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## TEG Survey: Governance ESRS drafts Issues Paper

### Objective

- The objective of this paper is to provide feedback from the survey to the EFRAG SR TEG members about the governance ESRS ED's.

### Feedback about draft standards as a whole

- Questions 49 to 50 asked SR TEG for their feedback about specific aspects relating to the standards as a whole. Here are the results as well as the comments:

#### *ESRS G1 – Governance, risk management and internal control (Q49)*

	Fully	Large extent	Limited extent	Not at all	Other <sup>1</sup>	Approval score	Recalc. <sup>2</sup> approval
<i>Required by CSRD</i>	6	2	1	0	6	53%	89%
<i>Relevant information</i>	6	4	1	0	4	67%	91%
<i>Sector comparability</i>	8	3	0	0	4	73%	100%
<i>Faithful rep. - impact</i>	6	2	2	0	5	53%	80%
<i>Faithful rep. - financial</i>	7	2	1	0	5	60%	90%
<i>Verified / assured</i>	6	4	0	0	5	67%	100%
<i>Quality of information</i>	8	2	0	0	5	67%	100%
<i>Cost / benefit balance</i>	6	5	0	0	4	73%	100%
<i>Consistency with EU</i>	4	2	0	1	8	40%	86%
<i>International compatibility</i>	5	1	0	1	8	40%	86%
<b>Average</b>	<b>6.2</b>	<b>2.7</b>	<b>0.5</b>	<b>0.2</b>	<b>5.4</b>	<b>59%</b>	<b>92%</b>

- SR TEG provided the following comments on this question:

Comment	Classification
The criteria of this ESRS are quite "classical" sustainability governance indicators. Some are useful, others are so descriptive that they might end up in information of little use / quite artificial (ex: DR G1-5) that could hardly be audited. The description of the components of the diversity policy (DR G1-4) should be coherent with the one described in the S1 own workforce section.	Too descriptive/alternative drafting
The disclosure requirements in ESRS G1 should be moved into the cross-cutting standard ESRS 2. The information required by these disclosures is essential in order to understand an undertaking's governance and cannot be subjected to an undertaking's materiality assessment.	Move to ESRS 2

<sup>1</sup> This may refer to blank or 'no opinion' responses.

<sup>2</sup> The recalculated approval score excludes the 'other' responses.

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For Parts A, B and I: the Standard needs to be modified to fully do justice to the fact that the majority of EU Member States have a corporate governance system including rules for worker representation in at least some subset of companies, and that this representation plays a crucial role in social dialogue and corporate governance. This Standard should therefore explicitly refer to trade union and workers' representatives in the disclosure requirements and application guidance.	Alternative drafting
Indicated not at all for J given the fact that ISSB does not yet cover G and so alignment with most important international initiative/global baseline is not given. Indicated 2 for A/B and 1 for I as G1 does not seem aligned with CSRD final text which focuses on G around sustainability matters. Should be deprioritized & further elaborated to be in line with CSRD.	Compatibility
Rather good standard. The interaction with other ESRS should include ESRS E1 to E5 (as it is only E1 to E4 in current ED).	Support

ESRS G2 – Business conduct (Q50)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
<i>Required by CSRD</i>	6	3	0	0	6	60%	100%
<i>Relevant information</i>	5	5	0	0	5	67%	100%
<i>Sector comparability</i>	5	3	2	0	5	53%	80%
<i>Faithful rep. - impact</i>	5	4	1	0	5	60%	90%
<i>Faithful rep. - financial</i>	6	3	1	0	5	60%	90%
<i>Verified / assured</i>	6	3	1	0	5	60%	90%
<i>Quality of information</i>	7	2	0	0	6	60%	100%
<i>Cost / benefit balance</i>	6	4	0	1	4	67%	91%
<i>Consistent with relevant EU</i>	5	1	0	0	9	40%	100%
<i>Compatibility internationally</i>	5	1	0	1	8	40%	86%
<b>Average</b>	<b>5.6</b>	<b>2.9</b>	<b>0.5</b>	<b>0.2</b>	<b>5.8</b>	<b>57%</b>	<b>93%</b>

