

EFRAG ADVISORY PANEL ON THE CONNECTIVITY BETWEEN FINANCIAL REPORTING AND SUSTAINABILITY REPORTING (EFRAG CAP)

TERMS OF REFERENCE

(APPROVED BY THE EFRAG ADMINISTRATIVE BOARD ON 27 FEBRUARY 2023)

Objective

- 1 The objective of the EFRAG Advisory Panel on the Connectivity between Financial Reporting and Sustainability Reporting (the 'EFRAG CAP') is to provide a consultative forum where members advise the EFRAG Financial Reporting Technical Expert Group (EFRAG FR TEG) on issues related to its project on the connectivity between financial reporting and sustainability reporting.
- 2 The primary role of the EFRAG CAP is to provide advice EFRAG FR TEG over the duration of the project on connectivity between financial reporting and sustainability reporting. EFRAG CAP members will be invited to share perspectives and practical experience with connectivity matters and help EFRAG identify and assess issues, good practices and help develop possible approaches to enhance connectivity.
- 3 The EFRAG CAP, representing a broad range of stakeholders, will also act as a sounding board for any approach or any solutions that will be developed by EFRAG as part of the project.
- 4 A (non-exhaustive) list of possible tasks of the EFRAG CAP is provided in the Appendix.

Composition of the EFRAG CAP

- 5 The target size of the EFRAG CAP is between 15 to 20 members. The members should include preparers of financial statements/sustainability reports, users of financial statements/sustainability reports (including valuation experts, NGOs, trade unions and consumer organisations), assurance service providers, academics and regulators.
- 6 If, in due course, further specific competencies are needed, the member size may be increased.
- 7 In addition to members, appointed observer status is granted to EFRAG Financial Reporting Board members and EFRAG Financial Reporting TEG members and observers. Representatives of the European Commission, EU Agencies, the IFRS Foundation and other interested organisations may be invited to attend the meetings of the EFRAG CAP as observers with speaking rights.

- 8 EFRAG and the Chair of the EFRAG CAP may, at their discretion, invite individual(s) or representative(s) of an organisation to attend and participate in meetings in which their contribution is considered to be useful.

Members selection and appointment process

- 9 Members of the EFRAG CAP are appointed by the EFRAG FR TEG.
- 10 Members are drawn from a variety of business and geographical backgrounds. A proper overall balance will need to be found for EFRAG CAP in terms of geographical, ethnic and professional background and gender.
- 11 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.
- 12 Members of the EFRAG CAP are required to commit themselves to act in the European public interest in all matters relating to their role.
- 13 Members should be capable of making an active contribution by having experience, expertise, skills or practical knowledge relating to financial reporting and/or sustainability reporting.

Modus operandi

- 14 The EFRAG CAP has an advisory role. It is expected to add value from the exchange of ideas among members and the ability of the EFRAG Secretariat to participate in that exchange.
- 15 The EFRAG CAP is chaired by an EFRAG FR TEG member who can delegate his/her responsibility to another member in total or for specific agenda items.
- 16 Members are expected to attend a minimum of three meetings a year (of which one will be held 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.
- 17 Members are expected to bear their own travel and other costs relating to participating in the panel's activities. In exceptional circumstances, this can be reconsidered for individual cases.
- 18 The EFRAG CAP 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.
- 19 Agenda papers or supporting materials are prepared by the EFRAG Secretariat, members of the EFRAG CAP or invited individuals or organisations. Reasonable efforts should be made to ensure that they are circulated at least five working days before each meeting.

EFRAG Advisory Panel on the Connectivity between Financial Reporting and Sustainability Reporting - Terms of Reference

- 20 The work (agenda papers and publications) and meetings of the EFRAG CAP are conducted in English.
- 21 Physical meetings take place at the EFRAG offices in Brussels (see paragraphs 24 and following about the publicity of meetings).
- 22 Administrative support for the meetings, as well as preparation of summary minutes, is the responsibility of the EFRAG Secretariat.
- 23 The functioning and contributions of the panel will be reviewed when the panel has existed for one year.

External communication

- 24 The meetings of the EFRAG CAP are generally not held in public. However, the EFRAG CAP may decide that some or part of its meetings are open to the public. Such public sessions of the EFRAG CAP meeting are webcast (audio and video recorded). In case some or part of the meetings are public, the video and audio recordings will be publicly broadcasted on the internet and will be later stored for on-demand viewing and available for one year on the EFRAG website. EFRAG CAP members will be made aware and required to give their consent to the public broadcast.
- 25 Thereafter, the recordings will be archived and made publicly available on demand as long as needed for internal and external research purposes.
- 26 If the EFRAG CAP 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 EFRAG CAP may, however, decide to make selected agenda papers not publicly available.

Confidentiality

- 27 All members of the EFRAG CAP should respect confidentiality in relation to the nature of the information they may obtain as part of advising the EFRAG FR TEG.
- 28 In case of breach of confidentiality, the relevant EFRAG CAP member(s), and the EFRAG Secretariat should immediately contact EFRAG at saskia.slomp@efrag.org.

Appendix – Possible tasks of the EFRAG CAP

- 1 Possible tasks of the EFRAG CAP include:
 - (a) providing input in relation to the scope of EFRAG’s project on the connectivity between financial reporting and sustainability reporting;
 - (b) providing input for describing the borders between financial reporting and sustainability reporting;
 - (c) identifying existing and potential anchor points and connections between sustainability reporting and financial reporting;
 - (d) identifying items that should not be connected;
 - (e) assisting in identifying users’ information needs in relation to connectivity;
 - (f) proposing techniques for providing information on connections;
 - (g) providing input on how cohesiveness can be achieved in relation to the information reported under the financial reporting and sustainability reporting regimes;
 - (h) identifying good reporting practice in relation to connectivity;
 - (i) providing input to positions of EFRAG related to the IASB’s project on the management commentary; and
 - (j) providing input to positions of EFRAG related to the IASB’s narrow-scope project on climate-related risks in financial statements as it relates to connectivity.