

# ESRS G2: Business conduct

EFRAG SRB and SR TEG educational session

8 June 2022



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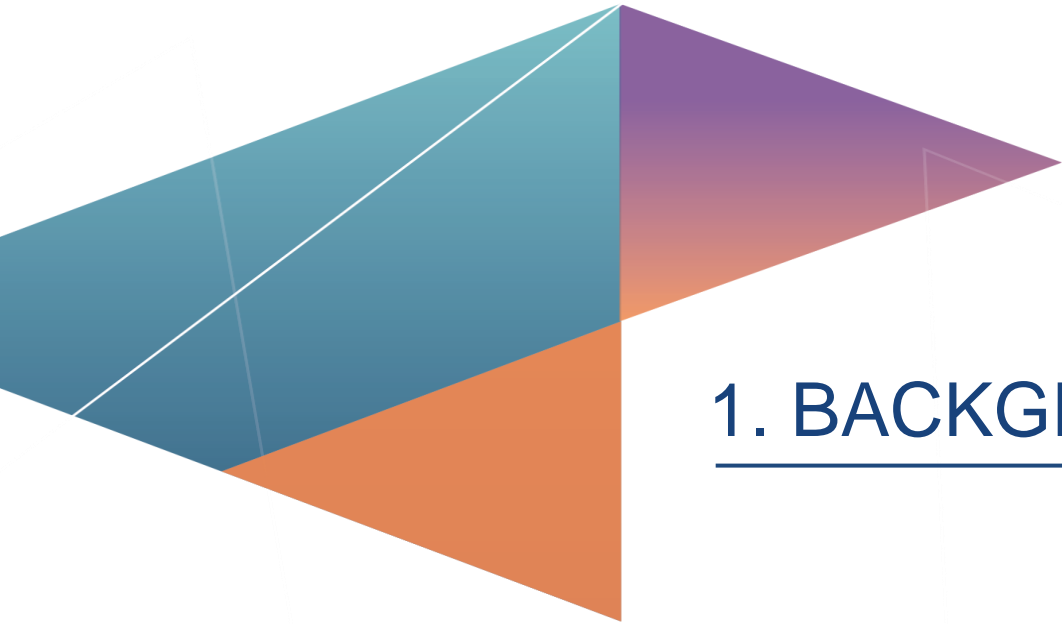
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# OVERVIEW

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- 1) Background and methodology
- 2) Overview
- 3) Q & A
- 4) Appendix with further details





# 1. BACKGROUND AND METHODOLOGY

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# Background

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## GOVERNANCE+

The Governance+ category (G+) is broader than traditionally considered under the concept of 'governance'. The aim is to cover the full spectrum of relevant matters in order to report on sustainability aspects relating to the reporting undertaking itself, including but not limited to governance.

