

ESRS G1 Business conduct

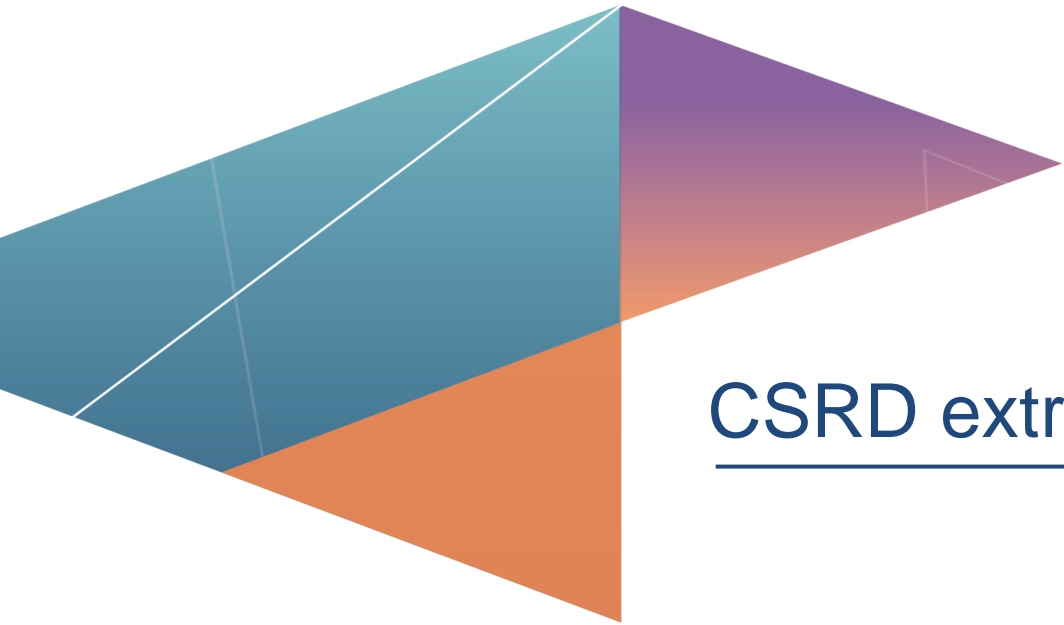
EFRAG SRB

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CSRD extracts

Changes to CSRD: G1 Governance, risk management and internal control

- (c) specify the information that undertakings are to disclose about **the following** governance factors, ~~including information about~~:
- i. the role of the undertaking's administrative, management and supervisory bodies, ~~including~~ with regard to sustainability matters, and their composition **and their expertise and skills to fulfil this role or access to such expertise and skills**;
 -
 - v. the **main features** undertaking's internal control and risk management systems, ~~including~~ in relation to the ~~undertaking's sustainability~~ reporting **and decision-making** process

Impact of changes of CSRD

DR number	Title
ESRS G1-1	Governance structure
ESRS G1-4	Diversity
Merger of ESRS G1-7 and G1-8	Risk management and internal controls with respect to sustainability reporting
ESRS G1-9	Governance composition

All abovementioned DR's regarded as sector agnostic included in ESRS 2 GOV 1 and GOV 5

Deleted DRs (changes to CSRD)

DR number	Title
ESRS G1-2	Corporate governance code or policy
ESRS G1-3	Nomination process
ESRS G1-5	Evaluation process
ESRS G1-6	Remuneration policy
ESRS G1-10	Meetings and attendance rate

A net reduction of 6 DRs (with two DRs merged)

Please refer to Governance architecture paper

Changes to CSRD: G2 Business conduct

- (c) specify the information that undertakings are to disclose about **the following** governance factors, ~~including information about~~:
- (i);
 - (ii) business ethics and corporate culture, including anti-corruption and anti-bribery, **the protection of whistle-blowers and animal welfare**;
 - (iii) ~~political~~ engagements of the undertaking **to exert its political influence**, including its lobbying activities;
 - (iv) the management and quality of relationships with **customers, suppliers and communities affected by the activities of the undertaking** ~~business partners~~, including payment practices, **especially with regard to late payment to SMEs**;
 - (v) ...

