

ESRS DIGITAL REPORTING CONSULTATIVE FORUM (ESRS DRCF) TERMS OF REFERENCE

(APPROVED BY THE EFRAG ADMINISTRATIVE BOARD ON 21 DECEMBER 2022)

Objective

- 1 The objective of the ESRS Digital Reporting Consultative Forum (ESRS DRCF) is to provide a consultative forum where members advise EFRAG Sustainability Reporting Board (EFRAG SRB) and EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG) on their activities related to digital reporting and, as such, contribute towards the goal of EFRAG to develop and maintain an XBRL Taxonomy of the European Sustainability Reporting Standards (ESRS).
- 2 Particularly, the ESRS DRCF is established to:
 - (a) assess if the draft Taxonomies (developed by EFRAG and/or its contractors) meets expected market standards and best practices from a data content, data consumption and architectural perspective;
 - (b) provide strategic advice and technical implementation advice on matters relating to the ESRS Taxonomy and EFRAG's digital reporting activities; and
 - (c) provide recommendations and feedback to the EFRAG Secretariat on matters relating to the XBRL Taxonomy or, when applicable, illustrative examples based on the papers issued by the EFRAG Secretariat.
- 3 The ESRS DRCF focuses on providing views and recommendations to EFRAG's governance bodies with regard to the optimal technical architecture, appropriate documentation and supporting materials to facilitate and support market adoption.
- 4 The main areas in which input is sought include, but are not limited to, data modelling of ESRS disclosures to facilitate easy preparation and consumption of digital reports, the impact of new XBRL specifications, interoperability with other taxonomies, documentation and supporting materials, internal and external education, operational business plans, the ESRS Taxonomy Due Process, roll out and adoption of the taxonomy.
- 5 The Appendix provides background information on EFRAG's activities in relation to XBRL taxonomy.

Composition of the ESRS DRCF

- 6 The target size of ESRS DRCF is between 15 to 20 members. If in due course specific competencies are missing, the number may be increased. EFRAG considers nominations and selects members, following a public call for candidates.
- 7 In addition to members, appointed observer status is granted to organisations that have a particular interest in electronic filing including the European Commission (EC), European Securities and Market Authority (ESMA), and XBRL Europe. EFRAG may additionally allow other official bodies or authorities related to digital sustainability reporting to become members or observers as well.

Chair of the ESRS DRCF

- 8 The ESRS DRCF is chaired by the Chair of the EFRAG SR TEG who can delegate his/her responsibility to another Forum member in total or for specific agenda items. The Chair of EFRAG SRB is invited as an observer to the meetings.
- 9 The main role and responsibilities of the ESRS DRCF Chair include, but are not limited to, the following:
 - (a) setting the agenda and format of the meetings together with the EFRAG Secretariat staff;
 - (b) leading the ESRS DRCF discussions in such a way as to ensure that the EFRAG SRB and EFRAG SR TEG receives timely and effective input; and
 - (c) introducing each agenda topic and summarising opinions after each discussion.
- 10 The ESRS DRCF Chair (supported by the EFRAG Secretariat) is responsible for preparing the agenda for each meeting in consultation with members. Reasonable efforts should be made to ensure that the agenda is distributed at least five working days before each meeting. Members are welcome to request the discussion of specific questions by addressing them to the EFRAG Secretariat, in writing, at least ten working days prior to the meetings.

Members selection and appointment process

- 11 Members of the ESRS DRCF are selected by the Extended EFRAG Administrative Board Nominating Committee. For this purpose, a few members of the EFRAG SR TEG will be invited to participate in the Extended Nomination Committee. They are appointed by the EFRAG SR TEG based on the recommendation made by the Extended EFRAG Administrative Board Nominating Committee.
- 12 Members are drawn from a variety of business and geographical backgrounds. Applications from organisations and individuals with an interest and proven experience in digital reporting are considered. EFRAG is keen to appoint a group of members balancing:

- (a) members with professional experience **as preparers** of electronic financial or sustainability reports prepared using XBRL (like the European Single Electronic Format, ESEF);
 - (b) members with professional experience **as users** of electronic financial or sustainability reports prepared using XBRL (analysts, data providers, rating agencies, etc.); and
 - (c) subject matter **experts** (software providers, consultants, researchers, representatives of supervisory authorities, etc.).
- 13 Technical knowledge and/or experience working with the eXtensible Business Reporting Language (XBRL) is desirable, but not required.
- 14 The composition of the ESRS DRCF is reviewed on a regular basis and a call for candidates is issued when renewal of the membership is considered desirable. In such cases, existing members are considered for reappointment.
- 15 Members are appointed in their personal capacities and cannot be represented by alternates. Members are expected to express their individual views unless it is explicitly stated that they are the opinions of the organisations that they represent.
- 16 Members of the ESRS DRCF are required to commit themselves to acting in the European public interest in all matters relating to their role.
- 17 Members should be capable of making an active contribution by having experience, expertise, skills or practical knowledge relating to one or more of the following areas:
- (a) XBRL technical expertise - involvement in the standard setting and/or development of XBRL technical specifications or XBRL taxonomy development;
 - (b) Preparation of digital XBRL reports using EU or international XBRL taxonomies;
 - (c) Experience with XBRL reports for consumption, general use of tagged reported data for investment, credit and economic analysis, adoption of the ESRS Taxonomy for regulatory or voluntary filing programmes;
 - (d) Development of XBRL software solutions that are (or will be) capable of processing the ESRS XBRL taxonomies or reports.
- 18 EFRAG and the Chair of the ESRS DRCF may, at their discretion, invite individual(s) or representative(s) of an organisation to attend and participate in a specific meeting in which their contribution is considered to be useful.

Modus operandi

- 19 The frequency, format and timing of meetings are driven by the number and timing of taxonomy releases and how critical the topics are, on which input is sought. The agendas and supporting material will be released in advance of the meeting.

- 20 Members are expected to attend a minimum of four meetings a year (of which one in-person). EFRAG expects the presence of a maximum number of members to its physical meetings; however remote attendance will be possible for all meetings. Additional meetings may be scheduled, or meetings may be shortened or cancelled.
- 21 Members are expected to bear their own travel and other costs relating to participating in the activities. In exceptional circumstances, this can be reconsidered for individual cases.
- 22 The ESRS DRCF Chair and the EFRAG Secretariat are responsible for preparing the agenda for each meeting in consultation with members. Reasonable efforts should be made to ensure that the agenda is distributed at least five working days before each meeting. Members are welcome to request the discussion of specific questions by addressing them to the EFRAG Secretariat, in writing, at least ten working days prior to the meetings.
- 23 Agenda papers or supporting materials are prepared by the EFRAG Secretariat, members of the ESRS DRCF or invited individuals or organisations. Reasonable efforts should be made to ensure that they are circulated at least five working days before each meeting.
- 24 The work (agenda papers and publications) and meetings of the ESRS DRCF are conducted in English.
- 25 Physical meetings take place at the EFRAG offices in Brussels (see paragraphs 28 and following about the publicity of meetings).
- 26 The ESRS DRCF has an advisory role. It is expected to add value from the interchange of ideas among members and the ability of the EFRAG Secretariat to participate in that interchange.
- 27 Administrative support for the meetings, as well as preparation of summary minutes, is the responsibility of the EFRAG Secretariat.

External communication

- 28 The meetings of the ESRS DRCF are normally not held in public. However, the ESRS DRCF may decide that some or part of its meetings are open to the public. Such public sessions of the ESRS DRCF meeting are webcasted (audio and video recorded). In case some or part of the meetings are public, the video and audio recording will be publicly broadcasted on the internet and will be later stored for on-demand viewing and available for a period of one year through the EFRAG website. ESRS DRCF members must aware and give their consent to the broadcast.
- 29 Thereafter, the recordings will be archived and be made publicly available on demand as long as needed for internal and external research purposes.
- 30 If the ESRS DRCF decides to make any part of a meeting open to the public, a notice of the meeting and the agenda related to the public part of the meeting are posted on the EFRAG website. The meeting papers related to the part of the meeting open to the public are available on the EFRAG website. The ESRS DRCF may, however, decide to make selected agenda papers not publicly available.

Confidentiality

- 31 All members of the ESRS DRCF should respect confidentiality in relation to the nature of the information they may obtain as part of advising the EFRAG SR TEG and EFRAG SRB on taxonomy-related matters.

- 32 In case of breach of confidentiality, the relevant ESRS DRCF members, and the EFRAG Secretariat should immediately contact EFRAG at saskia.slomp@efrag.org.

Appendix - Context of EFRAG's mission

- 33 The Corporate Sustainability Reporting Directive (CSRD) requires the adoption of EU Sustainability Reporting Standards (ESRS) to be developed by EFRAG, as technical advisor to the European Commission.
- 34 The CSRD requires entities to prepare their management report in the European Single Electronic Format (ESEF) and that will include the information required by the final ESRS as adopted in the EU. In its role as technical advisor, EFRAG needs to prepare an XBRL taxonomy to define all reportable items reflected in the disclosure requirements of the ESRS in an XBRL format.
- 35 In this context , EFRAG received a request letter from the European Commission asking to develop the XBRL Taxonomy for the first set of draft ESRS delivered in November 2022. The taxonomy must be prepared and submitted to the European Commission no later than 30 September 2023. EFRAG expects to receive similar request letters for the next sets of ESRS that it will develop over the coming years.