

# EFRAG proactive research project on Connectivity

Roundtable – *Practical considerations of connecting financial and sustainability reporting*

25 April 2025

*Questions to participants*



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#### *Confidential information*

This roundtable discussion has been organised by the EFRAG Secretariat to collect input from its constituents, which will be used for an EFRAG Discussion Paper. The views collected in this event will not be shared publicly in a manner where individuals are identified.

#### *Recording*

The event will be recorded for internal use only for the purposes of developing the Discussion Paper (expected in 2025). The recording will not be shared publicly.

By attending this meeting, you agree with the above.

## OVERVIEW

- EFRAG CONNECTIVITY PROJECT BACKGROUND
- WHAT WE MEAN BY CONNECTIVITY
- OBJECTIVES OF ROUNDTABLE DISCUSSION
- FOUR SELECTED ILLUSTRATIONS OF CONNECTIVITY
- QUESTIONS FOR ROUNDTABLE PARTICIPANTS

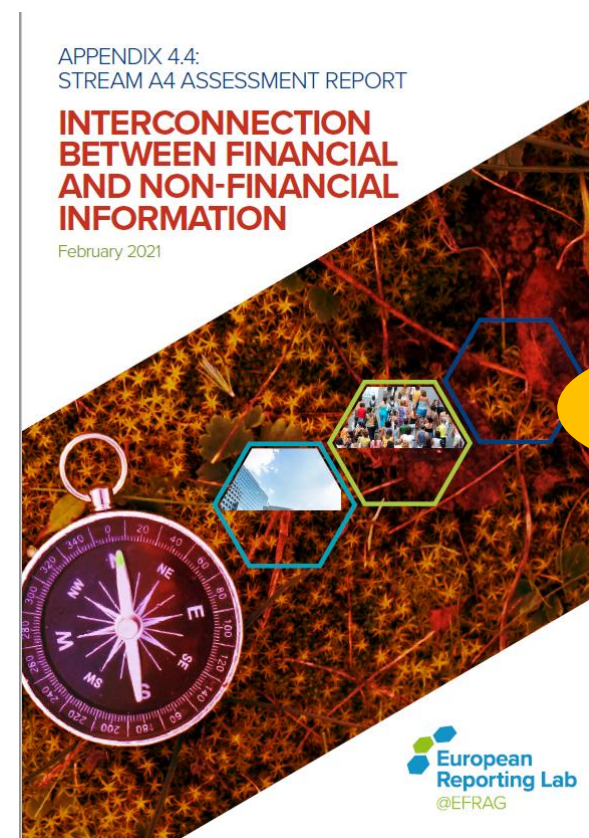


## EFRAG CONNECTIVITY PROJECT BACKGROUND

# EFRAG'S PUBLICATIONS ON CONNECTIVITY - 2021



[Access the report](#)



[Access the report](#)

## KEY MESSAGES IN THESE PUBLICATIONS

**CONNECTIVITY IDENTIFIED AS ONE OF THE KEY STEPS FOR SETTING UP A ROBUST CORPORATE REPORTING SYSTEM (BOTH FR AND SR) IN THE EU.**

**REQUIREMENTS FOR RECIPROCAL (TWO-WAY) CONNECTIVITY WERE SUGGESTED.**

**IT WAS NOTED THAT CONNECTIVITY LESSENS INFORMATION GAPS, HELPS TO AVOID OVERLAPS/DUPLICATIONS AND CONTRIBUTES TO COHERENT REPORTING.**



[Access the report](#)

**EFRAG RESEARCH PROJECT ON CONNECTIVITY- APPROVED BY EFRAG FRB IN 2022**

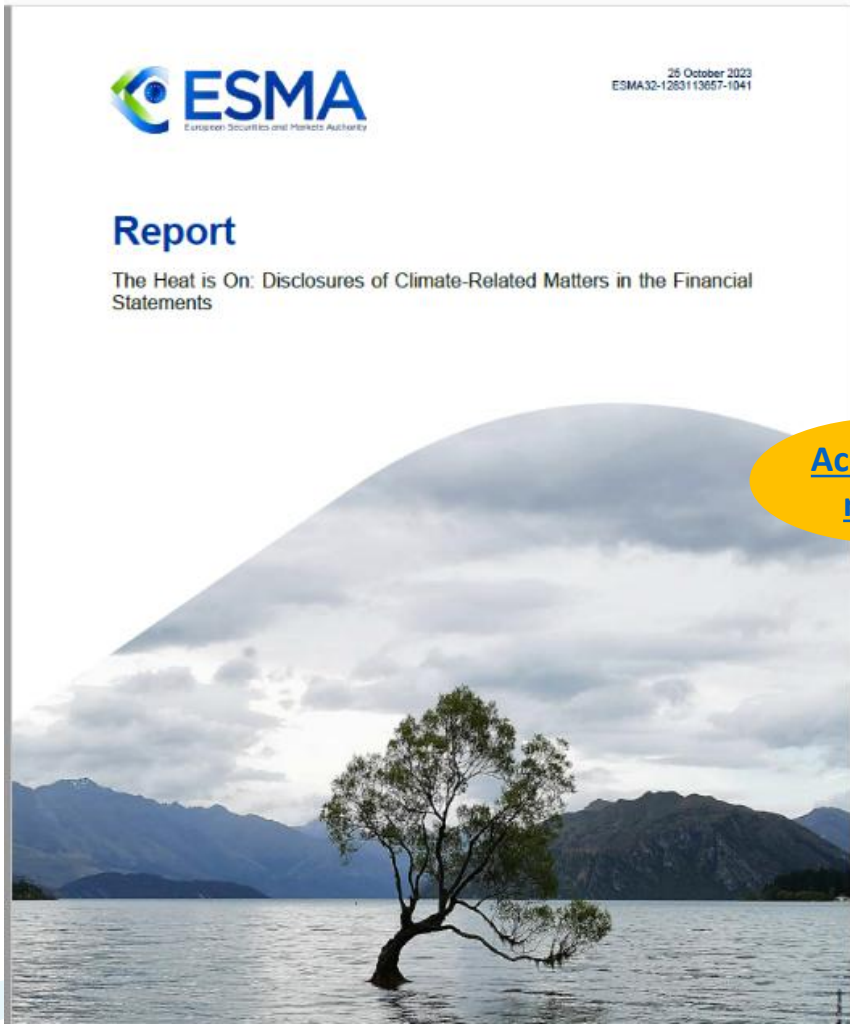
**23-PERSON EFRAG CONNECTIVITY ADVISORY PANEL (CAP) CONSTITUTED & ACTIVE FROM 2H 2023**

**INTERIM DELIVERABLE/INITIAL PAPER PUBLISHED ON 28 JUNE 2024**

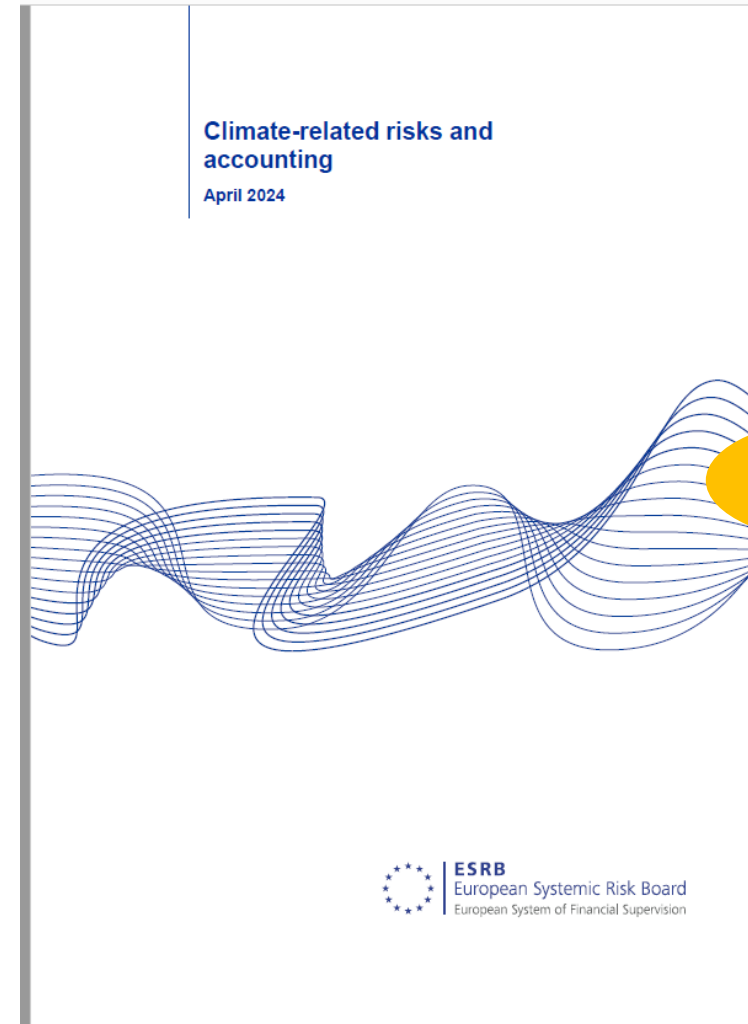
**Video providing initial paper's key takeaways from the perspective of EFRAG CAP leaders**