4 SR TEG provided the following comments on this question:

Comment	Classification
This disclosure requirement is based mainly on qualitative disclosures and will be difficult to verify except for the incentives and contractual clauses. Reporting on business conduct culture on this kind of practical level of detail is a rather novel concept The governance standards as a whole are rather limited, and fail to touch upon issues of privacy, anti-money laundering, tax compliance cyber security and data security	Audit/Additional topics
This section is more innovative and interesting, however one important disclosure requirement missing is the one related to fiscal optimisation.	Support/Additional topics
Disclosure requirements that refer to employees and staff should be aligned with the terminology and scope of workers used in the ESRS social standards.	Alternative drafting
Parts A, B, D and I: The Standard should be better aligned with EU legislation on beneficial owners, e.g. using the definitions in EU legislation. The wording in the exposure draft is too vague (e.g. no threshold is defined for which beneficial owners are to be reported on). Furthermore, explicit guidance should be given for the case that the identities of such owners are unknown/obscured.	Alternative drafting
Indicated 0 for J given the fact that ISSB does not yet cover G and so alignment with most important international initiative/global baseline is not given. Indicated 1 for H as some requirements are excessively granular (e.g. on lobbying, payment practices).	Compatibility

<p>Not expected to be generally/as material across sectors (e.g. on payment practices).</p>	
<p><b>Objective:</b></p> <ul style="list-style-type: none"> <li>• Par. 2: I do not understand why Par.2 is just Referring just to “business ethics and corporate culture, including anti-corruption and anti-bribery” and not to (iii) political engagements of the undertaking, including its lobbying activities; and (iv) the management and quality of relationships with business partners, including payment practices too (see art.19b 2 c) (ii), (iii) and (iv), CSRD – page 46). Is not G2 (this document) stating the disclosures requirements for these 2 governance factors as well? See disclosures requirements G2-9 “political engagements and lobbying activities” and G2-10 “payment practices” of this document.</li> <li>• <b>Par. 3:</b> <ul style="list-style-type: none"> <li>o With regards to the wording, the wording of "business ethics" may be considered rather than business conduct.</li> <li>o Furthermore, "lobbying" does not have a generally agreed upon definition in the EU. As such, I suggest adding the terminology of "Interest Representation", which currently has some reporting requirements in some countries, such as the HATVP reporting in France.</li> <li>o With regards to the definition, the mention that the standards focusses on practices such as "other behaviours that often been criminalised as they benefit some in positions of power with a detrimental impact on society" seems odd, as it neither specific enough nor differentiate enough from the concepts of corruption and bribery which are already criminalized.</li> <li>o This definition seems to be relatively narrow. We suggest including other business compliance matters like data privacy or responsible marketing/consumers protection, etc.</li> <li>o We suggest considering that further topics like human rights or precautionary principle should also be included part of business conduct</li> <li>o The definition of business conduct should be included in the Appendix under 'defined terms'</li> </ul> </li> <li>• Par. 5 and 6. are generic. As such, their inclusion in each topical standards seems redundant.</li> </ul> <p>Interaction with other ESRS: • Par. 8:</p> <ul style="list-style-type: none"> <li>o It would make sense to explain that these disclosures should be integrated with the others – that risk assessment related to business conduct should be discussed as part of the risk assessment narrative coming from ESRS1 &amp; 2 – not that these disclosures from G2 should be given as an overall standalone narrative regarding business conduct.</li> </ul> <p>Definitions in Appendix A should refer to existing EU definitions. Ex: anti-competitive behaviour is defined in the EU Directive, corruption is defined in the OECD anti-bribery convention definition, and lobbying is defined in the EU Representation of Interest and Lobbying definition</p>	<p>Alternative proposals</p>

**Draft ESRS G1 Governance, risk management and internal control – feedback per DR**

*ESRS G1.1 – Governance structure and composition (Q117)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%

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	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	6	1	0	1	7	47%	88%
Digitisation	3	2	0	0	10	33%	100%
<b>Average</b>	<b>4.7</b>	<b>1.8</b>	<b>0.1</b>	<b>0.6</b>	<b>7.9</b>	<b>43%</b>	<b>90%</b>

5 SR TEG provided the following comments on this question:

Comment	Classification
Part A: should specifically request information on workers' representatives in boards (as a majority of EU member states have legal requirements for worker board level representation in a subset of undertakings).	Alternative drafting

