

DRAFT STANDARD

ESRS G1

Business conduct

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[draft] ESRS G1 *Business conduct*

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DISCLAIMER

[Draft] ESRS G1 *Business conduct* is set out in paragraphs 1 to 31 and Appendices A – Defined terms and B – Application Guidance. All the paragraphs, including those in the Appendices, have equal authority. Each Disclosure Requirement is stated in a bold paragraph, followed the objective of the disclosures. The [draft] Standard also uses terms defined in other [draft] ESRS and should be read in the context of its objective.

Table of Contents

Table of Contents	3
Objective	4
Interaction with other ESRS	4
Disclosure Requirements	4
ESRS 2 General disclosures	4
Impact, risk and opportunity management	4
Disclosure Requirement G1-1 – Corporate culture and business conduct policies	4
Disclosure Requirement G1-2 – Management of relationships with suppliers	5
Disclosure Requirement G1-3 – Prevention and detection of corruption/bribery	6
Metrics and targets	6
Disclosure Requirement G1-4 – Confirmed incidents of corruption or bribery	6
Disclosure Requirement G1-5 – Political influence and lobbying activities	7
Disclosure Requirement G1-6 – Payment practices	7
Appendix A: Defined terms	9
Appendix B: Application Requirements	10
Impact, risk and opportunity management	10
Disclosure Requirement G1-1 – Corporate culture and business conduct policies	10
Disclosure Requirement G1-2 – Management of relationships with suppliers	10
Disclosure Requirement G1-3 – Prevention and detection of corruption and bribery	10
Metrics and targets	11
Disclosure Requirement G1-5 – Political influence and lobbying activities	11
Disclosure Requirement G1-6 – Payment practices	12

Objective

1. The objective of this [draft] 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. In general, the actions of an undertaking cover a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. This [draft] Standard focusses on the following practices specified by CSRD (indicated in this Standard as 'business conduct or business conduct matters'):
 - (a) corporate culture;
 - (b) management of relationships with suppliers;
 - (c) avoiding corruption and bribery;
 - (d) engagement by the undertaking to exert its political influence including lobbying;
 - (e) protection of whistle-blowers;
 - (f) animal welfare; and
 - (g) payment practices, specifically with regard to late payment to small and medium enterprises (SMEs¹).

Interaction with other ESRS

3. The content of this [draft] 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. This [draft] Standard provides specific business conduct-related application guidance in Appendix B to describe and illustrate what are the business conduct -related specificities that should be considered by the undertaking when disclosing information:
 - (a) the leadership on business conduct, referring to ESRS 2 GOV-1 shall cover the following aspects:
 - i. the role of the administrative, management and supervisory bodies related to business conduct; and
 - ii. the expertise of the administrative, management and supervisory bodies on business conduct matters.
 - (b) the process to identify material business conduct-related impacts, risks and opportunities and the outcome of this process, referring to ESRS 2 related to the management of impacts, risks and opportunities shall include all relevant criteria used in the assessment including location, activities, sector and transactions.

Impact, risk and opportunity management

Disclosure Requirement G1-1– Corporate culture and business conduct policies

5. **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.**
6. The objective of this Disclosure Requirement is to provide an understanding of how the administrative, management and supervisory bodies are involved in forming, monitoring,

¹ Per article 3 of the [accounting directive](#) (2013/34/EU) but, for the avoidance of doubt, including micro-enterprises as defined in the same directive.

promoting and assessing the corporate culture. It shall also provide an understanding of the undertaking's ability (i) to mitigate any negative impacts and maximise positive impacts related to business conduct, and (ii) to monitor and manage the related risks.

7. The disclosure required under paragraph 5 shall cover the strategy to foster the corporate culture of the undertaking, how this strategy is implemented and how the outcome is evaluated.
8. The disclosures in paragraph 5 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 documents; 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 Corruption², it shall state this and whether it has plans to implement them and the timetable for implementation;
 - (c) the undertaking's safeguards for reporting irregularities including whistleblowing protection, including:
 - i. protection of those of its own workforce who refuse to act unethically even if such refusal may result in loss of business; and
 - ii. non-retaliation against own workers who have been granted whistle-blower status in accordance with the applicable law and own workers who report any non-ethical behaviour incidents;
 - (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) whether the undertaking is committed to investigate business conduct (including corruption or bribery) incidents promptly, independently and objectively;
 - (f) where applicable, whether the undertaking has in place policies with respect to animal welfare; and
 - (g) the undertaking's strategy for training within the organisation on business conduct, including target audience, frequency and depth of coverage as well as the identification or definition of the functions within the undertaking that are most at risk in respect of corruption/bribery.