**DISCUSSION PAPER EXPECTED IN 2025**

# IMPORTANCE OF CONNECTIVITY HIGHLIGHTED IN EU REGULATORY PUBLICATIONS



[Access the report](#)



[Access the report](#)

***“Failing to ensure connectivity between accounting and sustainability standards can have negative effect on the quality of information disclosed to capital markets, with potentially system-wide consequences”- 2024 ESRB REPORT***



## Promoting connections in financial reports

**Connecting IFRS Accounting and IFRS Sustainability**

Follow

ABOUT RESOURCES CONNECTED WORKING NEWS

**PURPOSE**  
At a glance  
What do we mean by connecting IFRS Accounting and IFRS Sustainability?

- purpose—comprehensive and coherent information for capital markets in general purpose financial reports prepared applying IFRS Standards
- products—compatible and complementary IFRS Accounting Standards and IFRS Sustainability Disclosure Standards and the related digital taxonomies
- people—collaborative working between IASB and ISSB members and technical staff across the boards projects and other activities.

**PRODUCTS**  
Complementary products

To meet stakeholder demand for high-quality comprehensive information, we work to ensure that our products—particularly IFRS Accounting Standards and IFRS Sustainability Disclosure Standards and our digital taxonomies that facilitate digital reporting—are well-coordinated and result in complementary information about a company.

**Shared purpose**  
Investors and other capital market participants need both financial statements and sustainability-related financial disclosures to make informed decisions. Our stakeholders, in particular investors, have consistently emphasised the importance of those reports providing connected information about a company.

The International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) are committed to developing IFRS Standards that enable companies to meet these needs. This commitment is embedded in the IFRS Foundation Constitution which establishes the focus on high-quality reporting to meet the needs of capital markets and requires the boards to work together towards their shared purpose.

**Related information**  
IFRS Foundation Constitution  
Integrated reporting  
Digital financial reporting

**Featured projects**  
Climate-related and Other Uncertainties in the Financial Statements  
Human Capital  
Intangible Assets  
Management Commentary  
Provisions—Targeted Improvements

New webpage

**Webcasts—Connectivity between the financial statements and sustainability-related financial disclosures**

The International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) recognise the importance of connectivity between the respective standards and the provision of high-quality financial information to capital markets.

In the related video, IASB and ISSB discuss their joint efforts to develop IFRS Accounting Standards and IFRS Sustainability Disclosure Standards together and the related digital taxonomies.

**Webcast 1: IFRS Standards, Complementary and Connected Information**  
This webcast discusses the importance of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards together and the related digital taxonomies.

**Webcast 2: Climate-Related and Other Uncertainties in the Financial Statements**  
In the related video, IASB and ISSB discuss their joint efforts to develop IFRS Accounting Standards and IFRS Sustainability Disclosure Standards together and the related digital taxonomies.

**Webcast 3: Provisions—Targeted Improvements**  
In the related video, IASB and ISSB discuss their joint efforts to develop IFRS Accounting Standards and IFRS Sustainability Disclosure Standards together and the related digital taxonomies.

**Webcasts with connectivity examples**

**IFRS Accounting**

July 2024  
**Exposure Draft**  
IFRS<sup>®</sup> Accounting Standard

**Climate-related and Other Uncertainties in the Financial Statements**  
Proposed illustrative examples

Comments to be received by 28 November 2024

**February IASB-ISSB joint meeting**

International Accounting Standards Board IASB/ED/2024/6

**FEATURED PROJECTS**

**Climate-related and other uncertainties in the financial statements (IASB)**

**Human capital (ISSB)**

**Intangible assets (IASB)**

**Management commentary (IASB)**

**Provisions-Targeted Improvements (IASB)**

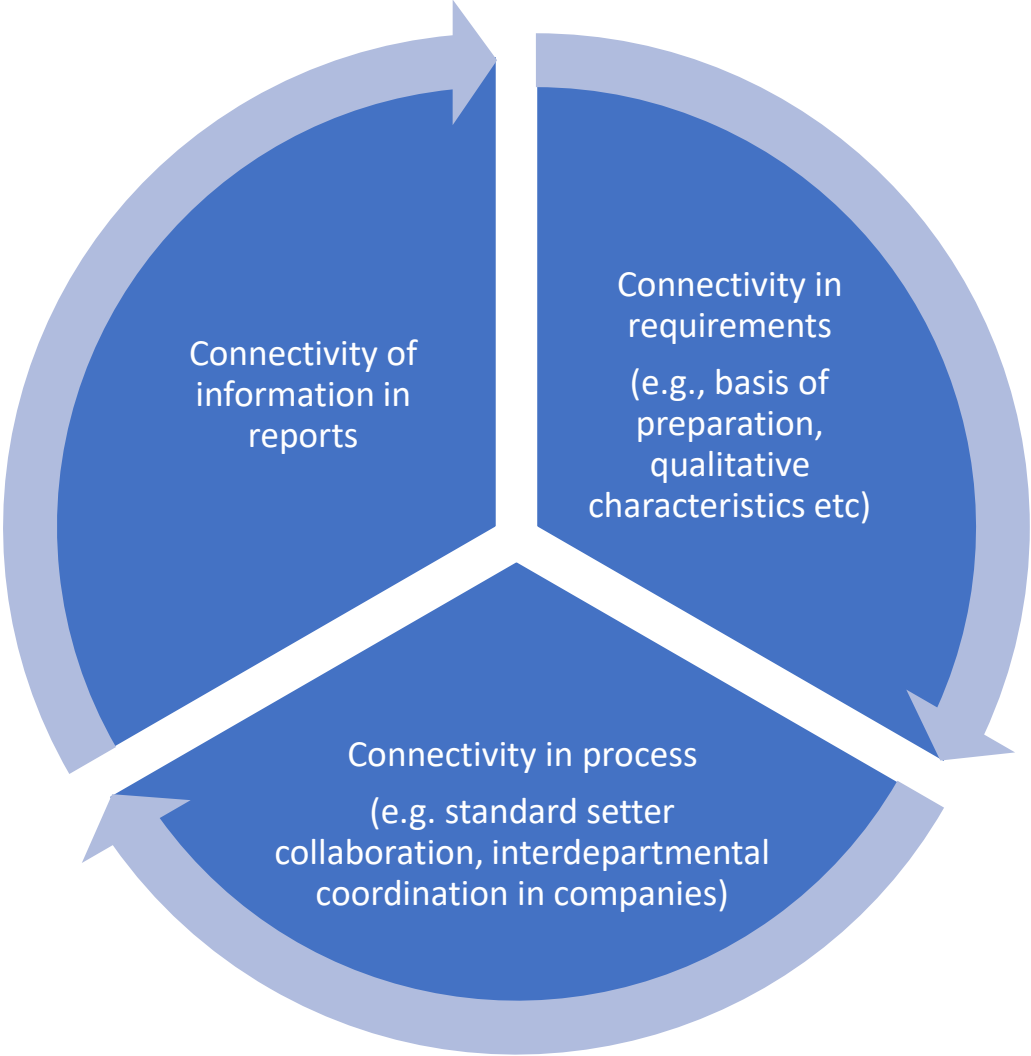


## WHAT WE MEAN BY CONNECTIVITY

**Connectivity of information definition**

*“the attribute of information that supports the provision of a holistic and coherent set of information within and across different parts of the Annual Report.”*

