

ESRS G1 BUSINESS CONDUCT

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Objective

1. The objective of this Standard is to specify disclosure requirements which will enable users of the undertaking's **sustainability statements** to understand the undertaking's strategy and approach, processes and procedures as well as its performance in respect of business conduct.
2. This Standard focusses on the following matters, collectively referred to in this Standard as 'business conduct or business conduct matters':
 - (a) business ethics and **corporate culture**, including anti-**corruption** and anti-**bribery**, the protection of whistleblowers, and animal welfare;
 - (b) the management of relationships with **suppliers**, including payment practices, especially with regard to late payment to small and medium-sized undertakings.
 - (c) activities and commitments of the undertaking related to exerting its political influence, including its **lobbying activities**;

Interaction with other ESRS

3. The content of this Standard on general disclosures as well as impact, risk and opportunity management and **metrics** and **targets** shall be read in conjunction respectively with ESRS 1 *General principles* and ESRS 2 *General requirements*.

Disclosure Requirements

ESRS 2 General disclosures

4. The requirements of this section should be read in conjunction with and reported alongside the disclosures required by ESRS 2 on Governance (GOV), Strategy (SBM) and Management of impacts, risks and opportunities (IRO).

Governance

Disclosure Requirement related to ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies

5. When disclosing information about the role of the **administrative, management and supervisory bodies**, the undertaking shall cover the following aspects:
- (a) the role of the **administrative, management and supervisory bodies** related to business conduct; and
 - (b) the expertise of the administrative, management and supervisory bodies on business conduct matters.

Impact, risk and opportunity management

Disclosure Requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities

6. When describing the process to identify material impacts, risks and opportunities in relation to business conduct matters, the undertaking shall disclose all relevant criteria used in the process, including location, activity, sector and the structure of the transaction.

Disclosure Requirement G1-1– Business conduct policies and corporate culture

7. **The undertaking shall disclose its policies with respect to business conduct matters and how it fosters its corporate culture.**
8. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or **remediation** of its material **impacts, risks** and **opportunities** related to business conduct matters. It also aims to provide an understanding of the undertaking's approach to **corporate culture**.
9. The disclosures required under paragraph 7 shall include how the undertaking establishes, develops, promotes and evaluates its **corporate culture**.

10. The disclosures in paragraph 7 shall cover the following aspects related to the undertaking's policies on business conduct matters:
- (a) a description of the mechanisms for identifying, reporting and investigating concerns about unlawful behaviour or behaviour in contradiction of its code of conduct or similar internal rules; and whether it accommodates reporting from internal and/or external **stakeholders**;
 - (b) where the undertaking has no policies on anti-**corruption** or anti-**bribery** consistent with the United Nations Convention against Corruption¹, it shall state this and whether it has plans to implement them and the timetable for implementation; (c) how the undertaking protects whistleblowers, including:
 - i. details on the establishment of internal whistleblower reporting channels, including whether the undertaking provides for information and **training** to its own workers and information about the designation and training of staff receiving reports; and
 - ii. measures to protect against retaliation its own workers who are whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937 of the European Parliament and of the Council²;
 - (d) where the undertaking has no policies on the protection of whistle-blowers³, it shall state this and whether it has plans to implement them and the timetable for implementation;
 - (e) beyond the procedures to follow-up on reports by whistleblowers in accordance with the applicable law transposing Directive (EU) 2019/1937, whether the undertaking has procedures to investigate business conduct **incidents**, including incidents of **corruption** and **bribery**, promptly, independently and objectively;
 - (f) where applicable, whether the undertaking has in place policies with respect to animal welfare;
 - (g) the undertaking's **policy** for **training** within the organisation on business conduct, including target audience, frequency and depth of coverage; and
 - (h) the functions within the undertaking that are most at risk in respect of **corruption** and **bribery**.
11. Undertakings that are subject to legal requirements under national law transposing Directive (EU) 2019/1937, or to equivalent legal requirements with regard to the protection of whistleblowers, may comply with the disclosure specified in paragraph 10 (d) by stating that they are subject to those legal requirements.