*ESRS G1.2 – Corporate governance code or policy (Q118)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	7	1	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	6	1	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	6	1	0	1	7	47%	88%
Digitisation	3	2	0	0	10	33%	100%
<b>Average</b>	<b>5.1</b>	<b>1.3</b>	<b>0.1</b>	<b>0.6</b>	<b>7.9</b>	<b>43%</b>	<b>90%</b>

6 There were no comments on this section.

*ESRS G1.3 – Nomination process (Q119)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	4	4	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	4	4	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	5	2	0	1	7	47%	88%
Digitisation	3	1	0	1	10	27%	80%
<b>Average</b>	<b>4.3</b>	<b>2.0</b>	<b>0.1</b>	<b>0.7</b>	<b>7.9</b>	<b>42%</b>	<b>88%</b>

7 SR TEG provided the following comments on this question:

Comment	Classification
Part A: specific information on how workers' representatives on the boards should be required, as their selection process may and usually does differ from shareholders' representatives.	Alternative drafting

ESRS G1.4 - Diversity policy (Q120)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	4	4	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	4	3	0	1	7	47%	88%
Digitisation	4	2	1	0	8	40%	86%
<b>Average</b>	<b>4.4</b>	<b>2.1</b>	<b>0.2</b>	<b>0.6</b>	<b>7.7</b>	<b>44%</b>	<b>89%</b>

8 There were no comments on this section.

ESRS G1.5 – Evaluation process (Q121)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	4	4	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	4	4	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	3	1	0	2	9	27%	67%
Prioritisation	5	2	0	1	7	47%	88%
Digitisation	3	2	0	1	9	33%	83%
<b>Average</b>	<b>4.2</b>	<b>2.1</b>	<b>0.1</b>	<b>0.7</b>	<b>7.9</b>	<b>42%</b>	<b>88%</b>

9 SR TEG provided the following comments on this question:

Comment	Classification
E - largely determined by law.	Legal considerations

ESRS G1.6 – Remuneration policy (Q122)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	3	1	0	2	9	27%	67%
Prioritisation	6	1	0	1	7	47%	88%
Digitisation	3	2	0	1	9	33%	83%
<b>Average</b>	<b>4.6</b>	<b>1.8</b>	<b>0.1</b>	<b>0.7</b>	<b>7.9</b>	<b>42%</b>	<b>88%</b>

10 SR TEG provided the following comments on this question:

Comment	Classification
I - narrative.	Digitisation

ESRS G1.7 – Risk management processes (Q123)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
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Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	3	1	0	2	9	27%	67%
Prioritisation	5	2	0	1	7	47%	88%
Digitisation	4	2	0	1	8	40%	86%
<b>Average</b>	<b>4.6</b>	<b>1.9</b>	<b>0.1</b>	<b>0.7</b>	<b>7.8</b>	<b>43%</b>	<b>88%</b>

11 SR TEG provided the following comments on this question:

Comment	Classification
F - largely redundant to financial reporting requirements.	Redundant

*ESRS G1.8 – Internal control processes (Q124)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	6	1	0	1	7	47%	88%
Digitisation	3	2	0	1	9	33%	83%
<b>Average</b>	<b>4.7</b>	<b>1.8</b>	<b>0.1</b>	<b>0.7</b>	<b>7.8</b>	<b>43%</b>	<b>88%</b>

12 SR TEG provided the following comments on this question:

Comment	Classification
F - largely redundant to financial reporting requirements.	Redundant

13 One TEG member indicated that country by country reporting is missing for own workforce indicators for this and following DRs.

*ESRS G1.9 – Composition of the administrative, management and supervisory bodies (Q125)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	2	0	0	8	47%	100%
Quality of information	4	2	0	0	9	40%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	6	2	0	0	7	53%	100%
Digitisation	5	2	0	0	8	47%	100%
<b>Average</b>	<b>4.9</b>	<b>1.9</b>	<b>0.0</b>	<b>0.4</b>	<b>7.8</b>	<b>45%</b>	<b>93%</b>