**EFRAG Initial Paper definition**



**Connectivity is necessary for a coherent, complementary annual reporting package**

**DIMENSIONS OF CONNECTIVITY OF REPORTED INFORMATION**  
 (Source: ESRS, ISSB Standards, IASB MCPS ED)

**Overarching aspect- integration of information to convey value creation**

- Communication/depicting the effects of strategic responses to (impacts, risks and opportunities) on sustainability performance, financial performance and financial position
- Entity’s explaining how their strategy and business model, risks and opportunities are linked to financial position, financial performance, cash flows, other metrics and targets in short, medium and long term (ESRS 1.123 and IFRS S1.35 and IFRS S1.B44)
- Linking disclosures of risks entities face from reliance on resources/ dependencies to entities actions/ strategy to mitigate these risks and disclosed related current and anticipated financial effects (ESRS 1.123 and IFRS S1.B43)
- Explaining trade-offs between risks and opportunities faced when setting strategy (IFRS S1.B44)

**Connecting interrelated quantitative and narrative information**

- Linking quantitative via cross-referencing (**direct connectivity as per ESRS**) (ESRS 1.124-125)
- Linking quantitative information via reconciliation (**indirect connectivity as per ESRS**) (ESRS 1.124-125)
- Qualitative disclosures stating financial statements line items affected by disclosed risks and opportunities if unable to disclose quantitative current and anticipated financial effects (IFRS S1.B40)
- **NON-MANDATORY ELEMENTS BELOW**
- Not required, stakeholders have also suggested explaining why information cannot be connected (e.g., due to differing level of aggregation) could be useful
- Correlation and cause and effect links (voluntary practice, e.g., SAP past reports)

**Other overarching aspects of connectivity**

- **Consistency:** Consistent data, narrative/qualitative disclosures, assumptions and units of measurement (presentation currency) across SR and the financial statements (ESRS 1.127-128 and IFRS S1.23)
- **Coherence:** Presentation and disclosure of information within and across different corporate reports in a manner that gives a more complete picture of an entity’s value creation while depicting the interrelatedness of the overall reported information (**Derived from IASB 2021 MCPS ED**) (same notion as complementarity)
- Disclosure and explanation of lack of consistency is an element of coherence

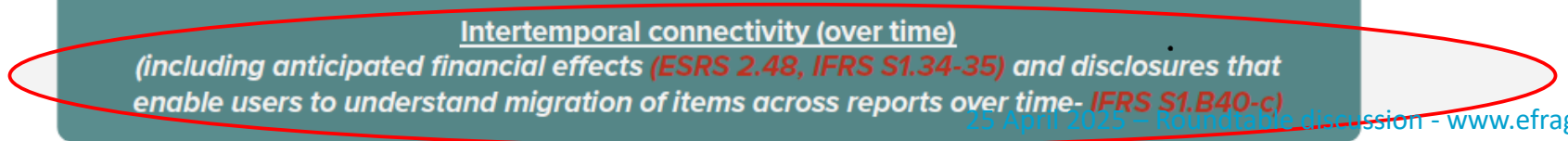
**Connectivity at a point in time**  
 (including current financial effects) (ESRS 2.48, IFRS S1.34-35)

vs

**Intertemporal connectivity (over time)**  
 (including anticipated financial effects (ESRS 2.48, IFRS S1.34-35) and disclosures that enable users to understand migration of items across reports over time- IFRS S1.B40-c)

Connectivity within a reporting period/across AR sections (**current financial effects**)

Connectivity across different reporting periods (**anticipated financial effects**)





## OBJECTIVES OF THE ROUNDTABLE DISCUSSION

## OBJECTIVES OF THE ROUNDTABLE DISCUSSION



Exchange views on the suitability of selected illustrations of connectivity drawn from company annual reports



Exchange insights on the practical challenges and benefits of achieving connectivity in practice



FOUR SELECTED  
ILLUSTRATIONS OF  
CONNECTIVITY



MONDI GROUP 2024 –  
CURRENT AND ANTICIPATED  
FINANCIAL EFFECTS  
(2 ILLUSTRATIONS)

# BACKGROUND INFORMATION (1/2)

## Sector: Packaging and paper

### Geographic Footprint

- Global company, headquartered in the UK, employs 22,000 people across 100 production sites in more than 30 countries, with key operations located in Europe, North America and Africa.
- Diversified operations reduce risk exposure to regional disruptions.

### Company's definition of time horizon

- Short- (up to three years),
- Medium- (three to seven years), and
- Long-term (more than seven years)

## 10 Material topics

| MAP2030 areas                  | Material topics   |
|--------------------------------|---|
| CIRCULAR DRIVEN SOLUTIONS      | Circular economy<br>Product quality and safety <sup>1</sup>   |
| CREATED BY EMPOWERED PEOPLE    | Diversity, equity and inclusion <sup>1</sup><br>Working conditions and human rights <sup>1</sup>                          |
| TAKING ACTION ON CLIMATE       | Biodiversity and fibre sourcing<br>Climate change adaptation <sup>2</sup><br>Climate change mitigation<br>Energy<br>Water |
| RESPONSIBLE BUSINESS PRACTICES | Business conduct <sup>2</sup>   |

1 Only material from an impact perspective.  
2 Only financially material.

Company incorporates a separate [Sustainable Development report](#) which is in the Annual Report by cross reference, to explain the double materiality analysis.



Climate resilience through our forests and operations for the future of the planet

| 2024 performance  |   |
|---|---|
| Reduce our greenhouse gas emissions in line with science-based Net-Zero targets   |   |
| Reduce Scope 1 and 2 GHG emissions by 46.2% by 2030 from a 2019 baseline  | ● |
| Reduce Scope 3 GHG emissions by 27.5% by 2030 from a 2019 baseline  | ● |
| Reduce Scope 1, 2 and 3 GHG emissions by 90% by 2050 from a 2019 baseline   | ● |
| Maintain zero deforestation in our wood supply, sourcing from resilient forests   |   |
| Maintain 100% FSC™ certification in our own forestry landholdings   | ● |
| 100% responsibly sourced fibre with 75% FSC™- or PEFC-certified fibre procured by 2025 and the remainder meeting the FSC Controlled Wood standard | ● |
| Implement leading forestry measures to ensure productive and  | ● |

## Key segments

### Business unit proportion of Group total

- Corrugated Packaging
- Flexible Packaging
- Uncoated Fine Paper

#### Revenue



#### Underlying EBITDA



#### Capital employed



## Our business units

### Corrugated Packaging



Mondi is a leading producer of corrugated packaging with a cost-competitive asset base and strong customer offering focused on quality and reliability. We are the leading virgin containerboard producer in Europe and the largest containerboard producer in emerging Europe. Our virgin containerboard is a high-quality product with excellent properties for specialised end-use applications, ideal to meet our customers' needs around the globe.

We are also a leading corrugated solutions producer across central and emerging Europe. We leverage our integrated production network and partner with our customers to create fully recyclable corrugated boxes and packaging.

### Flexible Packaging



We are a global flexible packaging producer, integrated across the value chain with a unique portfolio of solutions. As a global leader in the production of kraft paper and paper bags, our well-invested mills produce high-quality kraft paper that is converted into strong, lightweight paper-based packaging. With our high level of integration across the value chain, our customers come to us for scale, security of supply and global reach.

We are also a leading producer of consumer flexible packaging in Europe and have broad coating capabilities which together provide an extensive and unique range of paper, plastic and hybrid packaging solutions.

### Uncoated Fine Paper



Our Uncoated Fine Paper business produces a wide range of home, office, converting and professional printing papers at our mills in central Europe and South Africa. We are the supplier of choice for our customers, leveraging our leading positions in these regions. In South Africa, we also produce and sell market pulp to customers around the world.