Disclosure Requirement G1-2 – Management of relationships with suppliers

9. **The undertaking shall provide information about the management of its relationships with its suppliers and its impacts on its supply chain.**
10. 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.
11. The undertaking shall provide a description of its policies/practices to prevent late payments to SMEs specifically when providing information of its relationships.
12. The disclosure required under paragraph 9 shall include the following information:
 - (a) The undertaking's strategy with respect to its relationships with its suppliers, in the context of the risks of the supply chain specifically and sustainability generally;

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator 15 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator 6 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

- (b) Whether and how it takes into account social and environmental criteria for the selection of its supply-side contractual partners; and
- (c) Description of the undertaking's practices implemented to support vulnerable suppliers and improve their social and environmental performance.

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

- 13. **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.**
- 14. 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/ bribery. This includes the training provided to own workers and/or information provided internally or to suppliers.
- 15. The disclosure required under paragraph 13 shall include the following information with respect to prevention and detection:
 - (a) an overview of the procedures in place to prevent, detect, and address allegations or incidents of corruption/bribery;
 - (b) whether the investigators or investigating committee are separate from the chain of management involved in the matter; and
 - (c) the process to report outcomes to the administrative, management and supervisory bodies.
- 16. Where the undertaking has no such procedures in place, it shall disclose this fact and, where applicable, its plans to adopt them.
- 17. The disclosures required by paragraph 13 shall include information about how the undertaking communicate its policies to those for whom they are relevant to ensure that the policy is accessible and that they understand its implications.
- 18. The disclosure required by paragraph 13 shall include information about the following with respect to training:
 - (a) the nature, scope and depth of anti-corruption/anti-bribery training programmes offered or required by the undertaking;
 - (b) the percentage of functions-at-risk covered by training programmes;
 - (c) where applicable, the information relating to members of the administrative, supervisory and management bodies.

Metrics and targets

Disclosure Requirement G1-4 – Confirmed incidents of corruption or bribery

- 19. **The undertaking shall provide information on confirmed incidents of corruption or bribery during the reporting period.**
- 20. The objective of this disclosure requirement is to provide transparency on the confirmed incidents relating to corruption or bribery during the reporting period and the related outcomes.
- 21. The disclosure required by paragraph 19 shall include information about the following:
 - (a) the total number and nature of confirmed incidents of corruption or bribery;
 - (b) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws⁴;

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact set out in indicator 17 of Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

- (c) 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;
 - (d) the number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents; and
 - (e) 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.
22. For purposes of the reporting the outcomes of public legal cases per paragraph 21(c), this include cases that were initiated in previous years where the outcome was only established in the current reporting period.
23. The undertaking shall disclose whether it has identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery⁵.
24. The disclosures required should include incidents involving member(s) of its value chain only where the undertaking or its employees are also directly involved.

Disclosure Requirement G1-5 – Political influence and lobbying activities

25. The undertaking shall provide information on the activities and commitments related to its political influence, including its lobbying activities related to its material impacts.
26. The objective of this disclosure requirement is to provide transparency on the activities and commitments related to its political influence, including lobbying activities including the types, purpose and cost of these during the reporting period.
27. The disclosure required by paragraph 25 shall include:
- (a) if applicable, the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities;
 - (b) on 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 was estimated.
 - (d) 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
 - (e) if the undertaking is registered in the EU Transparency Register or in an equivalent transparency register in a Member State, the name of such register and its identification number in the register.
28. The disclosure shall also include information about the appointment of any members of the administrative, management and supervisory bodies or senior executives who previously held a comparable position in public administration (including regulators) in the two years preceding such appointment in the current reporting period.

Disclosure Requirement G1-6 – Payment practices

29. **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 small and medium enterprises (SMEs).**

⁵ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact set out in indicator 16 of Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

30. The objective of this disclosure requirement is to provide insights on the contractual payment terms and the average actual payment terms especially as to how these impact SMEs and specifically with respect to late payments to SMEs.
31. The disclosure under paragraph 29 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) during the reporting period for late payments; and
 - (d) complementary information necessary to provide sufficient context.