# Background

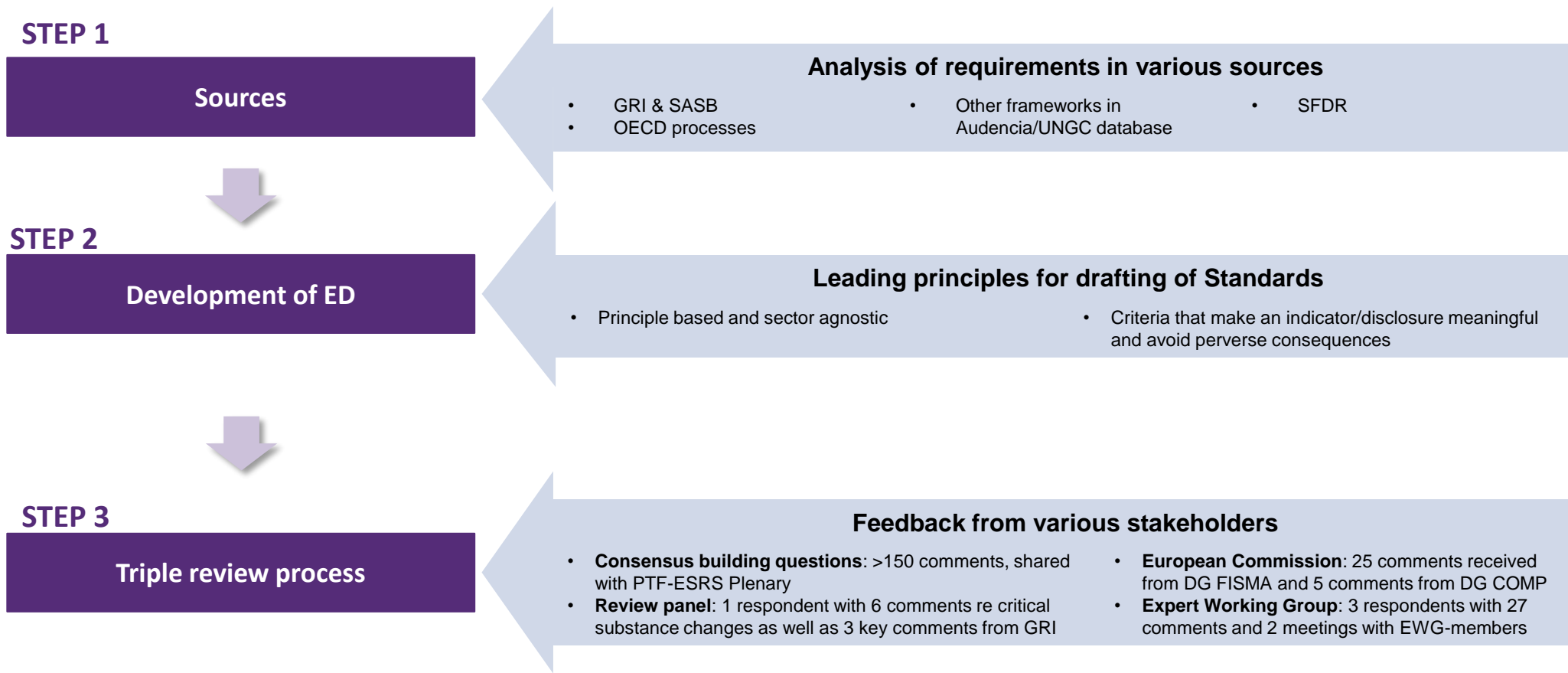
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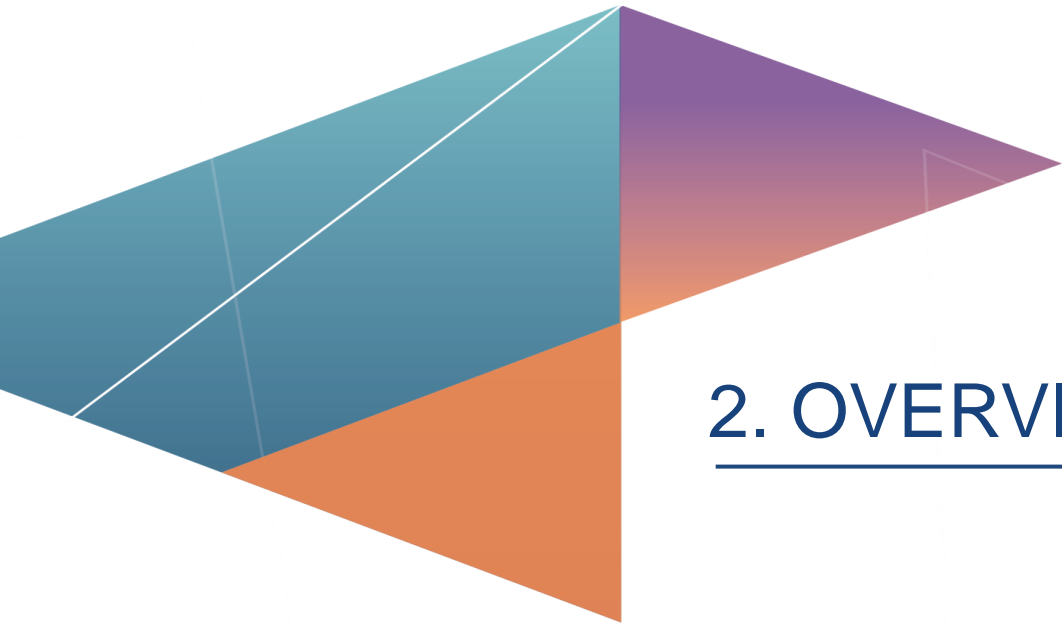
## CSRD, Article 19 b (extract)

