

TERMS OF REFERENCE

Corporate Reporting Standing Committee (CRSC)

1. ESMA achieves its mission to enhance investor protection and promoting stable and orderly financial markets through four activities: (i) assessing risks to investors, markets and financial stability, (ii) completing a single rulebook for EU financial markets, (iii) promoting supervisory convergence and (iv) supervising specific financial entities.
2. The ESMA Regulation¹ states that ESMA shall act within the powers conferred by this Regulation and among others within the scope of Directive 2004/109/EC (the Transparency Directive) and in the field of activities of market participants in relation to issues not directly covered in that Directive including auditing and financial reporting, provided that such actions are necessary to ensure the effective and consistent application of Union Law in the area of ESMA's competences.
3. In order to fulfil its mission the Board of Supervisors has established the Corporate Reporting Standing Committee (CRSC). The Terms of Reference cover the responsibilities and tasks of this group and the Procedures for ESMA groups (ESMA/2011/BS/236rev3) set out the rules concerning its structure, governance and working methods.

Responsibilities

4. In line with the ESMA 2016-2020 Strategic Orientation (ESMA/2015/935), the CRSC contributes to ESMA's mission by addressing issues related to financial reporting, audit, periodic reporting and storage of regulated information. In particular by:
 - *Promoting Supervisory Convergence in the accounting area through the:*
 - o Contribution to the consistent application of International Financial Reporting Standards (IFRS) in the European Union and the development of consistent approaches between national competent authorities undertaking enforcement responsibilities in the EU by ensuring the appropriate use of provisions included in the ESMA Guidelines on enforcement of financial information (ESMA/2014/1293) and other related activities necessary to achieve that objective;
 - o Contribution to the consistent application of Articles 4(2)(b) and 5(2) of the Transparency Directive, and by extension to the Accounting Directive (Directive 2013/34/EU as amended by Directive 2014/95/EU) when it relates to management reports published by issuers with securities admitted to trading on regulated markets,

¹ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC

and of the ensuing Non-Binding Guidelines on Non-Financial Reporting (2017/C 215/01);

- ESMA Guidelines on Alternative Performance Measures (APM) (ESMA/2015/1415);
 - Commission delegated act related to the ESMA Regulatory Technical Standards on European Single Electronic Format.
 - Monitoring the application of the Directive 2004/109/EC as amended by the Directive 2013/50/EU in relation to elements related to periodic financial information, and, where relevant, in relation to management reports and non-financial information.
 - Provision of advice to the European Commission on matters related to financial reporting and periodic financial information.
- *Completing a Single Rulebook for EU financial markets through the:*
- Contribution to the set-up of high-quality accounting standards by providing enforcer's view on new pronouncements, including those from the International Accounting Standards Board (IASB), the IFRS Interpretations Committee and the European Financial Advisory Group (EFRAG) and active monitoring of the EU IFRS endorsement including the Accounting Regulatory Committee (ARC);
 - Maintenance and update of the Draft Regulatory Technical Standards specifying the single electronic reporting format in which issuers listed on regulated markets should prepare annual financial reports according to the Transparency Directive;
 - Contribution to the proper application of the audit requirements in accordance with ESMA's responsibilities specified in the Regulation (EU) No 537/2014 (Audit Regulation), including monitoring of developments of International Standards of Audit (ISAs) by responding to pronouncements from the International Auditing and Assurance Standards Board (IAASB).
- *Assessing the Risks to Investors, Markets and Financial Stability:*
- Facilitating early identification of risky behaviours and developments through the exchange of information and sharing of experiences in detection and monitoring of practices notably related to implementation of the new accounting standards. In cooperation with EBA, EIOPA and the ECB contribute to the assessment and evaluation of accounting standards from financial stability perspective.
5. In line with ESMA's product monitoring obligation under Articles 39 MiFIR and its product intervention powers under Article 40 and 43 MiFIR, the Corporate Reporting Standing Committee shall refer any potential threats that are relevant to ESMA's objectives of ensuring investor protection, orderly functioning and integrity of financial/commodity markets and to stability, to the relevant Standing Committee.



6. The CRSC shall liaise and coordinate with other relevant groups reporting to the Board of Supervisors where its activities relate or are complementary to those of other groups, especially the Corporate Finance Standing Committee.

Structure and governance

7. The responsibilities of the Chair, rapporteur and members of the CRSC are as set out in the Procedures for ESMA groups. Permanent or temporary groups reporting to the CRSC may be set-up when required in line with the Procedures for ESMA groups.
8. The CRSC has established a Consultative Working Group.
9. The CRSC has established the following five permanent working groups, each with its own terms of reference:
 - The *European Enforcers Coordination Sessions* (EECS) develops and promotes common supervisory approaches and practices across EU Member States in the area of financial reporting;
 - The *IFRS Project Group* (IFRS PG) monitors regulatory developments relating to IFRS and prepares comment letters on the IASB, IFRS IC and EFRAG pronouncements;
 - The *Narrative Reporting Working Group* develops and promotes common supervisory approaches and practices across EU Member States on non-financial information disclosures and alternative performance measures;
 - The *European Single Electronic Format Working Group* (ESEF WG) updates the RTS on ESEF, develops further guidance to facilitate correct application of the requirements and fosters supervisory convergence of the enforcement related to the correct application of the RTS;
 - The *Audit Working Group* (AWG) performs the necessary work to fulfil the responsibilities given to ESMA in the Audit Regulation and provides the securities regulator perspective on matters related to auditing.
10. The CRSC will meet on a regular basis as required in order to deliver ESMA's (multi-) annual work programme. Meetings of substructures will be organised as necessary to enable the Standing Committee to fulfil its tasks.
11. The CRSC is entitled to send letters or other appropriate documents specifically related to technical matters in relation to financial reporting and auditing to relevant external bodies (such as IAASB, IASB and EFRAG), in the framework of its mandate or within earlier agreed policy lines. ESMA's Board of Supervisors will be consulted for ex-ante approval of any draft letter document relating to governance issues and/or issues likely to represent a new significant policy orientation.

Review

12. The Terms of Reference will be reviewed every two years by the Board of Supervisors.