CSRD recital 44

Users need information about governance factors. ...

Users also need information about undertakings' **corporate culture and approach to business ethics**, which are recognised elements of authoritative frameworks on corporate governance such as the Global Governance Principles of the International Corporate Governance Network, including information about **anticorruption and anti-bribery**, and about the **undertaking's political engagements, including lobbying activities**. Information about the management of the undertaking and the quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, helps users to understand an undertaking's risks as well as its impacts on sustainability matters. Information about **relationships with suppliers, includes payment practices** relating to the date or period for payment, the rate of interest for late payment or the compensation for recovery costs referred to in Directive 2011/7/EU of the European Parliament and of the Council³⁴ on late payment in commercial transactions. Every year, thousands of businesses, especially SMEs, suffer administrative and financial burdens because they are paid late, or not at all. Ultimately, late payments lead to insolvency and bankruptcy, with destructive effects on entire value chains. Increasing information about payment practices should empower other undertakings to identify prompt and reliable payers, detect unfair payment practices, access information about the businesses they trade with, and negotiate fairer payment terms.

[30 June version](#) page 35 and 36

ESRS G1: After rationalisation steps as agreed by SR TEG

DR	Title	Comment
G1-1	Corporate culture and business conduct policies	Merge ESRS G2-1 and G2-2
G1-2	Procurement management	New DR expanding existing data point - in 17(f) to cover procurement management
G1-3	Prevention and detection of corruption/bribery	Merged G2-3 and G2-5 on training
ESRS G2-4	Prevention and detection of anti-competitive behaviour	Deleted by SR TEG
ESRS G2-5	Training (corruption/bribery)	Merged into G1-3
G1-4	Corruption/ bribery events	Fully aligned with GRI (different to G2-6)
ESRS G2-7	Anti-competitive behaviour events	Deleted by SR TEG
ESRS G2-8	Beneficial ownership	Deleted by SRB
G1-5	Political engagement and lobby activities	(G2-9) Aligned with GRI in as far as Political engagement; GRI nothing on lobbying
G1-6	Payment terms	(G2-10) Does the update deal adequately with changes to CSRD



Updated ESRS G1-2

DR 2 Procurement management: updated DR

17. The disclosure required under paragraph shall include the following information:

- (a) Its strategy with respect to procurement, in the context of the risks of the supply chain specifically and sustainability generally;
- (b) ~~Whether and h~~How its practices, including activities to avoid or minimise the impacts of disruptions to its supply chain, support its management of its impacts, risks or opportunities as well as transparency;
- (c) How its practices deal with ~~vulnerable suppliers~~SMEs and the channels for undertakings in its value chain to communicate concerns or complaints;
- (d) Whether its practices include a focus on locally-based suppliers;
- (e) Whether its practices have been evaluated or screened using social and environmental criteria, and where applicable, the labels of certifications obtained~~if so, the label of such certification~~;
- (f) Whether it has a code of conduct for its supply-side contractual partners;
- (g) Where applicable, the percentage of its supply-side contractual partners which have signed its code of conduct;
- (h) Whether it takes into account social and environmental criteria for the selection of ~~has established an ESG ranking for~~ its supply-side contractual partners;
 - (h)(i) Details about the undertaking's practice implemented to support SMEs and improve their social and environmental performance; and
 - (h)(ii) ~~The rationale and methodology for tracing the source, origin, or production conditions of raw materials and production inputs purchased, if applicable.~~

DR 2 Procurement management: updated DR

18. For purposes of this standard, procurement management include at least the following:

- (a) Activities to avoid or minimise the impacts of disruptions to its supply chain;
- (b) Its main communication and relationship management ~~goals~~targets and actions; and
- (c) How the outcomes of these practices are evaluated.



ESRS G1-1 Corporate culture

Corporate culture

No definition per CSRD

Corporate culture, also known as company culture, refers to a set of beliefs and behaviors that guide how a company's management and employees interact and handle external business transactions. Seismic.com

Corporate culture refers to the beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions. Investopedia

The beliefs and ideas that a company has and the way in which they affect how it does business and how its employees behave.