14 SR TEG provided the following comments on this question:

Comment	Classification
Requirement to disclose age may become discriminatory.	Legal considerations
Part A: it should be clearly specified that workers' representatives in the board are one of the types of stakeholders to be clearly identified and reported on. Information should also be provided on	Alternative drafting

workers' representatives when they are in an 'observer' status in the board.	
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*ESRS G1.10 – Meetings and attendance rate (Q126)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	4	4	0	0	7	53%	100%
Sector-agnostic information	6	2	0	0	7	53%	100%
Verified / assured	6	1	0	0	8	47%	100%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	4	4	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	4	1	0	2	8	33%	71%
Prioritisation	5	2	0	1	7	47%	88%
Digitisation	4	2	0	0	9	40%	100%
<b>Average</b>	<b>4.4</b>	<b>2.2</b>	<b>0.0</b>	<b>0.6</b>	<b>7.8</b>	<b>44%</b>	<b>92%</b>

15 SR TEG provided the following comments on this question:

Comment	Classification
F - largely redundant to financial reporting requirements.	Redundant

**Draft ESRS G2 Business conduct – feedback per DR**

*ESRS G2.1 – Business conduct culture (Q127)*

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	3	5	0	0	7	53%	100%
Sector-agnostic information	6	2	0	0	7	53%	100%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	3	3	0	0	9	40%	100%
Cost / benefit balance	4	4	0	0	7	53%	100%
Consistent with relevant EU	2	1	0	1	11	20%	75%
International compatibility	2	1	0	2	10	20%	60%
Prioritisation	4	2	0	2	7	40%	75%
Digitisation	3	2	0	1	9	33%	83%
<b>Average</b>	<b>3.6</b>	<b>2.3</b>	<b>0.1</b>	<b>0.7</b>	<b>8.3</b>	<b>39%</b>	<b>87%</b>

- 16 One SR TEG commented for this question until question 130 that given the narrative nature of the requirements, digitisation may be difficult.
- 17 Another said that:
- 18 Par. 12. a: The link with resilience of the strategy isn't explicit in Application Guidance 3 and may be redrafted in the future. Overall, AG 3 covers topics which are substantially covered by ESRS 2.
- 19 The wording and perimeters can be inconsistent at times the DR seems inconsistent, such as between Par. 14 and 16 (e.g.: business conduct vs business conduct culture).
- 20 As the wording of Par. 17 indicates matters that "shall be considered", the Par. could be placed in the applications guidelines rather than in the DR.
- 21 Relating to Par. 17, the difference between "subjects" (17. a) and "topics" (17. c) isn't clear. If synonymous, the 17. a and 17. c may be merged. Moreover, the topics/ subjects disclosure is hidden within a disclosure on initiatives, and I suggest making topics/subject disclosure a distinct disclosure from the initiatives in place.
- 22 Disclosures relating to communications may be merged to streamline reporting (17. b and 17. e).
- 23 Par. 17. d seems redundant with AG 2.
- 24 Matters covered in Par. 17. f should be addressed under a responsible procurement section.

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- 25 With regards to the Disclosure Requirements, the disclosures regarding how the culture is assessed and conclusions of the latest assessment (+ actions pertaining to these conclusions) isn't specified. To that end, AG 4 could be improved and should refer to ESRS 2 Par. 74. b on risk assessment methodology in relation to business conduct matters.

ESRS G2.2 – Policies and targets on business conduct (Q128)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	6	2	0	0	7	53%	100%
Verified / assured	4	3	0	0	8	47%	100%
Quality of information	4	3	0	0	8	47%	100%
Cost / benefit balance	5	3	0	0	7	53%	100%
Consistent with relevant EU	2	1	0	1	11	20%	75%
International compatibility	2	1	0	2	10	20%	60%
Prioritisation	5	2	0	0	8	47%	100%
Digitisation	2	2	1	0	10	27%	80%
<b>Average</b>	<b>3.9</b>	<b>2.2</b>	<b>0.1</b>	<b>0.3</b>	<b>8.4</b>	<b>41%</b>	<b>91%</b>

- 26 SR TEG provided the following comments on this question:

Comment	Classification
<p>The name of G2-2 should be changed as targets reflect quantitative aspects which are not covered by the DR.</p> <p>Overall, the policies could be more strongly linked with the risk assessment process, and with existing notions such as those of the Code of Conduct (which may be specified in the AG).</p> <p>Par. 20 needs to be revised. Indeed, Par. 20 should be aligned with ESRS 1 DP1, as there is an ask for information at different levels (actions, scope and policies all constitute different disclosures).</p> <p>Par. 20. a should be placed further down in ESRS G2 as it is an action not a policy. Moreover, the DR isn't specific, with regards to it being open to external stakeholders or not. Wording could also be improved "mechanism for reporting concerns" may be changed to "mechanisms for identifying and reporting concerns". Lastly, 20. a. could seem redundant with grievance mechanisms exposed in S1 and create redundancy for the preparer.</p> <p>Par. 20. b's wording can be improved. It should relate to "the scope of the undertaking's policies on anti-corruption... consistent with UN's Convention against corruption". I suggest adding the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions to the list of policies being referred to.</p> <p>Similarly, Par. 20. d's wording can be improved. It should relate to the scope of the business conduct policy rather than refer to its scope by what is excluded.</p> <p>Par. 20. e's focuses on "whether the undertaking is committed to investigate business conduct (including corruption or bribery) incidents promptly, independently and objectively "might not provide useful information for users. Undertakings should report on the process to investigate business conducts incidents and how these incidents are managed as required under Disclosure Requirement G2-3 – Prevention and detection of corruption and bribery and G2-4 Disclosure Requirement G2-4 – Anti-competitive behaviour prevention and detection.</p> <p>Par. 20. f's seems should be included in the results section rather than in the policies section of the ESRS.</p> <p>Par. 20. g's should be included in the "Actions plans and dedicated resources" of the ESRS.</p>	Alternative proposals



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AG 9. should be reworded by turning "Protection of staff" into "Protection of staff from retaliation". AG. 9 could also refer to the EU's Whistleblowing directive.	
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ESRS G2.3 – Prevention and detection of corruption and bribery (Q129)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	7	1	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	4	3	0	0	8	47%	100%
Quality of information	4	2	0	0	9	40%	100%
Cost / benefit balance	6	2	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	0	11	27%	100%
International compatibility	4	1	0	1	9	33%	83%
Prioritisation	4	2	0	2	7	40%	75%
Digitisation	3	2	1	0	9	33%	83%
<b>Average</b>	<b>4.7</b>	<b>1.7</b>	<b>0.1</b>	<b>0.3</b>	<b>8.2</b>	<b>42%</b>	<b>94%</b>

27 SR TEG provided the following comments on this question:

Comment	Classification
<p>DR G2-3 doesn't include aspects of "detection" (e.g.: monitoring and auditing) nor risks concepts such as risk mapping or risks assessments which may be valuable inclusions in the DR.</p> <p>Additional transparency could also be expected, (e.g.: disclosure on monitoring programs, actions stemming from the risk assessments...) and could be specified in the AG.</p> <p>With regards to wording, "investigate" and "respond" are synonymous. As such "investigate and respond" in Par. 23. is redundant.</p> <p>Par. 24. a is a good generic statement, however all following statements refer to whistleblowing mechanisms. As such, 24. a could constitute a separate Par., points 24. b to e constituting another one.</p> <p>24. c and 24. D refer to results and should thus not be in the "Action plans and dedicated resources" of the ESRS.</p> <p>Par. 25 should be deleted as it is redundant with ESRS 1 DP1.</p>	Alternative proposals

ESRS G2.4 – Anti-competitive behaviour prevention and detection (Q130)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	6	2	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	4	3	0	0	8	47%	100%
Quality of information	5	2	0	0	8	47%	100%
Cost / benefit balance	6	2	0	0	7	53%	100%
Consistent with relevant EU	3	1	0	0	11	27%	100%
International compatibility	3	1	0	1	10	27%	80%
Prioritisation	4	1	1	2	7	33%	63%
Digitisation	3	2	1	0	9	33%	83%
<b>Average</b>	<b>4.6</b>	<b>1.7</b>	<b>0.2</b>	<b>0.3</b>	<b>8.2</b>	<b>41%</b>	<b>92%</b>

28 SR TEG provided the following comments on this question:

Comment	Classification
Is information on training really material? There are all sorts of trainings firms are conducting. What is critical is the governance structure and policies that are actually implemented. Claims on training can be used as alibi measure / greenwashing, if simple e-learning that often no one really remembers anything about are	Alternative drafting

