EFRAG ADMINISTRATIVE BOARD AUDIT, BUDGET AND RISK COMMITTEE (ABRC)

TERMS OF REFERENCE

REVIEW AND UPDATE 31 JANUARY 2025, APPROVED EFRAG ADMINISTRATIVE BOARD 4 MARCH 2025

1. The EFRAG Administrative Board Audit, Budget and Risk Committee (ABRC)

1.1. These terms of reference are established by the EFRAG Administrative Board.

1.2. The EFRAG Administrative Board Audit, Budget and Riks Committee[1] (EFRAG Administrative Board ABRC) is a standing committee of the EFRAG Administrative Board set up in accordance with Art 7.3.7 of the EFRAG Statutes.

1.3. Its role is to assist the EFRAG Administrative Board in fulfilling its responsibility for corporate reporting, audit (including internal control), risk management and budget matters as well as to ensure that sustainability requirements are considered and complied with by EFRAG.

1.4. The EFRAG Administrative Board ABRC is appointed by the EFRAG Administrative Board and consists of members of the EFRAG Administrative Board with at least one representative from the European Stakeholders Organisations Chapter and the National Organisations Chapter with relevant experience for the tasks of the Committee.

1.5. The EFRAG Administrative Board appoints the Chair of the EFRAG Administrative ABRC.

Quorum and decision rules

1.6. The following quorum and decision rules apply[2]:

- Two-thirds of the members of the EFRAG Administrative Board ABRC present or represented by written proxy constitute a quorum.

[1] Based on Article 20 of the EFRAG Internal Rules
[2] Article 20.6 of the EFRAG Internal Rules.

- Decisions by the EFRAG Administrative Board ABRC require the support of a simple majority of those present. Notwithstanding the above, the Committee would strive for consensus in its recommendations to the EFRAG Administrative Board.

1.7. In situations where the votes the EFRAG Administrative ABRC are evenly split, the EFRAG Administrative Board ABRC reports the situation to the EFRAG Administrative Board, explaining the reasons for the different views expressed without expressing a formal recommendation.

1.8. A proxy may only be given to another EFRAG Administrative Board ABRC member. No member may hold more than one proxy.

2. Role

2.1. The EFRAG Administrative Board ABRC assists the EFRAG Administrative Board in fulfilling its responsibility for corporate reporting, audit (including internal control), risk management and budget matters as well as to ensure that sustainability requirements are considered and complied with by EFRAG. The EFRAG Administrative Board Audit, Budget and Risks Committee is responsible for providing advice and making recommendations to the EFRAG Administrative Board on the following matters.

a) Proposing to the EFRAG Administrative Board the appointment of independent auditors and amount of their fees to be proposed to the EFRAG General Assembly;

b) Evaluating budget proposals prepared and presented by EFRAG (e.g., the major variances and reasons for these variances). In this evaluation, the Committee consults the Chairs of the Reporting Boards and of the Reporting TEGs when appropriate and relevant;

c) Advising the EFRAG Administrative Board on draft budgets and monitoring the expenditures within the limits authorised by the EFRAG General Assembly in accordance with the EFRAG Statutes;

d) Performing a preliminary review of the annual financial statements to be approved provisionally by the EFRAG Administrative Board and making recommendations to the EFRAG Administrative Board in that respect;

e) Discussing with the external auditor and the EFRAG CEO any changes in accounting policies and any issues arising from the audit;

f) Advising on the EFRAG Internal Rules and processes of EFRAG regarding budgets, internal controls and financial statements;

g) Considering and proposing action to the EFRAG Administrative Board on overdue payments of members (Art 4 of the EFRAG Internal Rules);

h) Supporting the EFRAG Administrative Board in assessing and considering the risks to the organisation and its activities on a regular basis and assisting in risk management;

i) Supporting the EFRAG Administrative Board in ensuring that sustainability requirements are considered and complied with by EFRAG.

j) Monitoring the efficiency of spending

3 Modus Operandi

3.1 The EFRAG Administrative Board ABRC shall meet at the request of any of its members or of the EFRAG Administrative Board at least twice a year (to review the financial statements and the budget respectively) through either physical or webcast meetings[3].

3.2 . When appropriate and relevant, the EFRAG Administrative Board ABRC invites the Chairs of the EFRAG Reporting Boards and/or EFRAG Reporting TEGs to its meetings or consults with them in another way notably on the work plan and budget[4].

Meetings

3.3 The EFRAG Administrative Board ABRC Chair convenes the meetings and prepares the agenda. The agenda is circulated no later than five working days before the meeting. Additional background papers and material are circulated five working days in advance of the meeting[5].

Communication and reporting to the EFRAG Administrative Board

3.4 The EFRAG Administrative Board ABRC reports back to the EFRAG Administrative Board in the first or second EFRAG Administrative Board meeting following the EFRAG Administrative Board ABRC meeting.

[3] Article 20.4 of the EFRAG Internal Rules.
[4] Article 20.2.b of the EFRAG Internal Rules.
[5] Article 20.5 of the EFRAG Internal Rules.

3.5 The EFRAG Administrative Board ABRC Chair presents a summary of the decisions and advice in a report to the EFRAG Administrative Board. Minutes of the meetings of the EFRAG Administrative Board Audit, Budget and Risks Committee are available on request to all the members of the EFRAG Administrative Board. These minutes take the form of summaries of decisions (SODs).

Confidentiality, privacy and data protection

3.6 All members of the EFRAG Administrative Board ABRC should respect the confidential nature of the information they may obtain as part of advising the EFRAG Administrative Board. Personal data and other confidential information may not be shared with third parties except to the extent necessary for the purposes for which the personal data and/or confidential information were initially collected.

3.7 EFRAG Administrative Board members, EFRAG Administrative Board ABRC members and the EFRAG Secretariat should not collect and process more personal data, such as contract details or independence information, than needed for the intended purposes. In addition, all EFRAG Administrative Board members, EFRAG Administrative Board ABRC members and the EFRAG Secretariat should keep personal data no longer than needed for the work of the Committee.

3.8 In case of a data breach, meaning that personal data were accidentally or unlawfully disclosed to unauthorized persons, destructed, lost, altered or otherwise processed in breach of the initial purposes, the relevant EFRAG Administrative Board members, EFRAG Administrative Board ABRC members and the EFRAG Secretariat should immediately contact EFRAG at saskia.slomp@efrag.org.