

# [Draft] ESRS for listed SMEs

## Section 6

### STATUS OF THIS DRAFT

Editorial review in progress. Still pending:

- Inclusion of a hyperlink after each requirement referencing to the AR that cover that specific requirement
- Check drafting conventions (italics)
- Final check of internal references to paragraph numbers including references to other sections

Text highlighted in **turquoise** illustrates the changes made after the discussion held at SR TEG on 24 of October.

### DISCLAIMER

Section 6 *Business conduct* is set out in paragraphs 1–12. The following appendixes of Section 6 have the same authority as the main body of the [draft] Standard:

- *Appendix A: Application Requirements*

**Section 6: Table of Contents**

<b>Objective</b>	<b>2</b>
<b>Metrics</b>	<b>3</b>
<b>Disclosure Requirement G1-1 –Anti-corruption and anti-bribery</b>	<b>3</b>
<b>Disclosure Requirement G1-2 – Political influence and lobbying activities</b>	<b>4</b>
<b>Appendix A: Application Requirements</b>	<b>5</b>
<b>Disclosure Requirement G1-2 – Political influence and lobbying activities</b>	<b>5</b>
<b>Objective</b>	<b>187</b>
<b>Business Conduct (G1)</b>	<b>187</b>
<b>Disclosure Requirement G1 1 – Management of relationships with suppliers</b>	<b>187</b>
<b>Disclosure Requirement G1 2 – Anti corruption and anti bribery</b>	<b>187</b>
<b>Metrics</b>	<b>188</b>
<b>Disclosure Requirement G1 3 – Political influence and lobbying activities</b>	<b>188</b>
<b>Appendix A: Application Requirements</b>	<b>189</b>
<b>Disclosure Requirement G1-1 – Management of relationships with suppliers</b>	<b>189</b>
<b>Disclosure Requirement G1-2 – Anti corruption and anti bribery</b>	<b>189</b>

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## Objective

1. The objective of this Section of this [draft] Standard is to specify ~~disclosure requirements~~metrics 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 business conduct performance.
2. This Section focusses on the following matters:
  - ~~(a)~~ anti-corruption and anti-bribery,
  - ~~(b)(a)~~ ~~the management of relationships with suppliers including payment practices, especially regarding late payment, and~~
  - ~~(e)(b)~~ political influence and lobbying activities.
3. The undertaking shall apply the requirements in this Section, when it concludes that the ~~corresponding~~ topic business conduct is material (according to chapter 3.3 *Double materiality*, 3.4 *Impact materiality* and 3.5 *Financial materiality* of Section 1). In determining which information in this section should be included, the undertaking shall apply:
  - ~~(a)~~ ~~the provisions respectively in paragraph 33 of Section 1 for policies, actions and targets, and in paragraph 4236 of Section 1 for metrics; and~~
  - ~~3-(b)~~ ~~the provisions in paragraph 38XX of Section 1, which support also the determination of the details of narrative disclosure to be reported. Following the undertaking's assessment of the materiality of the information according to paragraph 36 of Section 1, the sustainability statement shall include those disclosures prescribed in this Section that are assessed to be material. Individual datapoints may be omitted when the corresponding information is not material and the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement.~~
4. The objectives ~~in paragraph 1~~ and the metrics ~~disclosure requirements~~ under Section 6 G1-1 to G1-3 shall be read in conjunction with Section 2 and 3 of this [draft] Standard.

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## **Business Conduct (G1)**

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~~Disclosure Requirement G1-1 – Management of relationships with suppliers~~

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

~~The objective of this disclosure is to provide an understanding of the undertaking's management of its procurement process including fair behaviour and payment practices with suppliers, specifically with respect to late payments to SME's.~~

~~This disclosure requirement should be read in conjunction with Section 2 IR 3, where the undertaking shall state whether it has a supplier code of conduct.~~

~~The undertaking may disclose information on its purchasing practice / procedure and whether it also considers ESG criteria.~~

~~The undertaking shall disclose whether it has established a practice / procedure to monitor late payments.~~

## Metrics

### **Disclosure Requirement G1-21 – Anti-corruption and anti-bribery**

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~~5. The undertaking shall report whether it has a system in place to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery including the related training, and, if applicable, to describe it.~~

~~5. 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.~~

~~6. The undertaking shall disclose:~~

~~(a) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery<sup>4</sup>;~~

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<sup>4</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out in indicator #16 of Table 3 of Annex 1 of the related Delegated Regulation, regarding disclosures rules on sustainable investments ("Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery").