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rolled out across the firm. Surely, training plays a role, but whether disclosures on training are material should be well thought through.	
<p>With regards to wording, prevention and detection may be seen as synonymous, and only one should be kept.</p> <p>The DR should clearly outline whether anti-competitive behaviour is committed by the company or in the industry against the company? As a result, we do not fully understand what the objective of these DRs is</p> <p>The disclosures required in Par. 28 and 29 aren't clear, as to what specific disclosures are required as part of this DR with little indications being given by the AG.</p>	Alternative drafting

ESRS G2.5 – Anti-corruption and anti-bribery training (Q131)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	4	3	1	0	7	47%	88%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	6	1	0	0	8	47%	100%
Quality of information	4	2	0	0	9	40%	100%
Cost / benefit balance	4	4	0	0	7	53%	100%
Consistent with relevant EU	2	1	0	0	12	20%	100%
International compatibility	2	2	0	1	10	27%	80%
Prioritisation	3	1	1	3	7	27%	50%
Digitisation	3	3	0	0	9	40%	100%
<b>Average</b>	<b>3.9</b>	<b>2.0</b>	<b>0.2</b>	<b>0.4</b>	<b>8.4</b>	<b>39%</b>	<b>91%</b>

29 SR TEG provided the following comments on this question:

Comment	Classification
<p>Why training is part of performance can be put into question, as it is more of an indication of means than performance per say, although I appreciate the need for this to be measured and have regular monitoring of level of readiness of employees is necessary. The DR should also add focus on effective and relevant training to all employees, not only those at risks, which should be compared to the training to the people at risk.</p> <p>This DR mixes concepts and could gain in clarity, as parts of the DR does not relate to performance.</p> <p>Indeed, par 32. a relates to risk assessment, which is not an indication of performance. Likewise, par 32. b and c, Par. 34 and 35 refer to actions which should be covered beforehand. Only par. 24 c and D constitutes performance indicators. The number of events may be added to the DR in this section</p> <p>Par. 33 relates to G3 = Responsible Supply Chain and should be removed.</p> <p>This level of detail for par. 32 could be placed in the AG.</p> <p>With regards to par 31. "anti-corruption or anti-bribery and business conduct" should be changed to "anti-corruption or anti-bribery and other business conduct".</p> <p>Par. 34 is too prescriptive and could be included par. 32.</p> <p>Par. 35 doesn't cover the frequency and assignment of training to new employees.</p>	Alternative proposals/drafting

ESRS G2.6 – Corruption or bribery events (Q132)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	6	2	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	2	0	0	8	47%	100%

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Quality of information	4	2	0	0	9	40%	100%
Cost / benefit balance	6	1	0	0	8	47%	100%
Consistent with relevant EU	3	2	0	0	10	33%	100%
International compatibility	2	2	0	1	10	27%	80%
Prioritisation	5	2	0	1	7	47%	88%
Digitisation	3	3	0	0	9	40%	100%
<b>Average</b>	<b>4.6</b>	<b>1.9</b>	<b>0.0</b>	<b>0.2</b>	<b>8.3</b>	<b>43%</b>	<b>96%</b>

30 SR TEG provided the following comments on this question:

Comment	Classification
Narrative.	Digitisation
It is questionable whether the requirement for public reporting of internal processes concerning employees or business partners is an appropriate requirement as these numbers could be interpreted in various ways, and the processes themselves contain private and delicate information. The requirement to disclose them publicly might create an incentive not to start those processes at all, defeating the purpose of the disclosure requirement It is not made clear what is meant with an investigation (38c-d), and whether that only relates to public legal procedures or also internal processes	Alternative drafting
What about internal proceedings? A lot of events of corruption and bribery events are made public? But whistleblowers may try to notify compliance internally. How is this being dealt with? Statistics would be interesting.	Alternative drafting
Bribery event isn't defined in the DR. There may be legal barriers preventing the disclosure of actual violations as it could hinder internal investigation process, qualification of corruption and self-disclosure to authorities leading to actual prosecutions. The DR should indicate how to deal with those barriers. The disclosure could ask the undertaking to report the number of allegations to the number of violations (see par. 88 in ESRS S1 for inspiration). On Par. 38 a. the outcomes to be disclosed should be defined more, including settlements for potential violations. Par 38 b. could be more specific on the "details" to be disclosed. Par 38 c. and 38. d. incidents could be replaced by "potential violations". In par 38 c., the disclosure should be split between dismissals and disciplining, as these constitute different outcomes. Additionally, investigations which lead to neither outcome should be considered. Par 39 could be more specific on the insufficiencies required in the disclosures. Additionally, the DR should be directly linked to the disclosure of fines for actual violations of anti-corruption only, otherwise there is significant risk of legal exposure which are contrary to anti-corruption regulations.	Alternative drafting