**(c) specify the information that undertakings are to disclose about governance factors, including information about:**

- (ii)** the business ethics and corporate culture, including anti-corruption and anti-bribery;
- (iii)** political engagements of the undertaking, including its lobbying activities;
- (iv)** the management and quality of relationships with business partners, including payment practices;

# Background





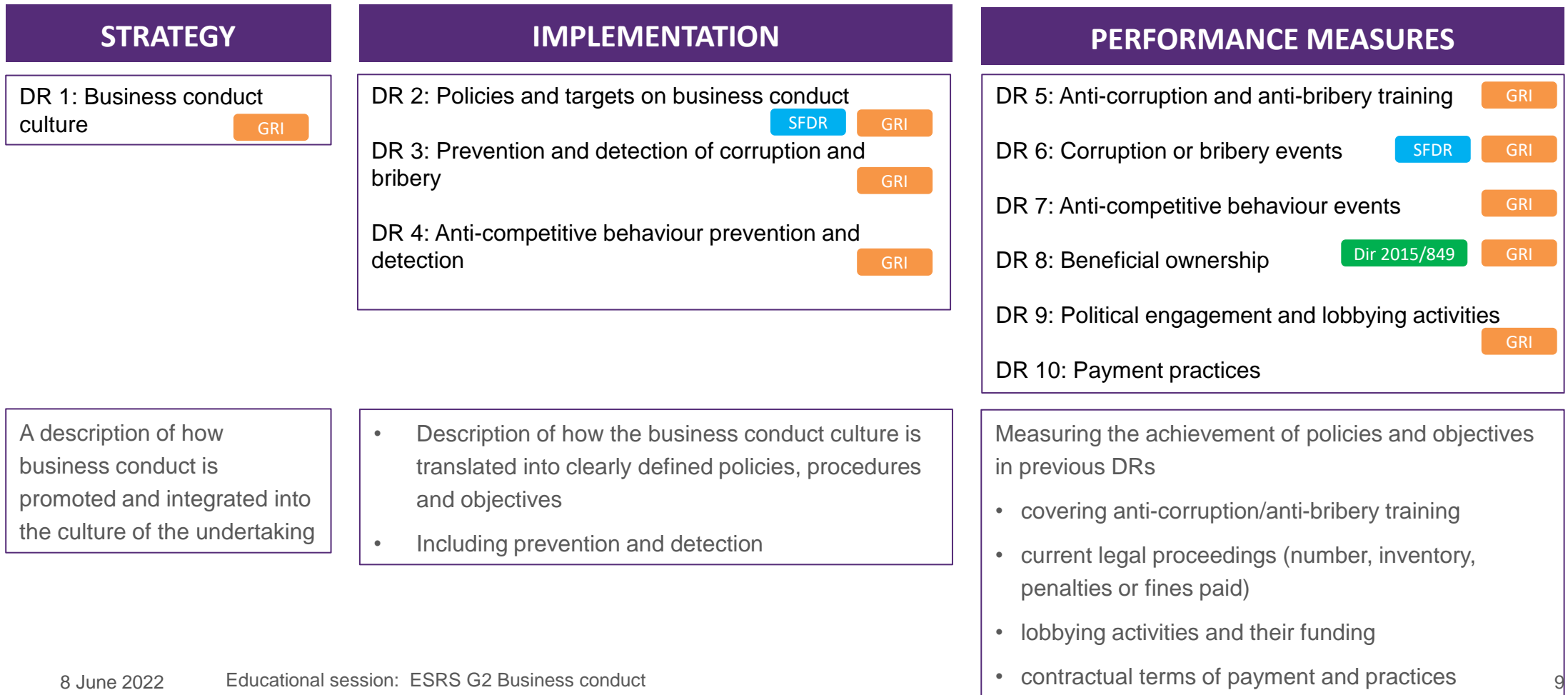
## 2. OVERVIEW

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# Overview

## DR ORIGINS AND SUBJECTS COVERED



# ESRS G2-1: Strategy: Business conduct culture

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## STRATEGY

DR 1: Business conduct culture

GRI

A description of how business conduct is promoted and integrated into the culture of the undertaking