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Appendix A: Defined terms

This appendix is an integral part of the [draft] ESRS G1 *Business conduct*.

Corporate culture	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.
Confirmed incident of corruption or bribery	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. The determination of potential non-compliance cases as substantiated may be made either by the undertaking's compliance officer or similar function or an authority. A determination as substantiated by a court of law is not required.
Bribery	Dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.
Corruption	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. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Lobbying activities	Refers to activities carried out with the objective of influencing the formulation or implementation of policy or legislation, or the decision-making processes of governments, governmental institutions, regulators, European Union institutions, bodies, offices and agencies or standard setters. Such activities include (non-exhaustive list): <ul style="list-style-type: none"> • organising or participating in meetings, conferences, events; • contributing to/participating in public consultations, hearings or other similar initiatives; • organising communication campaigns, platforms, networks, grassroots initiatives; • preparing/commissioning policy and position papers, opinion polls, surveys, open letters, research work as per the activities covered by transparency register rules.

Appendix B: Application Requirements

This appendix is an integral part of the [draft] ESRS G1 *Business conduct*. It describes how to apply the disclosure requirements set forth in paragraphs 1 to 31 and has the same authority as the other parts of the [draft] Standard. More specifically, it provides further background information on what should be disclosed and describes how it should be disclosed.

Impact, risk and opportunity management

Disclosure Requirement G1-1 – Corporate culture and business conduct policies

- AR 1. The undertaking may consider the following aspects when determining its disclosure under paragraph 7:
- a. the corporate culture subjects that are taken into consideration and discussed by the administrative, management and supervisory bodies and with which frequency;
 - b. the corporate culture subjects that are promoted within the business conduct culture and the communication of the business conduct culture and/or values;
 - c. how the undertaking's leadership 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 its suppliers may include the following:
- a. How its practices, including activities to avoid or minimise the impacts of disruptions to its supply chain, support its strategy and risk management as well as transparency;
 - b. Training of its procurement/supply chain workforce on engagement and dialogue with its suppliers as well as incentives of its procurement workforce including whether it refers 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 its practices deal with vulnerable suppliers;
 - f. Its main communication and relationship management targets and actions; 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 high-level details about the risk assessments and/or mapping as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect such events.
- AR 6. The undertaking's policies on corruption and bribery may be relevant to some, 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 do so. 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 analyse its training activities by for example, region of training or by 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

During the 2023 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	ASMB ⁶	Other own workers
Training coverage				
Total	20,000	200	16	70,000
Total receiving training	19,500	150	8	5,000
Delivery method and duration				
Classroom training	5 hours			
Computer-based training	1 hour	2 hours	1 hour	
Voluntary computer-based training				1 hour
Frequency				
How often training is required	Annually	Annually	Bi-annually	-
Topics covered				
Definition of corruption	X	X	X	X
Policy	X	X	X	X
Procedures on suspicion/detection	X	X		
Etc.	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, retainers, or the purchase of tickets for fundraising events and other similar actions. 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.

⁶ Administrative, management and supervisory bodies

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

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

AR 13. In meeting the requirement in paragraph (d) the undertaking shall consider the alignment between its public statements on its material impacts, risks and opportunities and its lobbying activities as stakeholders value alignment between the two.

AR 14. An example of what such disclosures could look like:

Political engagement (including lobbying activities)

During the 2023 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's 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 Xanadu and EFG party in Namazia 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]
Political funding provided	100	
Funding to QRP	75	
Funding to EFG	25	
	100	

Disclosure Requirement G1-6 – Payment practices

AR 15. 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 31 (b).

AR 16. An example of what the description of standard contract term disclosures in paragraph 31 (b) could look like:

ABC's standard contract payment terms are payment on invoice for wholesalers which encompass approximately 80% of its annual invoices. 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.

AR 17. Where the metrics are not based on financial statement information, the undertaking shall explain:

- (a) the methodologies and significant assumptions used to compute the metrics;
- (b) any changes in underlying methodologies and assumptions during the reporting period as compared to the previous reference period with an explanation of the rationale for those changes and their effect on comparability; and
- (c) any further contextual information needed by stakeholders to understand and correctly interpret the metric.

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