Disclosure Requirement G1-2 – Management of relationships with suppliers

12. **The undertaking shall provide information about the management of its relationships with its suppliers and its impacts on its supply chain.**
13. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's management of its procurement process including fair behaviour with **suppliers**.

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #15 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Lack of anti-corruption and anti-bribery policies").

² Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L 305, 26.11.2019, p. 17).

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #6 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Insufficient whistleblower protection").

14. The undertaking shall provide a description of its **policy** to prevent late payments, specifically to SMEs.
15. The disclosure required under paragraph 12 shall include the following information:
 - (a) the undertaking's approach to its relationships with its **suppliers**, taking account of risks to the undertaking related to its **supply chain** and of **impacts on sustainability matters**; and
 - (b) whether and how it takes into account social and environmental criteria for the selection of its suppliers.

Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery

16. **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.**
17. The objective of this Disclosure Requirement is to provide transparency on the key procedures of the undertaking to prevent, detect, and address allegations about **corruption** and **bribery**. This includes the training provided to own workers and/or information provided internally or to **suppliers**.
18. The disclosure required under paragraph 16 shall include the following information:
 - (a) a description of the procedures in place to prevent, detect, and address allegations or **incidents of corruption and bribery**;
 - (b) whether the investigators or investigating committee are separate from the chain of management involved in the matter; and
 - (c) the process, if any, to report outcomes to the **administrative, management and supervisory bodies**.
19. Where the undertaking has no such procedures in place, it shall disclose this fact and, where applicable, its plans to adopt them.
20. The disclosures required by paragraph 16 shall include information about how the undertaking communicates its policies to those for whom they are relevant to ensure that the **policy** is accessible and that they understand its implications.
21. The disclosure required by paragraph 16 shall include information about the following with respect to training:
 - (a) the nature, scope and depth of anti-**corruption** and anti-**bribery** training programmes offered or required by the undertaking;
 - (b) the percentage of functions-at-risk covered by training programmes; and
 - (c) the extent to which training is given to members of the administrative, management and supervisory bodies.

Metrics and targets

Disclosure Requirement G1-4 – Incidents of corruption or bribery

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

23. The objective of this Disclosure Requirement is to provide transparency on the incidents relating to **corruption** or **bribery** during the reporting period and the related outcomes.
24. The undertaking shall disclose:
 - (a) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws⁴; and
 - (b) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery⁵.
25. The undertaking may disclose:
 - (a) the total number and nature of **confirmed incidents** of corruption or bribery;
 - (b) the number of **confirmed incidents** in which own workers were dismissed or disciplined for corruption or bribery-related incidents;
 - (c) the number of **confirmed incidents** relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery; and
 - (d) details of public legal cases regarding **corruption** or **bribery** brought against the undertaking and its own workers during the reporting period and the outcomes of such cases. This includes cases that were initiated in previous years where the outcome was only established in the current reporting period.
26. The disclosures required shall include **incidents** involving actors in its **value chain** only where the undertaking or its **employees** are directly involved.

Disclosure Requirement G1-5 – Political influence and lobbying activities

27. **The undertaking shall provide information on the activities and commitments related to exerting its political influence, including its lobbying activities related to its material impacts, risks and opportunities.**
28. The objective of this Disclosure Requirement is to provide transparency on the undertaking's activities and commitments related to exerting its political influence with political contributions, including the types and purpose of **lobbying activities**.
29. The disclosure required by paragraph 27 shall include:
 - (a) if applicable, the representative(s) responsible in the **administrative, management and supervisory bodies** for the oversight of these activities; (b) for financial or in-kind political contributions:
 - i. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary; and
 - ii. where appropriate, how the monetary value of in-kind contributions is estimated.

⁴ This information supports the information needs of: financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out in indicator #17 of Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws"); and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws" in section 1 and 2 of Annex II.

⁵ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out in in indicator #16 of Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery").