## Preparation and assurance of sustainability statement

Sustainability reporting as per GRI and SASB Standards

Provides voluntarily information on [ESRS and performance index](#) (reference to TCFD for information on ESRS E1-9 on Anticipated financial effects)

Scope 1 and 2 GHG emissions - reasonable assurance

Other selected sustainability information and KPIs – limited assurance

Company identifies and describes its six categories of **climate-related risks** (i.e. **Physical risks** and **Transition risks**) and two categories of **Climate change-related opportunities**. For each category of these categories, the company notes the applicable time horizon.

## Physical risk

|   |  |
|---|--|
| <p><b>1. Higher wood procurement costs</b></p> <p>Annual estimated Financial impact (75-140 €m)</p> <p>Long-term</p>        | <ul style="list-style-type: none"> <li>• Large-scale forest damage due to temperature increase, changes in rainfall patterns and windstorms.</li> <li>• A reduction in the cutting capacity of saw mills could lead to a change in the mix of available pulpwood and sawmill chips.</li> <li>• Increasing competition for wood.</li> </ul> |
| <p><b>2. Risk of flooding</b></p> <p>Annual estimated Financial impact (15-85 €m)</p> <p>Long-term</p>                      | <ul style="list-style-type: none"> <li>• Surface water flooding (eg after extreme rainfall) as the mills are close to rivers</li> <li>• Mill downtime due to wider infrastructure damage due to significant flooding</li> </ul>  |
| <p><b>3. South African plantation yield loss</b></p> <p>Annual estimated Financial impact (15-20 €m)</p> <p>Medium-term</p> | <ul style="list-style-type: none"> <li>• Disruptions and decreased harvesting capacity due to extreme weather conditions, e.g, fire when there is drought and increased vulnerability of trees to pests and diseases when higher temperatures.</li> </ul>  |

## Transition risks

|  |   |  |   |   |  |
|--|---|--|---|---|--|
| <p><b>4. Energy supply costs</b></p> <p>Annual estimated Financial impact (60-110 €m)</p> <p>Medium-term</p> | <ul style="list-style-type: none"> <li>• Increase in medium term by up to 10-20% due to increasing regulation on fossil-based energy sources, increased demand for renewable energy and the shifting energy supply mix</li> <li>• Medium to long-term: Wind and solar energy supply can be inconsistent due to weather patterns leading to reliance on fossil fuels during the energy transition period.</li> </ul> | <p><b>5. GHG emissions regulatory changes (net impact)</b></p> <p>Annual estimated Financial impact (40-80 €m)</p> <p>Short to medium-term</p> | <ul style="list-style-type: none"> <li>• Impact of 9 out of 13 pulp and paper mills under the EU Emissions Trading Scheme. E.g, 5 may face a deficit of the EU ETS allowances in the short to medium term, resulting in a potential Group net deficit position.</li> <li>• South African carbon tax on emissions from fossil fuel combustion</li> </ul> | <p><b>6. Asset impairment risk</b></p> <p>Annual estimated Financial impact (10-30 €m)</p> <p>Long-term</p> | <ul style="list-style-type: none"> <li>• Risk of impairment if regulations require fossil-based energy plants to be decommissioned by a certain date.</li> </ul> |
|--|---|--|---|---|--|

## Climate change-related opportunities

|  |  |   |   |
|--|--|---|---|
| <p><b>1. Changing customer behaviour</b></p> <p>Annual estimated Financial impact (120-240 €m)</p> <p>Short to long-term</p> | <ul style="list-style-type: none"> <li>• An opportunity to meet the demand for more sustainable products based in leading corrugated packaging and flexible packaging footprint and increasing the focus on recyclability and the amount of recycled content used within our solutions.</li> <li>• 1-2% per annum revenue growth in the packaging businesses in the long term</li> </ul> | <p><b>2. Reduced operating costs through energy efficiency</b></p> <p>Annual estimated Financial impact (15-25 €m)</p> <p>Medium-term</p> | <ul style="list-style-type: none"> <li>• Cost savings by improving the efficiency of their energy plants and manufacturing operations.</li> </ul> |
|--|--|---|---|

| Our principal risks |    |   | Link to strategy                      |   |   |   |   |
|---------------------|----|---|---------------------------------------|---|---|---|---|
|                     |    | Delegated risk owner  |                                       |   |   |   |   |
| <b>Strategic</b>    | 1  | Industry productive capacity                                    | ●                                     | ● |   |   |   |
|                     | 2  | Product substitution  |                                       | ● |   | ● |   |
|                     | 3  | Fluctuations and variability in selling prices or gross margins | Executive Committee                   | ● | ● |   | ● |
|                     | 4  | Country risk  |                                       |   | ● |   |   |
|                     | 5  | Climate change risks  | Group Head of Sustainable Development | ● | ● |   | ● |
| <b>Financial</b>    | 6  | Capital structure   | ●                                     | ● |   |   |   |
|                     | 7  | Currency risk   | ●                                     | ● |   |   |   |
|                     | 8  | Tax risk  | Group Head of Tax                     | ● | ● |   |   |
| <b>Operational</b>  | 9  | Cost and availability of raw materials                          | ●                                     |   |   |   |   |
|                     | 10 | Energy security and related input costs                         | ●                                     | ● |   |   |   |
|                     | 11 | Technical integrity of our operating assets                     | Group Head of Operations              | ● | ● |   |   |
|                     | 12 | Environmental impact  | Group Head of Sustainable Development | ● |   |   |   |
|                     | 13 | Employment and contractor health and safety                     | Group Head of Safety & Health         |   |   |   | ● |
|                     | 14 | Attraction and retention of key skills and talent               | Chief People Officer                  |   |   |   | ● |
|                     | 15 | Cyber security risk   | Chief Information Officer             | ● | ● | ● | ● |
| <b>Compliance</b>   | 16 | Reputational risk   |                                       | ● | ● | ● |   |

## 5 Climate change risks

### Description

- Climate change risks will likely impact our business in the future.
- Greenhouse gas (GHG) emissions are regulated in many countries and regions where we operate, with increasing regulation and climate change-related transition risks potentially impacting our costs. The energy we require to manufacture our products results in Scope 1 and Scope 2 GHG emissions. Our value chain emissions contribute to our Scope 3 emissions.
- Climate change is creating both physical and transition risks which impact forests, and which pose a threat to our access to sustainable fibre, the main raw material for our paper products.
- Customers and consumers are concerned about the consequences of climate change and are looking for solutions produced from renewable materials and reduced carbon footprints. Investors consider the climate impact of their portfolios.
- Our climate change risks include transition and physical risks. Transition risks include regulatory risks, for example GHG emission-related regulatory changes and energy supply cost volatility due to changes in future energy supply mix. Physical risks include the impact of changing precipitation patterns and increased costs driven by a shortage of wood supply in the long term due to physical impacts such as droughts, pests and diseases.

There is connectivity between information in the SR disclosure and Principal risks section, i.e., Climate change risks are amongst the identified 15 principal risks (and are among the five strategic risks). Climate change risks are linked to strategy in driving performance along the value chain, investing in quality assets, and partnerships with customers.

## 9 Cost and availability of raw materi

### Description

- We use significant amounts of wood, pulp, paper for recycling, polymers and chemicals in our production processes, meaning access to these raw materials is essential to our operations.
- The prices for many raw material inputs fluctuate in correlation with global commodity cycles.
- Wood prices and availability may be adversely affected by reduced quantities of available suitable wood supply due to increased frequency of severe weather events, changes in rainfall, increased pest and disease outbreaks, increased use of wood as biofuel, alternative use of wood for heating and changes in demand for wood as a building material.
- Climate change will create long-term structural changes to the pricing and availability of wood, with temperature and precipitation changes resulting in a geographic shift of optimal forest growth areas, and an impact from forest-related legislative policies, particularly in the EU.
- Force majeure events can influence raw material supply and pricing, directly affecting the market production and supply balance.

