

# Educational session on draft ESRS G1: *Business Conduct*

Educational videos on the First set of draft ESRS

Presented by Fredré Ferreira  
Senior Technical Manager, EFRAG

*This series of educational videos were recorded  
between December 2022 and February 2023.*

CSRD

# CSRD inserts Article 29 b into Accounting Directive

2(c) specify the information that undertakings are to disclose about governance factors:

(i) the role of the undertaking's administrative, management and supervisory bodies with regard to sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills; **ESRS 2 GOV-1**

(ii) the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting and decision-making process; **ESRS 2 GOV-5**

(iii) the business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare;

(iv) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities

(v) the management and quality of relationships with **ESRS S4** customers, suppliers and communities affected by the **ESRS S3** activities of the undertaking, including payment practices, especially with regard to late payment to SMEs.

**ESRS G1**

# Business conduct

## Definition: Business conduct/Business conduct matters

- corporate culture
- management of relationships with suppliers
- avoiding corruption and bribery
- engagement by the undertaking to exert its political influence including lobbying
- protection of whistle-blowers
- animal welfare
- payment practices

Par. 2

## Further details

# IRO management DRs

## ESRS G1-1 Corporate culture and BC policies

The undertaking shall disclose its initiatives to establish, develop and promote a corporate culture as well as its policies with respect to business conduct matters.

- Strategy, implementation and outcomes iro corporate culture GRI
- Business conduct policies:
  - Mechanisms to report unlawful behaviour
  - Lack of policies against corruption/ bribery consistent with UN Convention against Corruption SFDR
  - Lack of policies to protect whistleblowers
  - Investigation of business conduct incidents
  - Animal welfare
  - Lobbying etc.
  - Strategy wrt training on business conduct and identification of 'at risk functions'

Corporate culture expresses goals through values and beliefs. It guides the undertaking's activities through shared assumptions and group norms such as values or mission statements or a code of conduct

Dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.

# IRO management DRs (cont.)

## ESRS G1-2 Supplier relationship management



The undertaking shall provide information about the management of its relationships with its suppliers and its impacts on its supply chain.



- Policies/practices to prevent late payments to SMEs specifically



- Strategy for supplier relationships given risks of the supply chain specifically and sustainability generally;



- Social and environmental criteria considered when selecting supply-side contractual partners (i.e. suppliers);



- Description of practices to support vulnerable suppliers and improve their social and environmental performance



# IRO management DRs (cont.)

## ESRS G1-3 Prevention and detection of corruption/bribery

The undertaking shall provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training.

- Overview of procedures to prevent, detect, and address allegations or incidents;
- Independence from chain of management
- Reporting process to AMSBs
- If no policies, disclose and if applicable, plans to adopt such procedures
- Communication of policies to those for whom they are relevant
- Training: GRI
  - the nature, scope and depth of training programmes;
  - the % of functions-at-risk covered by training; and
  - where applicable, the information relating to AMSBs.



Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion and money laundering.

# Targets and metrics

## ESRS G1-4: Confirmed incidents of corruption or bribery

The undertaking shall provide information on confirmed incidents of corruption or bribery during the reporting period.

- the total number and nature of confirmed incidents; GRI
- the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws; SFDR
- details of public legal cases and outcomes;
- the number of confirmed incidents in which own workers were dismissed or disciplined; GRI
- contracts with business partners terminated or not renewed due to violations related to corruption or bribery.
- The undertaking shall disclose whether it has identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery. SFDR
- Limited value chain information



An incident of corruption or bribery that has been found to be substantiated. Confirmed incidents of corruption do not include incidents of corruption that are still under investigation at the end of the reporting period. Determined by compliance officer or similar or an authority but not necessarily a court of law.

# Targets and metrics (cont.)

## ESRS G1-5: Political influence and lobbying

The undertaking shall provide information on the activities and commitments related to its political influence, including its lobbying activities related to its material impacts.



- if applicable, the representative(s) responsible in the AMSBs with oversight



- financial or in-kind **political contributions:**
  - total monetary value political contributions (aggregated by country ..., recipient/ beneficiary)

GRI



- Lobbying activities: the main topics covered and its main positions. Interactions with material IROs. Financial information voluntary



- In EU Transparency Register or equivalent details.



- Members of AMSBs who held a comparable position in public administration 2 years before appointment.

Activities with objective of influencing the formulation or implementation of policy or legislation, or the decision-making processes of governments, governmental institutions, ... etc.

Financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office.

# Targets and metrics (cont.)

## ESRS G1-6 Payment practices

The undertaking shall provide information on its payment practices to support transparency about these practices given the importance of timely cash flows to business partners, especially with respect to late payments to SMEs.



- the average time to pay an invoice in number of days;

ES



- standard payment terms in number of days by main category of suppliers and the % alignment with these standard terms;



- the number of legal proceedings during the reporting period for late payments; and
- complementary information necessary to provide sufficient context.