<https://dictionary.cambridge.org/dictionary/english/corporate-culture>

Culture expresses goals through values and beliefs and guides activity through shared assumptions and group norms.

From HBR: <https://hbr.org/2018/01/the-leaders-guide-to-corporate-culture>

Corporate culture

No definition of unethical or unlawful behaviour (paragraph 13 – previously 15)

13. The disclosures in paragraph 12 shall cover the following aspects related to its policies on business conduct matters:
 - (a) a description of the mechanisms for identifying, reporting and investigating concerns about unethical or unlawful behaviour 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 those of its own workforce who refuse to act unethically even if such refusal may result in loss of business; and



ESRS G1-4 Confirmed incidents of corruption or bribery

Confirmed incident

Definition is now fully aligned with GRI

An incident of corruption or bribery that has been found to be substantiated.

Per GRI staff

- A review of literature suggests that there is **no general legal duty** to self-disclose or report known or suspected corrupt activity, including to law enforcement bodies, but it is an increasing expectation of civil society, investors and other stakeholders
- Companies and directors may have **duties imposed** on them to disclose corrupt activities to auditors, shareholders or regulators **by particular local legislation or regulations** (e.g., in the UK under the Companies Act 2006 in respect of accounting/audit matters)
- In the EU, despite the range of anti-corruption instruments that apply across the region, only three countries (France, Germany and Italy) currently impose legal obligations on larger enterprises relating to the prevention and detection of corruption
- Self-disclosure **can result in more lenient treatment** in considering whether to bring charges, and in the consequences if charges are brought

Sources:

- [https://content.next.westlaw.com/practical-law/document/I8417d3f01cb111e38578f7ccc38dcbee/What-to-do-when-you-suspect-corruption-disclosure-obligations-and-enforcement-processes-in-the-UK-the-US-Australia-and-China?viewType=FullText&transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://content.next.westlaw.com/practical-law/document/I8417d3f01cb111e38578f7ccc38dcbee/What-to-do-when-you-suspect-corruption-disclosure-obligations-and-enforcement-processes-in-the-UK-the-US-Australia-and-China?viewType=FullText&transitionType=Default&contextData=(sc.Default)&firstPage=true)
- https://transparency.eu/wp-content/uploads/2021/04/Web_The_Prevention_of_Corruption_Due_Diligence_EU-Legislation.pdf
- https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_OpenBusiness_WEB4.pdf
- <https://www.nbim.no/en/the-fund/responsible-investment/principles/expectations-to-companies/anti-corruption/>

European disclosure examples under GRI

Telefónica

Main indicators on complaints

	2020	2021
Complaints received	882	955
Substantiated complaints	385	389
Termination of employment measures taken as a result of substantiated complaints	126	152
Confirmed cases of corruption	1	0
Disciplinary measures taken or terminations of contract carried out in connection with confirmed cases of corruption	3	0
Cases of discrimination detected	3	0
Disciplinary measures or terminations of contract taken in relation to confirmed discrimination cases	2	0

VMED O2 UK from June to December 2021

	O2 UK (mobile operation)	Virgin Media UK (fixed operation)
Confirmed cases of corruption	0	0

Source: <https://www.telefonica.com/en/wp-content/uploads/sites/5/2022/03/consolidated-management-report-2021.pdf>

European disclosure examples under GRI

EMD Group/Merck KGaA

Reported compliance violations					
	2018	2019	2020	2021 The Group	2021 thereof Merck KGaA, Darmstadt, Germany
Total number of reported compliance violations					
Number of reported compliance incidents	72	75	81	79	6
Number of confirmed cases	19	30	41	42	3
Confirmed cases by category					
Bribery and corruption	3	9	6	1	0
Violation of cartel laws and fair competition rules	1	0	0	0	0
Fraudulent actions against the Group	5	8	11	6	0
Other violations of our Compliance Principles for the relations with business partners	1	4	0	0	0
Other violations of our values, internal guidelines or legal requirements	9	9	24	35	3

Source: https://www.emdgroup.com/en/sustainability-report/2021/facts-figures/indicators/business-ethics.html?global_redirect=1&tabc=1e4

European disclosure examples under GRI

Volvo

The Whistleblowing and Global Investigations function is an independent unit within Group Compliance. In 2021, Group Compliance received 121 concerns through several available reporting channels. All reports were investigated. We observed an increased activity compared to the previous year. Nine of the reported cases were categorized as suspected corruption or conflict of interest of which one was closed substantiated, with appropriate disciplinary and remediation actions taken.