**DR1 - The undertaking shall disclose its initiatives to establish, develop and promote a business conduct culture.**

### Expectations :

- « Tone from the top »
- Governance principles, roles and responsibilities,...
- Presentation of existing tools (Code of Ethics, Code of Conducts,...)

# ESRS G2: Implementation: ESRS G2-2 to 4

## IMPLEMENTATION

DR 2: Policies and targets on business conduct

SFDR

GRI

DR 3: Prevention and detection of corruption and bribery

GRI

DR 4: Anti-competitive behaviour prevention and detection

GRI

- Description of how the business conduct culture is translated into clearly defined policies, procedures and objectives
- Including prevention and detection

**DR2 - The undertaking shall provide information about its policies with respect to business conduct matters.**

**DR 3 - The undertaking shall provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery.**

**DR4 - The undertaking shall provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to anti-competitive behaviour.**

### Expectations :

- List of existing policies (anticorruption, lobbying, sponsoring,...)
- Mechanisms for reporting issues, investigate, protection of whistle-blowers, etc.
- Number of allegations / investigations and how they are reported

# ESRS G2: Performance measures: ESRS G2-5 to 7

## PERFORMANCE MEASURES

DR 5: Anti-corruption and anti-bribery training	GRI
DR 6: Corruption or bribery events	SFDR GRI
DR 7: Anti-competitive behaviour events	GRI

Measuring the achievement of policies and objectives in previous DRs

- covering anti-corruption/anti-bribery training
- current legal proceedings (number, inventory, penalties or fines paid)

**DR5 - The undertaking shall provide information about any anti-corruption and anti-bribery training programmes offered.**

**DR6 - The undertaking shall provide information on legal proceedings related to corruption or bribery during the reporting period.**

**DR 7 - The undertaking shall provide information on any publicly announced investigation into or litigation concerning possible anti-competitive behaviour it is facing during the reporting period.**

### Expectations :

- Training (who, when, what, how many...): example for disclosure in AG
- More detailed data of confirmed cases (fines, sanctions, dismissal, termination of contract, etc)

# ESRS G2: Performance measures: ESRS G2-8 to 10

## PERFORMANCE MEASURES

DR 8: Beneficial ownership

Dir 2015/849

GRI

DR 9: Political engagement and lobbying activities

DR 10: Payment practices

GRI

Measuring the achievement of policies and objectives in previous DRs

- lobbying activities and their funding
- contractual terms of payment and practices

**DR8 - The undertaking shall provide information about its beneficial owners (as defined in article 3(6) of Directive (EU) 2015/849) and control structure.**

**DR9 - The undertaking shall provide information on its political contributions and lobbying or advocacy activities.**

**DR10 - The undertaking shall provide information on the payment practices to support transparency about these practices given the importance of timely cash flows to business partners.**

### Expectations :

- Total amounts of lobbying/fees for professional association/political contribution with example in AGs
- Main topics and main positions shall be provided when material
- Information on the average time to pay an invoice, standard contractual payment terms