- (c) the main topics covered by its **lobbying activities** and the undertaking's main positions on these in brief. This shall include explanations on how this interacts with its material impacts, risks and opportunities identified in its **materiality** assessment per ESRS 2; and
 - (d) if the undertaking is registered in the EU Transparency Register or in an equivalent transparency register in a Member State, the name of any such register and its identification number in the register.
30. The disclosure shall also include information about the appointment of any members of the **administrative, management and supervisory bodies** who held a comparable position in public administration (including regulators) in the 2 years preceding such appointment in the current reporting period.

Disclosure Requirement G1-6 – Payment practices

31. **The undertaking shall provide information on its payment practices, especially with respect to late payments to small and medium enterprises (SMEs).**
32. The objective of this Disclosure Requirement is to provide insights on the contractual payment terms and on its performance with regard to payment, especially as to how these impact SMEs and specifically with respect to late payments to SMEs.
33. The disclosure under paragraph 31 shall include:
- (a) the average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days;
 - (b) a description of the undertaking's standard payment terms in number of days by main category of **suppliers** and the percentage of its payments aligned with these standard terms;
 - (c) the number of legal proceedings currently outstanding for late payments; and
 - (d) complementary information necessary to provide sufficient context. If the undertaking has used representative sampling to calculate the information required under point (a), it shall state that fact and briefly describe the methodology used.

Appendix A: Application Requirements

This appendix is an integral part of the ESRS G1 *Business conduct*. It supports the application of the disclosure requirements set out in this standard and has the same authority as the other parts of the Standard.

Impact, risk and opportunity management

Disclosure Requirement G1-1 – Business conduct policies and corporate culture

- AR 1. The undertaking may consider the following aspects when determining its disclosure under paragraph 7:
- (a) the aspects of **corporate culture** that are taken into consideration and discussed by the **administrative, management and supervisory bodies** and with which frequency;
 - (b) the principal themes that are promoted and communicated as part of the corporate culture;

- (c) how the members of the undertaking's administrative, management and supervisory bodies provide direction to promote a corporate culture; and
- (d) specific incentives or tools for its own workers to foster and encourage its corporate culture.

Disclosure Requirement G1-2 – Management of relationships with suppliers

AR 2. For purposes of this standard, management of relationships with the undertaking's **suppliers** may include the following:

- (a) how the undertaking's practices, including activities to avoid or minimise the impacts of disruptions to its **supply chain**, support its strategy and risk management;
- (b) training of the undertaking's procurement/supply chain workforce on engagement and dialogue with **suppliers** as well as incentives of its procurement workforce including whether such incentives refer to price, quality or sustainability factors;
- (c) the screening and evaluation of social and environmental performance of suppliers;
- (d) the inclusion of locally based suppliers in its supply chain and/or suppliers with certification;
- (e) how the undertaking's practices deal with vulnerable suppliers;
- (f) the undertaking's **targets** and **actions** with regard to communication and management of relationships with suppliers; and
- (g) how the outcomes of these practices are evaluated, including supplier visits, audits or surveys.

AR 3. 'Vulnerable suppliers' includes **suppliers** that are exposed to significant economic, environmental and/or social risks.

Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery

AR 4. 'Functions-at-risk' means those functions deemed to be at risk of **corruption** and **bribery** as a result of its tasks and responsibilities.

AR 5. Disclosures may include details about the risk assessments and/or mapping, as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect **corruption** and **bribery**.

AR 6. The undertaking's policies on **corruption** and **bribery** may be relevant to specific groups of people, either because they are expected to implement them (for example, the undertaking's **employees**, contractors and **suppliers**), or because they have a direct interest in their implementation (for example, **value chain** workers, investors). The undertaking may disclose the communication tools and channels (e.g., flyers, newsletters, dedicated websites, social media, face to face interactions, unions and/or workers representatives) to communicate policies to such groups. This may also include the identification and/or removal of potential barriers to dissemination, such as through translation into relevant languages or the use of graphic depictions.

AR 7. The undertaking may disclose an analysis of its training activities by, for example, region of training or category of **own workforce** where its programmes differ significantly based on such factors and such information would be useful to users.