## 10 Energy security and related input co

### Description

- Availability of sufficient and reliable energy supply is a key focus area; as the transition to cleaner energy sources accelerates, accompanied by increased regulation, the energy supply portfolio is undergoing long-term changes, such as an increase in demand for renewable energy and an increase in carbon taxes, which increases the risk of more volatile pricing as well as potential for severe energy interruptions.
- Security of supply of gas is subject to political pressures and could be intermittent, while renewable energy sources, such as wind and solar, are subject to unpredictable physical weather patterns. Competition for sources of renewable energy, such as biomass, causes cost and availability pressures.
- Rapid increases in fuel and energy costs represent higher direct costs to the Group as well as for our suppliers, which in turn may seek to increase prices which may be difficult to pass on to customers and could cause a contraction of gross margins.
- Income from the sale of renewable energy, either from sales of certificates, subsidies or sales of renewable energy to the grid, represents a source of income for various pulp and paper mills and is subject to both volatility in price and regulatory changes.
- Availability of sufficient and reliable electricity supply in South Africa remains a concern and above inflationary increases are virtually certain.

## 12 Environmental impact

### Description

- Our operations require water and energy and generate emissions to air, water and land. We are subject to a wide range of environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders. Costs to meet compliance requirements, and increasing costs from the effects of emissions could have an adverse impact on our profitability.
- The availability of water in water scarce and stressed areas could pose a risk to continuing to operate our production facilities to their full potential.
- As we purchase significant amounts of wood and fibre on the market and manage plantation forestry landholdings in South Africa, a decline in ecosystem functions and loss of biodiversity could impact the natural resources that we rely on.

## 13 Employee and contractor health and

### Description

- Accidents, incidents and exposure to occupational health hazards, such as noise and stress, may cause injury or harm to employees and contractors, property damage, lost production time, and/or harm to our reputation.
- Risks include fatalities, serious injuries, occupational diseases, substance abuse and instances of violent crime in some jurisdictions.

Operational risks (cost and availability of raw materials, energy security and related input costs, environmental impacts) factor in environmental risks and are linked to strategy in driving performance along the value chain. Employee and contractor HS linked to strategy in managing people- These principal risks align with the material topics identified in line with ESRS

# ILLUSTRATION 1: CURRENT FINANCIAL EFFECTS - CONNECTIVITY BEING ILLUSTRATED

Disclosure of current financial effects in sustainability disclosure by cross referencing the related notes in the financial statements.

This illustration highlights the company's TCFD recommendation disclosure (in strategic report), which cross references the forestry assets valuation and assets impairment notes in the financial statements. In turn, the related notes in the financial statements discloses a) climate risk affects conversion factors and risk premium of forestry assets; and b) the impact of climate change has been considered in the cash flow forecasts for goodwill and business combinations.

### SR requirements

ESRS 2 SBM-3 (IFRS S1.34-35, IFRS S2.9, IFRS S2.13-15) requires an entity to disclose the current financial effects of the undertaking's material risks and opportunities on its financial position, financial performance and cash flow and also significant risk to a material adjustment of assets and liabilities within the next annual reporting period.

### FR requirements

IAS 41 Agriculture whereby a biological asset is measured at FV less costs to sell and agricultural produce harvested from an entity's biological assets are measured at FV less costs to sell at the point of harvest.

IFRS 13 (level 3) for PPE whereby unobservable inputs are used to measure fair value, using the best information available in the circumstances

IAS 36 whereby an entity is required to test goodwill acquired in a business combination for impairment annually

### Connectivity requirements

ESRS 1 section 9.2 whereby an entity should connect narrative information on governance, strategy and risk management to related metrics and targets, including linking this to current financial effects.

### TCFD Recommendations

Climate-Related Risks, Opportunities, and Financial Impacts  
Scenario Analysis and Climate-Related issues

# ILLUSTRATION 1: CURRENT FINANCIAL EFFECTS

## TCFD recommendation disclosures

### Climate change in our financial statements

The impact of climate change is considered in the estimates of future cash flows used in the **impairment assessment of goodwill** and property, plant and equipment, as detailed on pages 167, 169-170 and 199. Climate change is, as detailed on page 170, included as a factor that impacts the conversion factor used in the assumptions for valuation of the Group's forestry assets and as a factor incorporated into the risk premium applied to mature and immature timber. Climate change was considered in the assessment of the **fair value of assets and liabilities** acquired in business combinations, as detailed on page 184-185.

The Group accounting policies reflect the impact of climate change considerations in relation to the assessment of the residual values and estimated useful economic lives of property, plant and equipment, as detailed on pages 198-199, and in relation to the accounting policy applied for the **valuation of forestry assets** and the assessment of goodwill for impairment.

## Financial Statements

### 13 Goodwill

- The impact of climate change such as regulatory risks on carbon pricing, yield losses on plantations or the effects of droughts as well as climate-change related opportunities in the budget period are considered in the cash flow forecasts. The Group's climate change risks and opportunities identified according to the TCFD recommendations are disclosed on pages 52-59 of this report.

### Property, plant and equipment (note 11)

Residual values and useful lives are reviewed and adjusted, if appropriate, at least annually. An adjustment is made to the estimated useful lives of assets where climate change is anticipated to have a material impact. Estimated useful lives range from 3 years to 25 years for items of plant and equipment and other categories and up to a maximum of 40 years for buildings.

### 26 Business combinations

The fair values of assets acquired and liabilities assumed in business combinations are level 3 measures in terms of the fair value measurement hierarchy. Property, plant and equipment has been measured at fair value using relevant valuation methods accepted under IFRS 13, 'Fair Value Measurement', with related deferred tax adjustment. Management has considered the impact of environmental and climate risks on the estimated fair values of Hinton's property, plant and equipment. These considerations did not have a material impact.

### 15 Forestry assets

The conversion factor, which is used to convert hectares of land under afforestation to tonnes of standing timber, is dependent on the species, the maturity profile of the timber, the geographic location and a variety of other environmental factors, such as the anticipated impact of climate change on water scarcity and fire risks. In 2024, the conversion factors ranged from 7.7 to 25.3 (2023: 7.6 to 25.0).

The risk premium on immature timber of 12.6% (2023: 12.4%) is based on an assessment of the risks associated with forestry assets in South Africa and is applied for the years the immature timber has left to reach maturity. A risk premium on mature timber of 4.0% (2023: 4.0%) was applied. The risk premium applied to immature and mature timber includes factors for the anticipated impact of climate change on water scarcity and fire risks. An increase in the severity and frequency of extreme weather events, such as higher temperatures, changes in rainfall patterns and drought conditions, may result in higher timber losses in future years caused by stronger winds, erosion, fires, pests and diseases.

## ILLUSTRATION 2: ANTICIPATED FINANCIAL EFFECTS - CONNECTIVITY BEING ILLUSTRATED

Anticipated financial effects, which is the intertemporal (across reporting periods) dimension of connectivity

This illustration highlights the company's quantitative and qualitative disclosure (in TCFD report) of possible financial statements effects of climate change-related risks and opportunities the sustainability report about in the short, medium and long-term.

### SR requirements

ESRS 2.48 and E1-9 (IFRS S2.9, IFRS S2.13-15) requires entities to provide information on anticipated financial effects.

### Connectivity requirements

ESRS 1 section 9.2 whereby an entity should connect narrative information on governance, strategy and risk management to related metrics and targets, including linking this to anticipated financial effects.

### TCFD Recommendations

- Climate-Related Risks, Opportunities, and Financial Impacts
- Scenario Analysis and Climate-Related issues

# ANTICIPATED FINANCIAL EFFECTS - FS 2024

## TCFD recommendations disclosures

| Climate change-related risks and opportunities       |  | Annual estimated financial impact (€m) | Timeframe |        |      | Scenario sensitivity |      |      |
|--|--|--|-----------|--------|------|----------------------|------|------|
| Climate change-related risks                         |  |  | Short     | Medium | Long | 1.5°C                | 2°C  | BAU  |
| Physical risks                                       | 1. Higher wood procurement costs                 | 75-140                                 |           |        |      | ●●                   | ●●●  | ●●●● |
|  | 2. Risk of flooding                              | 15-85                                  |           |        |      | ●                    | ●●   | ●●●● |
|  | 3. South African plantation yield loss           | 15-20                                  |           |        |      | ●                    | ●●   | ●●●  |
| Transition risks                                     | 4. Energy supply costs                           | 60-110                                 |           |        |      | ●●●●●                | ●●●● | ●●   |
|  | 5. GHG emissions regulatory changes (net impact) | 40-80                                  |           |        |      | ●●●●●                | ●●●● | ●●●  |
|  | 6. Asset impairment risk <sup>1</sup>            | 10-30                                  |           |        |      | ●●●●                 | ●●●  | ●    |
| <b>Total climate change-related risks</b>            |  | 215-465                                |           |        |      |                      |      |      |
| <b>Climate change-related opportunities</b>          |  |  |           |        |      |                      |      |      |
| 1. Changing customer behaviour                       |  | 120-240                                |           |        |      | ●●●●●                | ●●●● | ●●   |
| 2. Reduced operating costs through energy efficiency |  | 15-25                                  |           |        |      | ●●●●●                | ●●●● | ●●   |
| <b>Total climate change-related opportunities</b>    |  | 135-265                                |           |        |      |                      |      |      |

Anticipated onset of risk or opportunity  
 Estimated full impact of risk or opportunity  
 High likelihood  
 Low likelihood

<sup>1</sup> The asset impairment risk is a one-off write-down and not annually recurring.