ESRS G2.7 – Anti-competitive behaviour events (Q133)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	6	2	0	0	7	53%	100%
Sector-agnostic information	7	1	0	0	7	53%	100%
Verified / assured	5	2	0	0	8	47%	100%
Quality of information	4	1	0	0	10	33%	100%
Cost / benefit balance	6	2	0	0	7	53%	100%
Consistent with relevant EU	2	1	0	0	12	20%	100%
International compatibility	2	2	0	1	10	27%	80%

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Prioritisation	4	1	1	2	7	33%	63%
Digitisation	3	3	0	0	9	40%	100%
<b>Average</b>	<b>4.3</b>	<b>1.7</b>	<b>0.1</b>	<b>0.3</b>	<b>8.6</b>	<b>40%</b>	<b>94%</b>

31 SR TEG provided the following comments on this question:

Comment	Classification
Reporting on on-going investigations by authorities has usually not been reported publicly, as it has been considered inside information crossing the bar for publishing of inside information until the investigation is made public by the competent authority	Alternative drafting
Information on context would be interesting, e.g. in what type of industry the undertaking is operating and how prone this industry is to anti-competitive behaviour events. There are lots of firms that operate within oligopolies (e.g. German car industry, O&G). This should ideally be disclosed in ESRS 2.	Alternative drafting
Narrative.	Digitisation
"Enquiries" should be added to investigations and litigations to be disclosed (such as sector enquiries). Additionally, while the considering of anti-trust compliance programs as a defence against anti-trust authorities, their inclusion in the DR should be discussed.	Alternative drafting

ESRS G2.8 – Beneficial ownership (Q134)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	6	2	0	0	7	53%	100%
Verified / assured	6	1	0	0	8	47%	100%
Quality of information	4	2	1	0	8	40%	86%
Cost / benefit balance	5	2	1	0	7	47%	88%
Consistent with relevant EU	3	1	0	2	9	27%	67%
International compatibility	3	1	0	1	10	27%	80%
Prioritisation	4	2	0	2	7	40%	75%
Digitisation	3	3	0	0	9	40%	100%
<b>Average</b>	<b>4.3</b>	<b>1.9</b>	<b>0.2</b>	<b>0.6</b>	<b>8.0</b>	<b>41%</b>	<b>88%</b>

32 SR TEG provided the following comments on this question:

Comment	Classification
The beneficial ownership <<< shall >>> include the identity and percentage of ownership of the largest shareholders, if applicable.	Alternative drafting
Part A: Clearer guidance should be provided on what kinds of beneficial owners should be reported on and how to handle situations where the identity of beneficial owners is 'hidden' from the undertaking.	Alternative drafting
Also, there are other EU regulation addressing these aspects; ESRS G2 needs to be aligned with these (see Money Laundering Directive), duplication needs to be avoided.	Alternative drafting
This section should be reworded to refer to the Ultimate beneficiary owner of the undertaking.	Alternative drafting

ESRS G2.9 – Political engagement and lobbying activities (Q135)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	5	3	0	0	7	53%	100%
Sector-agnostic information	6	2	0	0	7	53%	100%
Verified / assured	3	3	0	0	9	40%	100%
Quality of information	3	2	0	0	10	33%	100%

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Cost / benefit balance	4	3	1	0	7	47%	88%
Consistent with relevant EU	2	1	0	1	11	20%	75%
International compatibility	2	1	0	1	11	20%	75%
Prioritisation	3	1	2	2	7	27%	50%
Digitisation	2	2	1	0	10	27%	80%
<b>Average</b>	<b>3.3</b>	<b>2.0</b>	<b>0.4</b>	<b>0.4</b>	<b>8.8</b>	<b>36%</b>	<b>85%</b>