## Appendix: Origin and sources for DRs

# Appendix: Sources of DRs

|         | Accounting Directive reference         | SFDR reference                                  | References to other frameworks including EU legislation   |
|---------|--|---|---|
| DR G1-1 | Art. 29b 2 (c) (iii)<br>Art. 19b 2 (d) | PAI, Indicators 6 and 15 of Table 3 of Annex 1  | <ul style="list-style-type: none"> <li>• GRI 2-12; GRI 2-23, 2-24 and 2-26</li> <li>• EU Whistleblowing Directive</li> <li>• SDG 16.5 and 16.6</li> <li>• UNG GP 29</li> <li>• ICGN Global Governance principles – Principle 4</li> </ul>                           |
| DR G1-2 | Art. 29b 2 (c) (iv)                    |   | <ul style="list-style-type: none"> <li>• SDG 17</li> <li>• ISO 25000 Fair operating practices</li> </ul>  |
| DR G1-3 | Art. 29b 2 (c) (iii)                   |   | <ul style="list-style-type: none"> <li>• GRI 2-26; GRI 205-2</li> <li>• SDG 16.5 and 16.6</li> <li>• OECD MNE Guideline III 3(a) to (c) and Guideline VII 1 to 7</li> <li>• UN Global Compact Principle 10</li> <li>• ISO 25000 Fair operating practices</li> </ul> |
| DR G1-4 | Art. 29a 2 (c) (iii)                   | PAI, Indicators 16 and 17 of Table 3 of Annex 1 | <ul style="list-style-type: none"> <li>• GRI 205-3</li> <li>• SDG 16.5 and 16.6</li> <li>• OECD MNE Guideline VII 1 to 7</li> <li>• UN Global Compact Principle 10</li> <li>• ISO 25000 Fair operating practices</li> </ul>   |
| DR G1-5 | Art. 29b 2 (c) (iv)                    |   | <ul style="list-style-type: none"> <li>• GRI 415-1</li> <li>• OECD MNE Guideline VII 1 to 7</li> </ul>  |
| DR G1-6 | Art. 29b 2 (c) (v)                     |   | <ul style="list-style-type: none"> <li>• Local regulations in Spain</li> </ul>  |

## Appendix: Changes from Governance EDs

# Draft ESRS G1 *Business conduct*: Changes from G2 ED

| Old           | New         | Title  | Accounting Directive?   |
|---------------|-------------|--|---|
| G2-1,<br>G2-2 | <b>G1-1</b> | <b>Corporate culture and business conduct policies</b>                     | Yes, 29b 2(c)(iii)  |
| Par<br>17(f)  | <b>G1-2</b> | <b>Management of relationships with suppliers</b>                          | Yes, 29b 2(c)(v) – management and quality of supplier relationships |
| G2-3<br>G2-5  | <b>G1-3</b> | <b>Prevention and detection of corruption/bribery (including training)</b> | Yes, 29b 2(c)(iii)  |
| G2-4          | Deleted     | Prevention and detection of anti-competitive behaviour                     | Implicit – deferred to sector specific                              |
| G2-6          | <b>G1-4</b> | <b>Corruption/ bribery events</b>  | Yes, 29b 2(c)(iii)  |
| G2-7          | Deleted     | Anti-competitive behaviour events  | Implicit – deferred to sector specific                              |
| G2-8          | Deleted     | Beneficial ownership   | Supporting corruption/bribery DRs                                   |
| G2-9          | <b>G1-5</b> | <b>Political influence and lobby activities</b>                            | Yes, 29b 2(c)(iv)   |
| G2-10         | <b>G1-6</b> | <b>Payment practices</b>   | Yes, 29b 2(c)(v)  |



# ED ESRS G1 Governance, risk management and internal control

| ED DRs                     | Accounting Directive | Topic  | Location in ESRS 2 |
|----------------------------|----------------------|--|--------------------|
| <b>G1-1, G1-4 and G1-9</b> | Yes, 29b 2(c)(i)     | Composition and diversity policy   | Merged with GOV 1  |
| <b>G1-7/8</b>              | Yes, 29b 2(c)(ii)    | Risk management and internal control over sustainability reporting process | New GOV 5          |

Other DRs deleted due to changes in CSRD.

---

## Follow us online

**EFRAG**  
Aisbl - ivzw  
35 Square de Meeüs  
B-1000 Brussel  
Tel. +32 (0)2 207 93 00  
[www.efrag.org](http://www.efrag.org)



EFRAG is co-funded by the European Union and EEA and EFTA countries. The contents of EFRAG's work and the views and positions expressed are however the sole responsibility of EFRAG and do not necessarily reflect those of the European Union or the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). Neither the European Union nor DG FISMA can be held responsible for them.