## GRIGEO AB – 2023 CONTINGENT LIABILITIES

# BACKGROUND INFORMATION (1/2)

## Sector/industry

**Paper and wood industry**, producing paper and hygiene products.

## Geographic footprint

Has operations spanning from Lithuania, European countries to other countries

- Employs 860 people
  - Lithuania 775
  - Ukraine 67
  - Latvia 18

## Company's definition of time horizon

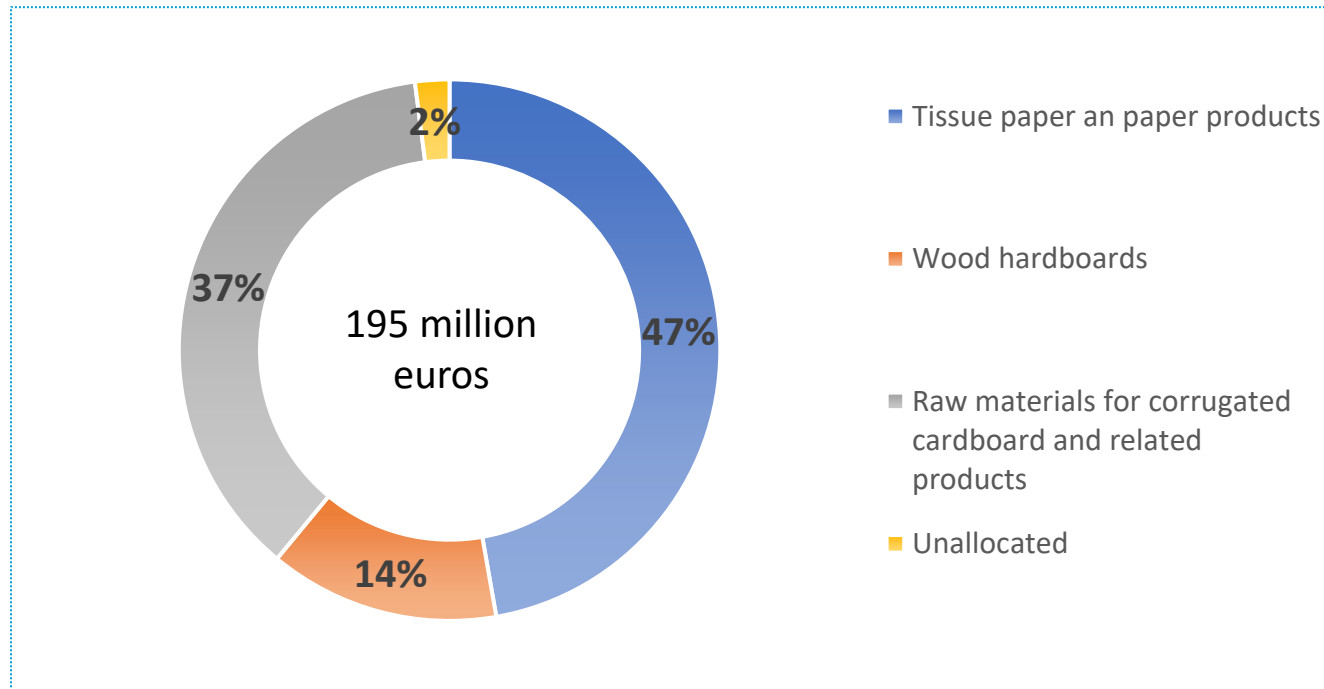
- Short- (the reporting period),
- Medium- (from the end of the reporting period up to 5 years),
- Long-term (more than five years)

## Material topics:

- Climate Change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Circular economy
- Own workforce
- Workers in the value chain\*Not evaluated
- Affected communities
- Consumers and end- users
- Business conduct

# BACKGROUND INFORMATION (1/2)

## Key segments



## Preparation and assurance of sustainability statement

In accordance with ESRS (voluntary basis)

No external assurance for the sustainability report

# IDENTIFIED MATERIAL POLLUTION TOPICS AND TARGETS

| Subtopic           | Impact materiality | Financial materiality |
|--------------------|--------------------|-----------------------|
| Pollution of air   | Important          | Significant           |
| Pollution of water | Critical           | Critical              |



## Water pollution - Progress against target

| Target             | Unit of measurement               | Base year 2021 | Interim result in 2023 | Change | Target for 2026 |
|--------------------|-----------------------------------|----------------|------------------------|--------|-----------------|
| Effluent reduction | m <sup>3</sup> /ton of production | 7.1            | 6.4                    | -9.9%  | -17.0%          |

Coherence of sustainability reporting and financial statements information

This illustration highlights that the company's financial statements notes disclose a contingent liability related to a water pollution incident. The pollution disclosures in the sustainability report contextualise the financial statements information with further details on the incident and the remediation actions being taken by the company.

## FR requirements

IAS 37.27-30 requires that an entity should provide disclosures for a contingent liability – brief description of the nature of the contingent liability and where practicable, financial effect estimate, indication of uncertainties and possibility of reimbursement.

## SR requirements

ESRS E2.26 requires that an undertaking should disclose the pollutants that it emits through its own operations.

IFRS S1.29 requires entities to disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.

## Connectivity requirements

ESRS 1 section 9.2 whereby an entity should describe the relationships between different pieces of information

## TCFD Recommendations

- Climate-Related Risks, Opportunities, and Financial Impacts
- Scenario Analysis and Climate-Related issues

# ILLUSTRATION 3: WATER POLLUTION DISPUTE

## Fact patterns disclosed in financial statements note

- Suspected water pollution by subsidiary from 2012-2020; trial began in Sept 2022.
- Allegations of office abuse, document forgery, and violation of legal acts to avoid at least EUR 37.8 million pollution tax and this caused significant environmental damage.
- Environmental Protection Department (EPD) filed a civil claim for EUR 48.3 million in environmental damage compensation.
- Subsidiary does not deny legal liability for the water pollution and discloses it in both financial statements and sustainability report.
- Environmental restoration plan (PERM) submitted but awaiting EPD approval.
- Company claims EPD failed to comply with legal acts required for restoring environmental baseline conditions.

## Financial statements

No provision recognised due to measurement uncertainty.  
Contingent liability disclosed but unclear what the amount is.

### 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 (BOD<sub>7</sub>, 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.

## 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 BOD<sub>7</sub> (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.

Explanation of water pollution incident and initial company follow-up actions



EQUINOR – 2024  
EU Taxonomy  
Reconciliation and  
Reporting Boundaries

# BACKGROUND (1/3)

## Sector/Industry

- Oil & gas company.

## Geographic Footprint

Global footprint, with offices in more than 20 countries and around 25,000 employees, and key operations in Norway, the North Sea, the U.S., Brazil, and other international markets.