Source: <https://www.volvogroup.com/content/dam/volvo-group/markets/master/investors/reports-and-presentations/annual-reports/annual-and-sustainability-report-2021.pdf#page=179>

European disclosure examples under GRI

Siemens

Compliance indicators ¹

	Fiscal year	
	2021	2020
Compliance cases reported	394	332
Disciplinary sanctions	121	188
<i>therein warnings</i>	62	90
<i>therein dismissals</i>	49	63
<i>therein other²</i>	10	35

¹ Continuing and discontinued operations
² Includes loss of variable and voluntary compensation components, transfer, and suspension

Source: <https://assets.new.siemens.com/siemens/assets/api/uuid:4806da09-01c7-40b1-af91-99af4b726653/sustainability2021-en.pdf>

European disclosure examples under GRI

Stora Enso

A total of 76 investigations of potential non-compliance cases were completed in 2020 (40 in 2019), also including open cases from previous years. Proven cases leading to disciplinary action, legal action and/or process improvements were identified in 28 (26) of the investigations.

Based on our assessments, 10 of the proven cases can be considered relating to corruption and/or fraud (9 in 2019). All these cases resulted in employee dismissal or disciplinary process. Two of the cases resulted in the termination of business relationships.

Source: https://www.storaenso.com/-/media/Documents/Download-center/Documents/Annual-reports/2020/STORAENSO_Annual_Report_2020.pdf#page=74

European disclosure examples under GRI

PZU

[GRI 205-3]

In the entire PZU Group, 265 cases of corruption and fraud were identified in 2020. Three situations were reported in PZU and PZU Życie that may have involved corruption (security incidents). After the legal analysis of these incidents PZU decided not to submit notifications concerning the suspected commission of a crime. 65 cases of corruption and fraud were identified in [Alior Bank](#). One instance of corruption was reported to the law enforcement authorities in the [Pekao Group](#).

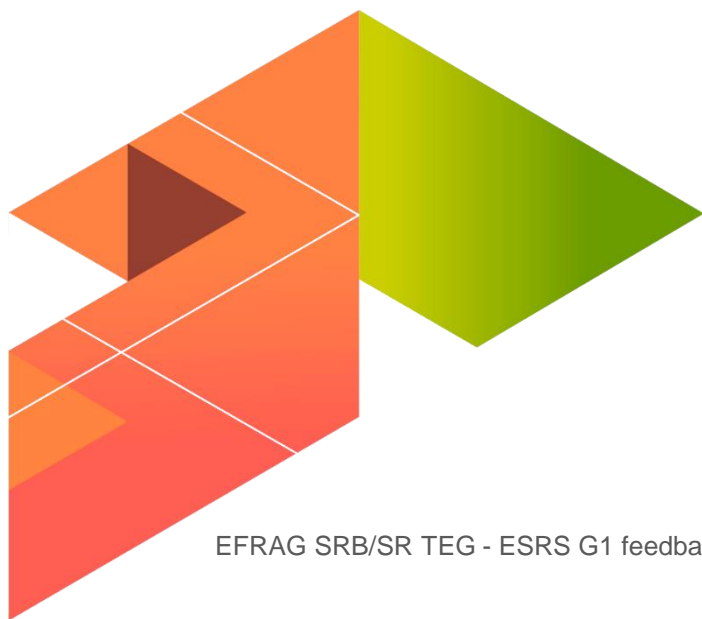
Source: <https://raportroczny2020.pzu.pl/en/risk-and-ethics/preventing-corruption-and-conflicts-interest#gri-gri-205-3>



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THANK YOU



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