33 SR TEG provided the following comments on this question:

Comment	Classification
<p>As a general rule, companies form joint positions in their advocacy associations that are then advocated by that organization. There is no added value in each member entity to report on those activities separately.</p> <p>There is no definition for an in-kind contribution, allowing for wide discrepancies in how it is interpreted. It is e.g. unclear if the participation in working groups of an advocacy organization would be considered an in-kind contribution or e.g. a compliance activity</p>	Alternative drafting
<p>Absolutely critical. Many undertakings stopped funding political activities / parties directly and focus on supporting associations, organisations or others that represent their interests in the public discourse. This disclosure requirement needs to help users understand what organisations, associations, initiatives are supported by the undertaking that position themselves on topics material to the undertaking.</p> <p>Staff secondments should be considered.</p> <p>Should be discussed in more detail within SR TEG to ensure that users get the information needed and loopholes to avoid having to disclose material information on lobbying activities are minimized.</p> <p>Engagement with LobbyControl and Transparency International would be valuable.</p>	Support and additional proposals
<p>Section should be reworded into “Political engagement, Representation of Interest and Lobbying.” The DR could refer to the EU Lobby register as a basis to set forth obligations for disclosures on the matter.</p> <p>For 48 a, if there is no binding regulation setting obligation to the oversight of these activities within a governance, then the matter should not be disclosed.</p> <p>If par 48 b. i. is not standard practice, the DR may be too granular.</p> <p>Par 48 b. iii should not ask for internal advocacy expenses.</p> <p>Par. 48 and 49 should be merged, as Par. 48 only applies if the topic is already material as per ESRS 2.</p>	Alternative drafting
<p>There are other European requirements in place requiring companies to report on their lobbying activities; duplications reduced cost-benefit-ratio and needs to be avoided. Alignment with other governance requirements across European legislations is essential.</p>	Redundant

ESRS G2.10 — Payment practices (Q136)

	Fully	Large extent	Limited extent	Not at all	Other	Approval score	Recalc. approval
Relevant information	3	3	2	0	7	40%	75%
Sector-agnostic information	5	2	1	0	7	47%	88%
Verified / assured	5	1	1	0	8	40%	86%
Quality of information	4	2	0	0	9	40%	100%
Cost / benefit balance	3	3	2	0	7	40%	75%
Consistent with relevant EU	3	1	0	0	11	27%	100%
International compatibility	3	1	0	1	10	27%	80%
Prioritisation	3	2	1	2	7	33%	63%
Digitisation	3	3	0	0	9	40%	100%

<b>Average</b>	<b>3.6</b>	<b>2.0</b>	<b>0.8</b>	<b>0.3</b>	<b>8.3</b>	<b>37%</b>	<b>85%</b>
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34 SR TEG provided the following comments on this question:

<b>Comment</b>	<b>Classification</b>
The information could be relatively simple to start collecting from existing systems, but the added value in assessing the sustainability performance of the company is questionable.	Redundant
Requires further analysis on relevant metrics and likely coverage in sector-specific standards as these metrics are not relevant across sectors.	Sector
The mention of "given the importance of timely cashflows to business partners" seems obvious and as such, should not be included. Overall, this section may be a burden more than a benefit in terms of disclosure. Indeed 53 a. refers to average time to pay while payment terms may not always be under the control of the undertaking. Are there other KPIs better suited for what is being measured here?	Alternative drafting

35 On payment practices there were two additional questions:

	<b>Yes</b>	<b>No</b>	<b>No opinion</b>	<b>Approval score</b>	<b>Recalc. approval</b>
Captured extent of accounts payable or creditors at period end have been outstanding	5	1	9	33%	83%
Captured the fairness of the undertaking's payment practices	4	2	9	27%	67%

36 One EFRAG SR TEG member also stated: The governance standards as a whole are rather limited, and fail to touch upon issues of privacy, anti-money laundering, tax compliance cyber security and data security. Another indicated that procurement policy and practices fall under Supply chain due diligence.

**Questions for EFRAG SR TEG**

37 Does EFRAG SR TEG have comments on the feedback received.