## Material topics

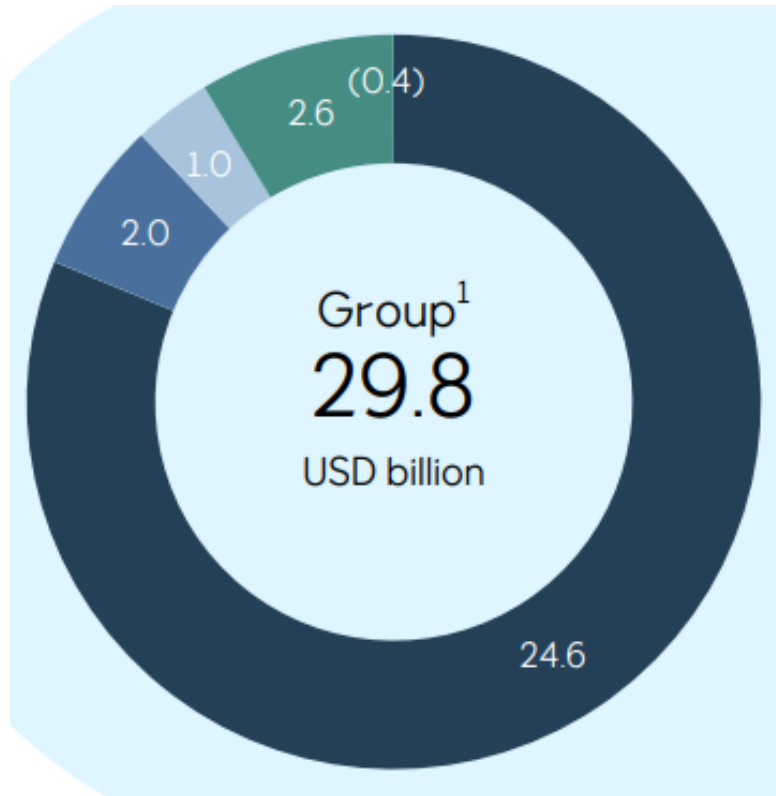
- Climate change, own workforce and health and safety are included in the entity's disclosed material sustainability-related topics.

## Connectivity of SR with information in rest of management report

- Climate change and transition to a lower carbon economy, access to renewable and low-carbon opportunities, workforce capabilities, and health and safety are identified amongst the company's strategic and commercial risks.

# BACKGROUND (2/3)

## Key Segments and adjusted operating income per segment



### Preparation and assurance of sustainability statement

In accordance with ESRS and Article 8 of the Taxonomy Regulation

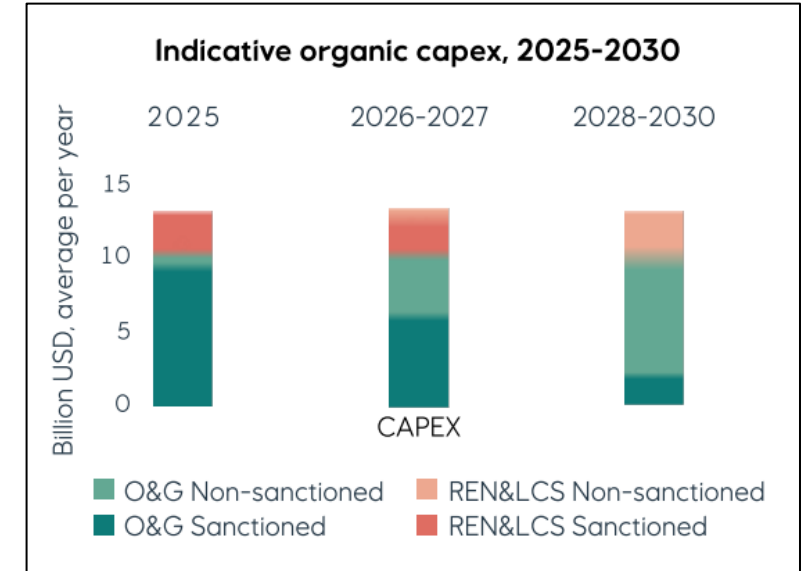
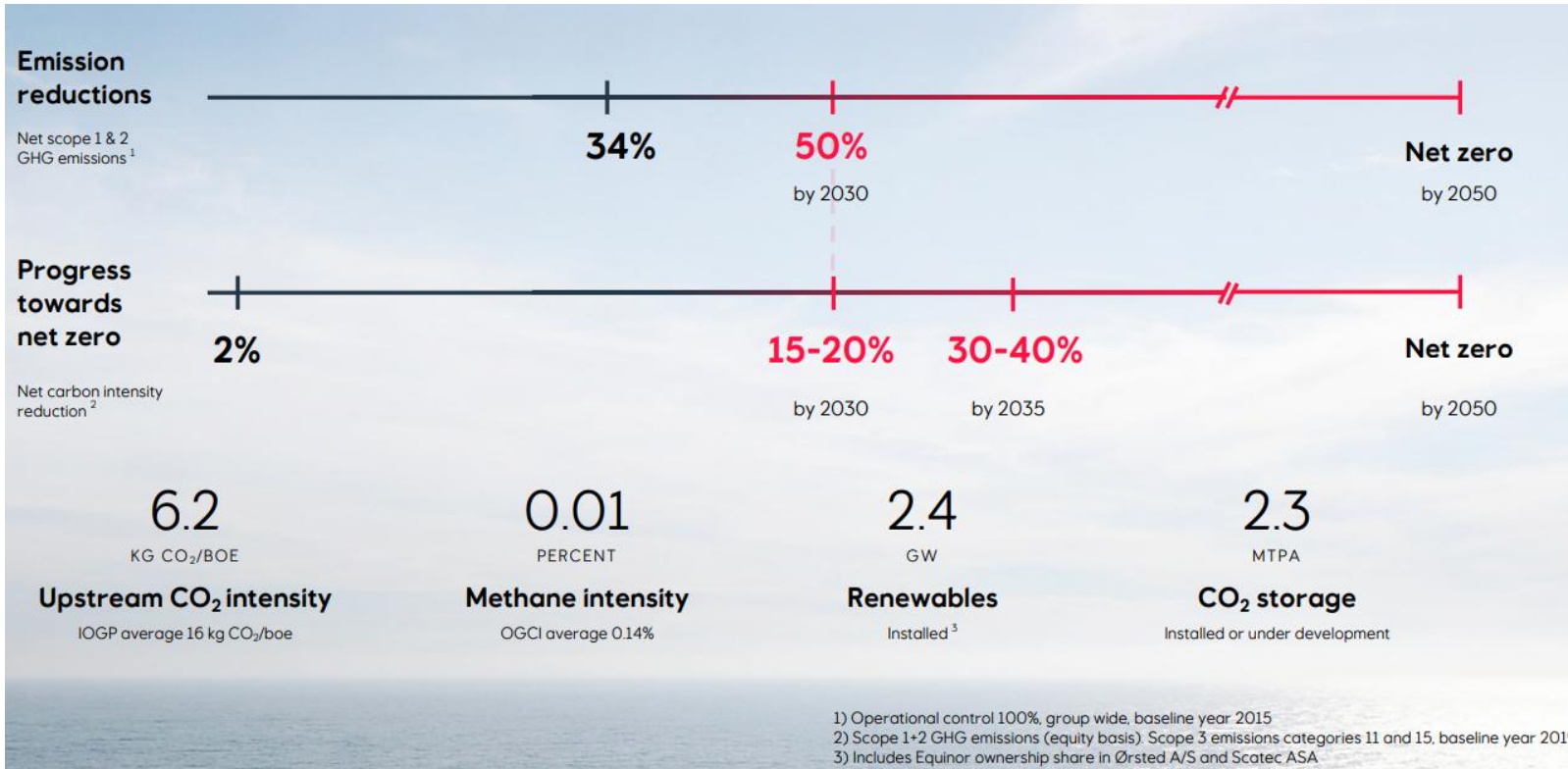
Limited assurance for sustainability statement

Source: Equinor 2024 Annual Report

■ E&P Norway ■ E&P International ■ E&P USA ■ Marketing, Midstream and Processing ■ Renewables

# BACKGROUND (3/3)

## Norwegian Oil & Gas Company- Articulation of strategic goals



Indirect connectivity via a reconciliation table (i.e. as described under ESRS)

Explanation of different basis of preparation/reporting boundaries between the financial statements and mandated SR information

This illustration highlights the company's reconciliation of mandatory Capex KPI as required under the Taxonomy Regulation's Article 8 to related financial statements information (additions to PPE, intangible assets, and equity-accounted investments).

