reflected in the financial statements, which can be as expected and correct.

Question 3:

- Practical experience working with clients shows possible misinterpretations of the IASB's illustrative examples, in that a negative statement is required when something does not exist/apply or has not occurred. This often leads to boilerplate disclosures, such as stating that climate is considered but not material, without explaining how it was considered, because in practice it was not. Refer to the discussion in paragraphs 4.19-4.20 of the DP.
- It should be kept in mind that the financial reports have had years to develop in standard setting and in practice. Both standard setting and practice for the sustainability report are still very much developing, as are disclosure requirements. E.g. disclosure requirements regarding financial effects are still being phased in.

Question 4:

- FAR disagrees with the need for standard setters to undertake specific work to clarify the borders/boundaries of financial reports and sustainability reports. The respective accounting and sustainability standards already define the boundaries of each report. However, standard setters should be aware of areas where their respective standards require different information about the same transaction, event, phenomena, or condition. In these areas, FAR expects them to work together to ensure that, wherever possible, a consistent approach is taken to the information required. This would likely enhance understandability of the information by users and reduce the costs of preparation by companies.

Question 5:

- It is key to reflect on the starting point of connectivity, i.e. the perspective from which connectivity is considered. While connectivity is broader than only financial and sustainability reporting, if focused on those, it is widely accepted that financial statements are standalone elements and therefore self-sufficient. In FAR's view that should define the starting point of connectivity. That is, for example, connectivity through reference should be encouraged by adding references to the financial report from the sustainability report instead of introducing financially non-material, potentially obscuring, information to the financial statements.
- Financial reports and sustainability reports have their own respective requirements and the standards applied in preparing them create the appropriate content boundaries for each report. Therefore, connectivity should generally be achieved through how disclosures are made, not through adding additional disclosures in either report. This also means that it is natural that the level of disaggregation in the financial statements and the sustainability statements is not always the same.
 - The example on IFRS 8 disclosures, and the lack of sustainability disclosures therein, FAR does not consider a failure in reporting requirements. Rather as expected, based

on the requirements of IFRS 8, as an accurate reflection of the actual decision-making and resource allocation in companies.

- The recent examples published by the IASB relating to disclosures about uncertainties in financial statements might support connectivity, but they also show that a lot is already included in the standards in their current form. Primarily they highlight the importance of fully meeting the requirements of IFRS Accounting Standards in relation to:
 - The requirement to include additional information when that information is material to the financial statements (IAS 1.31/IFRS 18.20);
 - Disclosures about accounting judgements made in preparing the financial statements (IAS 1.122); and
 - Disclosures about assumptions and sources of estimation uncertainty (IAS 1.125).

Question 7:

- FAR considers that XBRL and structured data have potential in enhancing connectivity and can become a meaningful contributor. However, while XBRL and structured data can help document and enhance the visibility of existing connectivity in reports; it cannot create connectivity that is not already present in the underlying report. XBRL application to structure the underlying data will force issuers to clearly define these existing cases of connectivity, which is useful for end users and especially for AI analysis. However, the process to explicitly define such connectivity in XBRL will likely lead to challenges if the connectivity in the underlying report is not already clear and intentional.
 - An example FAR observes in practice is that some issuers currently present vague, non-definitive, qualitative disclosures in their underlying report for certain specific disclosure requirements in the ESRS standards which will need to be XBRL tagged with a Boolean in the future and therefore clearly defined as either “true” or “false” in the machine-readable report. While the machine-readable Boolean is potentially very useful from a data-analysis perspective, its application becomes problematic if the underlying disclosure does not contain that same degree of clarity/certainty and could potentially lead to a mismatch between the underlying report and the machine-readable report.

Question 8:

- Connectivity can be considered as one of the key measures to mitigate/reduce greenwashing.
- Achieving connectivity is more than just a reporting exercise; it requires organizational measures and better transfer of information through connecting people. Here FAR observes a positive general trend amongst mandatory ESRS reporters towards organizing sustainability reporting functions more closely together with the financial reporting functions.