AR 8. The undertaking may present the required information about training using the following table:

Anti-corruption and bribery training illustrative example

During the 20XY financial year ABC provided training to its at-risk own workers in terms of its policy (see note x). For those at-risk functions the training is mandatory, but ABC also made available voluntary training for other own workers. Details of its training during the year is as follows:

| | At-risk functions | Managers | AMSB⁶ | Other own workers |
|--|--------------------------|-----------------|-------------------------|--------------------------|
| Training coverage | | | | |
| <i>Total</i> | 20,000 | 200 | 16 | 70,000 |
| <i>Total receiving training</i> | 19,500 | 150 | 8 | 5,000 |
| Delivery method and duration | | | | |
| <i>Classroom training</i> | 5 hours | | | |
| <i>Computer-based training</i> | 1 hour | 2 hours | 1 hour | |
| <i>Voluntary computer-based training</i> | | | | 1 hour |
| Frequency | | | | |
| <i>How often training is required</i> | Annually | Annually | Bi-annually | - |
| Topics covered | | | | |
| <i>Definition of corruption</i> | X | X | X | X |
| <i>Policy</i> | X | X | X | X |
| <i>Procedures on suspicion/detection</i> | X | X | | |
| <i>Etc.</i> | X | | | |

Metrics and targets

Disclosure Requirement G1-5 – Political influence and lobbying activities

AR 9. For purposes of this Standard ‘political contribution’ means financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office. Financial contributions can include donations, loans, sponsorships, advance payments for services, or the purchase of tickets for fundraising events and other similar practices. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, provision of board membership, employment or consultancy work for elected politicians or candidates for office.

AR 10. ‘Indirect political contribution’ refers to those political contributions made through an intermediary organisation such as a lobbyist or charity, or support given to an organisation such as a think tank or trade association linked to or supporting particular political parties or causes.

AR 11. When determining ‘comparable position’ in this standard, the undertaking shall consider various factors, including level of responsibility and scope of activities undertaken.

AR 12. The undertaking may provide the following information on its financial or in-kind contributions with regard to its lobbying expenses:

⁶ Administrative, management and supervisory bodies.

- (a) the total monetary amount of such internal and external expenses; and (b) the total amount paid for membership to lobbying associations.

AR 13. If the undertaking is legally obliged to be a member of a chamber of commerce or other organisation that represents its interests, it may disclose that this is the case.

AR 14. In meeting the requirement in paragraph 29(c) the undertaking shall consider the alignment between its public statements on its material impacts, risks and opportunities and its **lobbying activities**.

AR 15. An example of what such disclosures could look like:

Political engagement (including lobbying activities) illustrative example

*During the 20XY financial year ABC was involved in activities around the proposed regulation XXX which could have significant negative impacts on its **business model** if implemented in the current format. ABC considers that while the proposed regulation will realise some improvements to the regulatory regime such as xxx, in its current format the costs relating to xxx will outweigh the benefits. ABC and its peers continue to work with XXX (the regulator) to improve this balance.*

ABC also supported the QRP political party in Country X and EFG party in Country Y as both ABC is registered in its local transparency register, i.e., XYZ, and its registration number is 987234.

Amounts in € thousands.

| | 2023 | 2022 [TBC] |
|-----------------------------------|-------------|-------------------|
| <i>Political funding provided</i> | <i>100</i> | |
| <i>Funding to QRP</i> | <i>75</i> | |
| <i>Funding to EFG</i> | <i>25</i> | |
| | 100 | |

Disclosure Requirement G1-6 – Payment practices

AR 16. In some cases, the undertaking’s standard contractual payment terms may differ significantly depending on country or type of **supplier**. In such cases, information about the standard terms per main categories of suppliers or country or geographical region could be examples of additional contextual information to explain the disclosures in paragraph 33(b).

AR 17. An example of what the description of standard contract term disclosures in paragraph 33(b) could look like:

ABC’s standard contract payment terms are payment on receipt of invoice for wholesalers which encompass approximately 80% of its annual invoices by value. It pays for services received within 30 days after receipt of the invoice which are about 5% of its annual invoices. The remainder of its invoices are paid within 60 days of receipt except for those in country X which in accordance with the marketplace standards are paid within 90 days of receipt.