The illustration also shows the company's explanation of the differing basis of preparation of Capex KPI in the financial statements relative to the mandatory Capex KPI (i.e., the exclusion of equity-accounted investments in the mandatory KPI and what these relate to) and a voluntary KPI that is aligned with the financial statements information.

## Points highlighted in the disclosures

A large proportion of the company's environmentally sustainable activities takes place through equity accounted investments and hence do not form part of the mandatory EU Taxonomy key performance indicators (KPIs) disclosures.

The Dogger Bank offshore wind projects (in the UK) and the Baltyk projects (in the Baltic Sea) are the main contributors to the taxonomy aligned CAPEX KPI from equity accounted investments in 2024.

## SR requirements

### EU Taxonomy Regulation

- Article 8.2: Disclosure of proportion of CAPEX associated with economic activities that qualify as environmentally sustainable
- Paragraph 1.1.2.1 of the Disclosures Delegated Act on costs that should be included in the CAPEX denominator as per IFRS Accounting Standards

### ESRS and ISSB Standards

- ESRS 2.48 on the disclosure of current financial effects
- IFRS S1.34-35 on the disclosure of current financial effects' disclosures

## FR requirements

IAS 28.10 Investments in Associates and Joint Ventures whereby under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

## Connectivity requirements

ESRS 1.125 which links quantitative information by including a reference to the line item and/or to the relevant paragraphs of its financial statements and a reconciliation, where appropriate.

# ILLUSTRATION 4 - EU TAXONOMY RECONCILIATION AND EXPLAINING DIFFERENCES IN BASIS OF PREPARATION/REPORTING BOUNDARIES

## Additional annual report information section - Taxonomy

### Appendix 2: Reconciliation to Share of gross capex to REN and LCS

The difference between the mandatory 11.1% capex KPI as defined within the EU Taxonomy and the 16% REN/LCS Gross capex\* is mainly related to eligible activity in equity accounted investments which is included within the voluntary capex KPI including equity accounted investments. In addition, additions to right-of-use asset (leasing) are excluded and

additions to goodwill and are included in the REN/LCS Gross capex\* which differs in treatment to the EU taxonomy KPI. CCGT (Triton) is EUT eligible but not included in Equinor REN/LCS gross capex before CCS is installed. Please see section 2.2. Financial performance for details about Equinor's gross capex\*.

| (in USD million)  | Note               | 2024   | 2023   |
|---|--------------------|--------|--------|
| Additions to PP&E, intangibles and equity accounted investments | <a href="#">5</a>  | 16,695 | 14,500 |
| Less:   |                    |        |        |
| Additions to Equity accounted investments                       | <a href="#">13</a> | (573)  | (926)  |
| Goodwill additions through business acquisition                 | <a href="#">13</a> | (71)   | (348)  |
| Goodwill additions  | <a href="#">13</a> | (29)   | (9)    |
| Capex denominator as defined by the EU Taxonomy                 |                    | 16,022 | 13,217 |

EU Taxonomy regulations exclude activities conducted through equity accounted investments. A large part of environmentally sustainable activities takes place through these investments. Therefore, the sustainability statement discloses a non-GAAP measure which includes these investments (Voluntary Capex KPI) and is aligned with the financial statements Capex information.

Reflects different reporting boundaries between Taxonomy and sustainability/financial statements.

## Sustainability statement

| Proportion of taxonomy - eligible economic activities:      | 2024                |  |
|---|---------------------|--|
|   | Mandatory Capex KPI | Voluntary Capex KPI including equity accounted investments |
| <b>Aligned Eligible Activity</b>                            |                     |  |
| Electricity generation from wind power                      | 10.1 %              | 14.8 %   |
| Electricity generation using solar photovoltaic technology  | 0.1 %               | 0.1 %  |
| Underground permanent geological storage of CO <sub>2</sub> | 0.0 %               | 0.2 %  |
| Transport of CO <sub>2</sub> <sup>1)</sup>                  | 0.0 %               | 0.1 %  |
| <b>Total Aligned Eligible Activity</b>                      | <b>10.2 %</b>       | <b>15.1 %</b>  |
| <b>Eligible and not Aligned activity</b>                    |                     |  |
| Electricity generation from wind power                      | 0.2 %               | 0.7 %  |
| Electricity generation using solar photovoltaic technology  | 0.3 %               | 0.3 %  |
| Underground permanent geological storage of CO <sub>2</sub> | 0.0 %               | 0.4 %  |
| Storage of electricity <sup>1)</sup>                        | 0.5 %               | 0.4 %  |
| Electricity generation from fossil gaseous fuels            | 0.0 %               | 0.2 %  |
| <b>Total Eligible and not Aligned activity</b>              | <b>0.9 %</b>        | <b>2.1 %</b>   |
| <b>Total</b>  | <b>11.1 %</b>       | <b>17.2 %</b>  |

1) Enabling economic activities



## QUESTIONS FOR ROUNDTABLE PARTICIPANTS

# Panellists for Illustration of Connectivity



**Carsten Zielke**  
Zielke Research  
Consult GmbH



**Cédric Tonnerre**  
Mazars



**Jeremy Stuber**  
CRUF UK

## QUESTIONS ON SELECTED ILLUSTRATIONS OF CONNECTIVITY

1. What are your views on the current suitability of the four illustrations of connectivity between financial and sustainability reporting? Explain your reasons.

## QUESTIONS ON SELECTED ILLUSTRATIONS OF CONNECTIVITY

2. If any, what additional information that you consider may be needed for each of the illustrations?

# Panellists for Practical Considerations of Achieving Connectivity



Kirsten M. Hovi  
Norsk Hydro ASA



Dona Dunea  
ESMA



Gerhard Margetich  
Savings Banks Audit  
Association



Fredrik Walmeus  
Deloitte

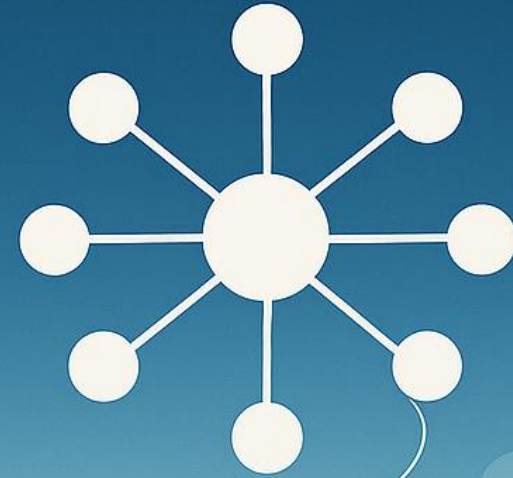


Vanya Rusinova  
Ørsted



Valentina Rossi  
Mediobanca

# Journey Towards Connectivity

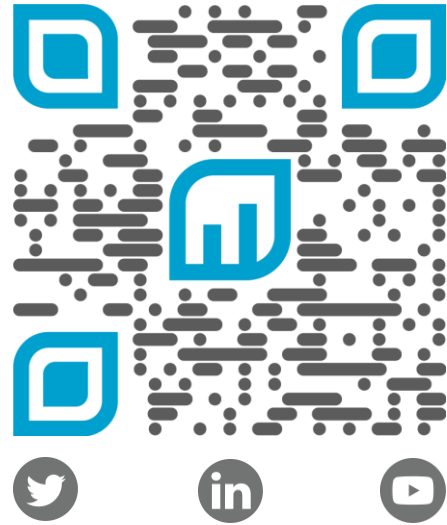


## QUESTIONS ON PRACTICAL CONSIDERATIONS OF ACHIEVING CONNECTIVITY

3. What are the constraints and challenges that preparers face in ensuring connectivity when preparing information in the annual report (eg, reporting boundaries, different levels of aggregation, materiality judgements in financial reporting versus sustainability reporting) including any information that you consider cannot be connected within the Annual Report?
4. Are there any enforcement and assurance constraints and challenges which need to be taken into account?
5. How connected is the annual report information within and outside the financial statements. How could the connections be improved including any good practices you are aware of that can facilitate/improve connectivity?



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Q&A

Thank you