[Draft] ESRS for listed SMEs Section 6

~~(b)6. If the undertaking has received convictions and fines for violation of anti-corruption and anti-bribery laws<sup>2</sup> applicable, it shall disclose the number of convictions and the amount of fines and the amount of fines for violation of anti-corruption and anti-bribery laws<sup>3</sup>.~~

**Metrics**

**Disclosure Requirement G1-32 – Political influence and lobbying activities**

~~7. The undertaking shall disclose whether it has in place activities and commitments related to exerting its political influence, including its lobbying activities related to its material impacts and risks and describe them if applicable.~~

~~7. 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.~~

~~8. If/When the undertaking has in place political contributions or lobbying activities, applicable, the undertaking shall disclose. The disclosure required by paragraph 11 shall include:~~

~~(a) if applicable, the representative(s) responsible in the **administrative, management and supervisory bodies** for the oversight of these activities,~~

~~(b)(a) 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, and~~

~~ii. where appropriate, in case of in-kind political contributions made directly or indirectly by the undertaking, how the monetary value of in-kind political contributions is estimated.~~

~~(c) the main topics covered by its **lobbying activities** and the undertaking's main positions on these in brief.~~

~~(e)~~

<sup>2</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out in indicator #17 of Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure 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 2.

<sup>3</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts set out in indicator #17 of Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure 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 2.

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**Appendix A: Application Requirements**

This appendix is an integral part of this section of this [draft] Standard. It supports the application of the disclosure requirements set out in this Section and has the same authority as the other parts of this [draft] Standard.

**Disclosure Requirement G1-42 – Political influence and lobbying activities**

**Management of relationships with suppliers**

AR 1. For purposes of this standard, management of relationships with the undertaking's suppliers may include the following:

AR 1. 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 2. '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 2. '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. 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;

AR 3. the undertaking's targets and actions, if any, regarding communication and management of relationships with suppliers.

AR 4. Disclosure Requirement G1-2 – Anti-corruption and anti-bribery

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. Such procedures may include training or whistleblowing systems.

AR 6. The undertaking may present the required information about training on its anti-bribery and anti-**corruption** policies using the following table:

**AR 7. Anti-corruption and anti-bribery training illustrative example**

AR 8. During the 20XY financial year ABC provided training to its at-risk own workers in terms of its policy (see note x). Details of its training during the year is as follows:

AR 3. AR 9.	AR 10. <b>Managers</b>	AR 11. <b>Other employees</b>
AR 12. <b>Training coverage</b>	AR 13. —	AR 14. —
AR 15. <b>Total</b>	AR 16. 5	AR 17. 50
AR 18. <b>Total receiving training</b>	AR 19. 3	AR 20. 42
AR 21. <b>Total hours of training</b>	AR 22. 6	AR 23. 84

[Draft] ESRS for listed SMEs Section 6

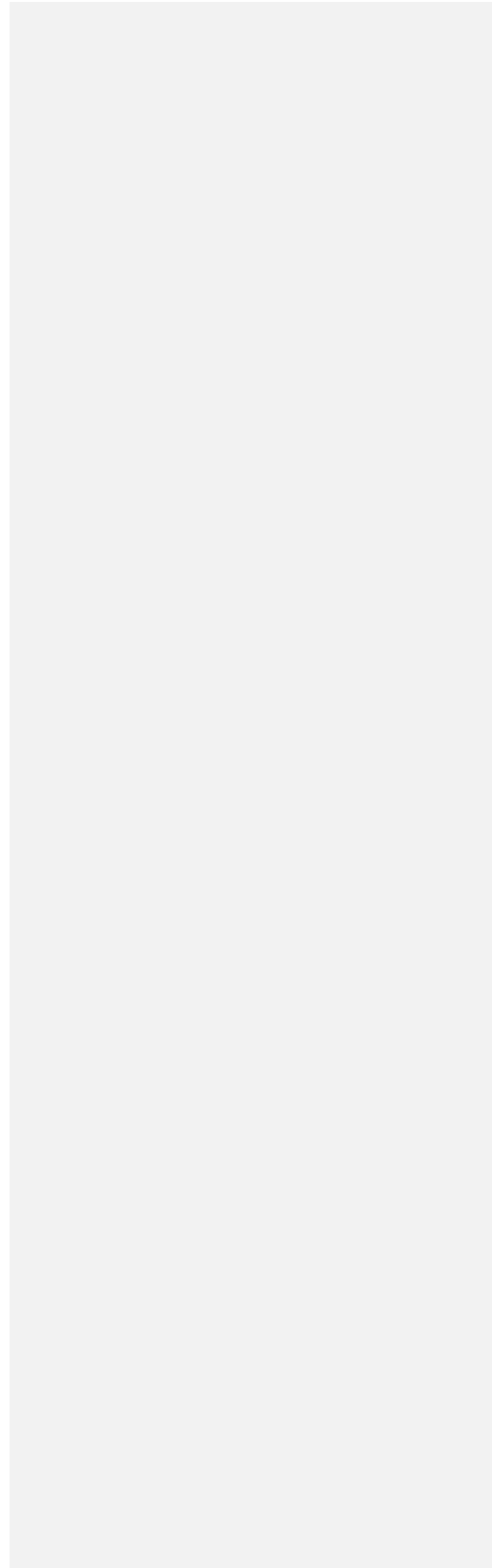
AR 24. <del>Frequency</del>	AR 25. <del>—</del>	AR 26. <del>—</del>
AR 27. <del>How often training is required</del>	AR 28. <del>Annually</del>	AR 29. <del>Annually</del>

AR 30. ~~—~~

AR 31. ~~—~~

*[Draft] ESRS for listed SMEs Section 6*

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