# ESRS G2-10: Payment terms

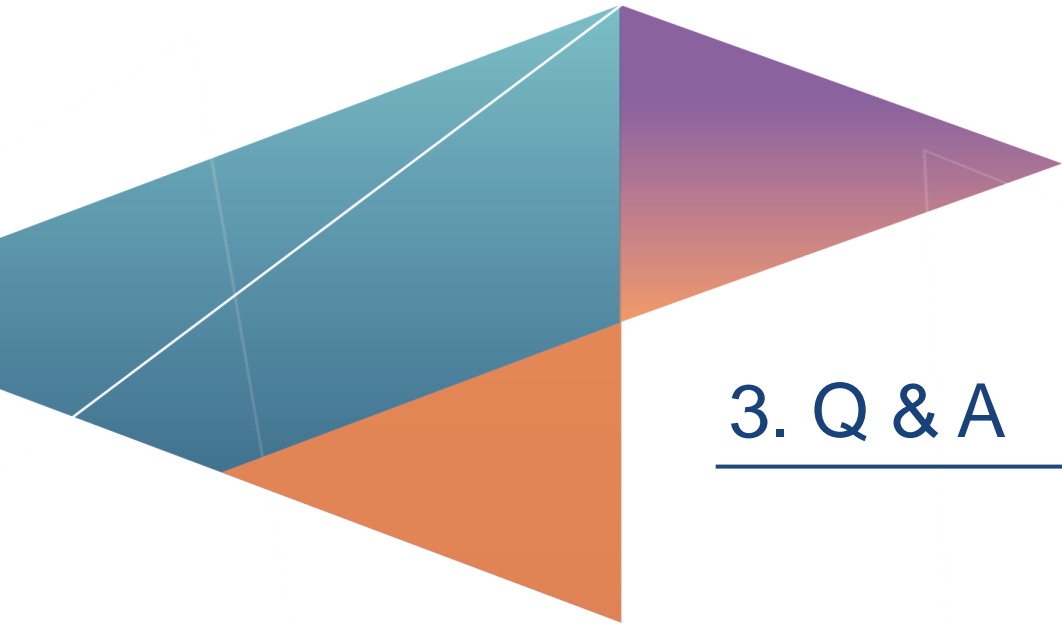
## CONSULTATION: SPECIFIC QUESTION

Payment delays complicate the financial management of undertakings, especially SMEs<sup>1</sup>, who rely on predictable flows of cash to operate. According to the relevant EU legislation (Directive 2011/7/EU) a payment is late when the creditor has not received the funds at the expiry of the period negotiated in the contract. And yet, even payments performed within the contractually negotiated period can hide unfair payment practices. Very often businesses accept payment terms longer than they are comfortable with<sup>2</sup>, as such terms may reflect the one party's power compared to the other, such as by virtue of its size or brand.

- 1) Do you consider that the indicators in G2-10 (in isolation or jointly) capture the following sufficiently:
  - a) the extent to which accounts payable or creditors at period end have been outstanding; and
  - b) the fairness of the undertaking's payment practices?If not, please provide your rationale and indicate the sector(s) for which you deem add-ons necessary.
- 2) What alternative indicators would you propose? Please specify whether your proposal(s) are of sector-agnostic or sector-specific nature.
- 3) If you are a preparer, do you currently capture amounts of interest charged on late payments separately in your accounts and what are the costs for disclosing this?

<sup>1</sup> SMEs (Small and Medium-sized enterprises) are defined according to the Commission Recommendation 2003/361/EC [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>2</sup> According to the Intrum European payment Report 2021, on average 49% of businesses in the EU accepted payment terms longer than they are comfortable with out of fear of losing their customers or damaging business relations.



### 3. Q & A

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## APPENDIX: Further details

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# G2: Strategy

Disclosure topic	Proposed requirement
<i>DR 1: Business conduct culture</i>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) the business conduct subjects that are taken into consideration and discussed by AMSB and with which frequency;</li> <li>(b) how the undertaking’s leadership provide direction to promote a business conduct culture;</li> <li>(c) the business conducts topics that are promoted within the business conduct culture;</li> <li>(d) specific incentives for its employees to foster and encourage its business conduct culture;</li> <li>(e) the communication of the business conduct culture and/or values; and</li> <li>(f) whether the undertaking has specific contractual clauses with its value chain on business conduct.</li> </ul>

