

EFRAG Rate-regulated Activities Working Group**TERMS OF REFERENCE**

Approved by EFRAG TEG January 2017 updated 29 January 2020

Objective

The role of the EFRAG Rate-regulated Activities Working Group (“the Working Group”) is to support EFRAG TEG in providing its technical advice to the EFRAG Board on the development of IFRS and IFRS Interpretations on rate-regulated activities from a European perspective.

The general role of the Working Group is to provide specialised technical and industry knowledge to enhance EFRAG TEG’s understanding of the financial reporting issues arising from rate-regulated activities and to assist EFRAG TEG in its technical assessment of IASB and IFRS Interpretations Committee (IC) proposals. Specific activities of the Working Group are expected to include the following:

- Support in identification and analysis of common features of rate-regulatory regimes within Europe and the related financial reporting issues
- Pro-active contribution to the work of IASB and IC on rate-regulated activities specific issues;
- Technical assessment of IASB and IC proposals on rate-regulated activities specific matters;
- Identification of interpretation and implementation issues related to rate-regulated activities specific matters;
- Assistance in the preparation and execution of fieldwork activities;
- Assistance in the preparation of endorsement advices to the European Commission on pronouncements issued by the IASB; and
- Input on other rate-regulated activities related matters.

Where appropriate, the members of the Working Group should liaise with parties active in the financial reporting debates within the remit of the Working Group, including companies, users, industry organisations, Standard Setters, auditors, academics and regulators. The aim should be to ensure that the views from European stakeholders interested in financial reporting are properly taken into account in discussions at EFRAG TEG and, ultimately, the EFRAG Board.

The Working Group’s output always takes the form of input to EFRAG TEG. The Working Group is not an EFRAG decision-making body, but advisory in nature. The Working Group does not express its views publicly in any way.

Preferred composition of the Working Group

The Working Group should consist of members with good knowledge of the rate-regulated environment and particular experience of accounting for rate-regulated activities. There should be a good mix of different backgrounds, e.g. preparers, auditors, users, academics and Standard Setters. Members should have strong

technical expertise on rate-regulated activities issues. The Working Group should also provide a good mix of country backgrounds.

The indicative size of the Working Group is 16 members including the Chairman of the Working Group if he is not an EFRAG TEG member and excluding any EFRAG TEG members participating in the Working Group.

The appointment of the members is proposed by the EFRAG TEG Chair for approval by EFRAG TEG in accordance with EFRAG's procedures for appointments of members to EFRAG Working Groups as included in article 28 of the EFRAG Internal Rules. The members are appointed in their personal capacity and may not be represented by alternates.

At least one EFRAG TEG member is appointed as a member of the Working Group. Generally, an EFRAG TEG member chairs the Working Group. However, in specific cases another person can be appointed in accordance with EFRAG's procedures as laid down in article 31 of the EFRAG Internal Rules.

Representatives of the European Commission, the IASB, ESMA and other interested organisations may be invited to attend the meetings of the Working Group as observers with speaking rights.

Staff of National Standard Setters (of countries that financially contribute to EFRAG) or of EFRAG Member Organisations, not being a member of the EFRAG RRA WG can attend the meetings as observers.

The EFRAG TEG Chair may decide on revisiting the composition of the Working Group at an appropriate time and launching a new call for candidates for membership of the Working Group.

Meetings

The Working Group is expected to meet one day every three months or more or less frequently as necessary. Advice and other input will also sometimes be sought via email, telephone, video conferencing or other electronic means.

The work and meetings of the Working Group are conducted in English.

All meetings are expected to take place at the EFRAG offices in Brussels, organised in such a way that most members are able to travel to and from Brussels on the same day. Working Group members are expected to bear their own travel and other costs in participating in the activities.

The Working Group can, through its Chairman and in coordination with the EFRAG TEG Chair, invite specialists and guests to its meetings for specific agenda items.

All meetings of the Working Group are closed sessions, i.e. not open to public observers.

Relationship with EFRAG TEG

The EFRAG TEG Chair, the EFRAG Project Director and other EFRAG Secretariat members participate in the discussions as appropriate. EFRAG TEG members can and are encouraged to attend the meetings of the Working Group to raise questions to

improve their understanding of the issues at stake and the recommendations of the Working Group.

The Working Group provides, through the EFRAG Secretariat, regular updates to EFRAG TEG on the outcome of their discussions, including any diverging views between the members or preferred alternatives, with the underlying arguments.

The Working Group members are informed about the documents submitted by the EFRAG Secretariat to EFRAG TEG on the specific topics on which the Working Group advises EFRAG TEG, with the invitation to provide input.

The Working Group members are informed about the draft consultation documents submitted by EFRAG TEG to the EFRAG Board and the technical advice of EFRAG TEG provided to the EFRAG Board for its finalisation and approval of the EFRAG positions on the specific topics on which the Working Group advises EFRAG TEG.

A delegation of the Working Group may participate in the EFRAG TEG meetings as observer with speaking rights when the specific topics on which the Working Group advises EFRAG TEG are discussed. The composition of the delegation is proposed by the Chairman of the Working Group and validated by the EFRAG TEG Chair. In case the Chairman of the Working Group is not an EFRAG TEG member, he is allowed to vote on the specific topics on which the Working Group advises EFRAG TEG.

The Working Group receives, through the EFRAG Secretariat, feedback from EFRAG TEG on the issues where EFRAG TEG decides to deviate from the Working Group advice and preferred position.

Methods of working

The administrative support of the Working Group is provided by the EFRAG Secretariat.

The EFRAG Secretariat prepares the papers for the Working Group meetings. Members of the Working Group can submit papers they want to share or be discussed to the EFRAG Secretariat, who assess that the papers do not duplicate others and are sufficiently understandable.

In preparing papers, maximum use is made of papers prepared by IASB Staff, where appropriate, to avoid redundancies and interpretation issues.

The EFRAG Secretariat endeavours to make the meeting papers available not less than five working days before the meeting of the Working Group.

The EFRAG Secretariat endeavours to make the draft minutes of a meeting of the Working Group available not later than ten working days after the meeting.

The Working Group receives, through the EFRAG Secretariat, regular updates on the deliberations of various IASB advisory groups relevant for its activities and should take them into consideration.

The Chairman of the Working Group is invited to participate in the relevant sessions of the EFRAG User Panel.

Internal rules

The EFRAG Internal Rules as approved by the EFRAG General Assembly on 12 December 2019, in particular Article 31, apply to all EFRAG Working Groups.

Brussels, 29 January 2020