## G2: Policies, targets, action plans and resources

Disclosure topic	Proposed requirement
<i>DR 2: Policies and targets on business conduct</i>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) mechanism to report concerns about unethical or unlawful behaviour;</li> <li>(b) if no policies on anti-corruption or anti-bribery - shall state this;</li> <li>(c) safeguards of employees for reporting irregularities including whistleblowing protection;</li> <li>(d) where no policies on the protection of whistle-blowers, it shall state this;</li> <li>(e) commitment to investigate business conduct incidents promptly, independently and objectively;</li> <li>(f) treatment of incidents within value chain; and</li> <li>(g) strategy for training on business conduct, including target audience, frequency and depth of coverage.</li> </ul>
<i>DR 3: Prevention and detection of corruption and bribery</i>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) overview of procedures to prevent, detect and address allegations or incidents of corruption or bribery;</li> <li>(b) Independence of investigators or investigating committee;</li> <li>(c) the number of reported allegations of corruption or bribery received through whistleblowing channels;</li> <li>(d) the number of internal investigations launched in response to allegations or incidents relating to corruption or bribery; and</li> <li>(e) the system to report outcomes to senior management and the AMSB where relevant.</li> </ul>
<i>DR 4: ACB prevention and detection</i>	As for corruption and bribery

## G2: Performance measures

Disclosure topic	Proposed requirement
<p><i>DR 5: Training (anti-corruption and anti-bribery)</i></p>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) identification or definition of ‘at-risk’ persons in respect of corruption/bribery;</li> <li>(b) the nature and scope (including location and staff included) of anti-corruption/antibribery training programmes offered or required by the undertaking;</li> <li>(c) the scope and depth covered by the training programmes provided;</li> <li>(d) the percentage of persons who are most ‘at risk’ covered by training programmes;</li> <li>(e) the assessment methodology.</li> </ul> <p>Include how information about its anti-corruption/anti-bribery policy shared within its value chain</p> <p>Voluntary:</p> <ul style="list-style-type: none"> <li>• sharing information on anti-corruption/anti-bribery policy</li> <li>• other aspects covered by training</li> </ul>
<p><i>DR 6: Corruption or bribery events</i></p>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) the main outcomes of legal proceedings, including sanctions and fines. Including number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws;</li> <li>(b) details of ongoing legal proceedings related to corruption or bribery;</li> <li>(c) the number of investigations into and decisions where employee dismissals or disciplining; and</li> <li>(d) the number of investigations into and decisions relating to business partner relationships terminated or not renewed.</li> </ul> <p>Insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery</p>

## G2: Performance measures

Disclosure topic	Proposed requirement
<i>DR 7: ACB events</i>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) investigations into and decisions relating to violations of anti-trust and monopoly legislation by a competent authority;</li> <li>(b) number of new, continuing, or finalised legal action (separately) during the reporting period;</li> <li>(c) main outcome of legal proceedings, including sanctions, fines and damages orders.</li> </ul>
<i>DR 8: Beneficial ownership</i>	<p>Identity of ultimate beneficial owners with their respective ownership or control percentages.</p> <p>As defined by Directive (EU) 2015/849</p>
<i>DR 9: Political engagement and lobbying activities</i>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) ASMB representatives overseeing these activities; and</li> <li>(b) on financial or in-kind contributions: <ul style="list-style-type: none"> <li>i. the total monetary value of financial and in-kind political contributions (directly or indirectly) aggregated by country and/or type of recipient/beneficiary;</li> <li>ii. how the monetary value of in-kind contributions was estimated;</li> <li>iii. the total monetary amount of financial and in-kind lobbying or advocacy expenses (both internal and external); and</li> <li>iv. the total amount paid for membership to professional or advocacy associations.</li> </ul> </li> </ul> <p>Where material to ESRS 2: (a) the main topics covered by such activities; and (b) its main positions on these topics.</p> <p>Shall also include information about the appointment of any members of ASMB or senior executives previously in public administration, including regulators</p>

## G2: Performance measures

Disclosure topic	Proposed requirement
<i>DR 10: Payment practices</i>	<p>The disclosure shall include:</p> <ul style="list-style-type: none"> <li>(a) the average time the undertaking takes to pay an invoice in number of days;</li> <li>(b) details about the undertaking’s standard contractual payment terms in number of days for both purchases and sales of products or services provided; and</li> <li>(c) complementary information necessary to provide sufficient context.</li> </ul>



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Thank you

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