

## Analysis of GRI feedback: Governance Issues Paper

### ESRS G1 Governance, risk management and internal control

Ref.	ESRS G1	GRI Feedback	EFRAG Secretariat preliminary analysis	Conclusions
1.	General	<p>GRI strongly recommends that the disclosure requirements in ESRS G1 be moved into the cross-cutting standard ESRS 2.</p> <p>GRI also recommends including GRI 2-15 on conflicts of interest in ESRS 2 alongside the other governance disclosures from ESRS G1.</p> <p>GRI also recommends presenting or grouping similar or related disclosure requirements together, to ease the use of these contents, in line with GRI's approach. For example, Disclosure Requirements G1-1, G1-3, G1-4, and G1-9 which relate to reporting on the structure and composition of the administrative, management and supervisory bodies.</p>	<p>Architecture to be considered by SR TEG and SRB based on all feedback.</p> <p>It is unclear as to whether the additional DRs on conflicts of interests are compatible with the November 2022 deadline, therefore this is a question of prioritisation.</p> <p>The re-organisation of DRs proposed by GRI means that G1 standard would again be different from other topical standards and would not follow the standardised and common architecture.</p>	<p>→ <b>To be discussed</b></p> <p>→ <b>No action</b></p> <p>→ <b>No action</b></p>
2.	DR G1-1 – Governance structure and composition	<p>There is overlap between this disclosure requirement and Disclosure Requirement 2-GOV 1 in ESRS 2. GRI recommends reviewing these contents to avoid duplication.</p>	<p>ESRS 2 GOV1 cover roles and responsibilities specifically related to sustainability matters, while G1 covers the overarching structure of AMSB's. Therefore DR2-GOV1 covers a specific subset of G1-1.</p> <p>Wording to explain this better to be considered.</p>	<p>→ <b>No action (except wording explanation)</b></p>

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3.	DR G1-4 – Diversity policy	<p>Since Art. 20 g) of the Accounting Directive already requires listed companies to disclose information about the Governance diversity policy, GRI recommends focusing on the information that cannot be found in the management report to avoid duplication of information and reduce reporting burden or requiring this information only for non-listed companies.</p> <p>In addition, there is overlap between Disclosure Requirements G1-4, G1-3, and G1-1. GRI recommends removing this disclosure and adding relevant information on diversity under G1-1 and G1-3, in line with GRI 2-9 and 2-10.</p>	<p>The EFRAG Secretariat is considering whether this DR is still required in terms of the changes to CSRD.</p> <p>The Secretariat agrees with the GRI proposal on how to deal with overlaps with the Accounting Directive.</p>	<p>→ <b>Draft to be amended as per final text of the CSRD</b></p>
4.	DR G1-7 – Risk management processes	<p>The scope of this disclosure requirement is not clear. Paragraph 34 states that it covers risks arising for the undertaking and for the stakeholders, but the rest of the disclosure requirement seems to focus only on risks for the undertaking (e.g., paragraphs 36, AG-16-a).</p> <p>There is also duplication between this disclosure requirement and the disclosure requirements in ESRS 2 and the three disclosure principles from ESRS 1 (1-1, 1-2, and 1-3).</p> <p>As above on the accounting directive.</p>	<p>The EFRAG Secretariat notes that this DR will have to be updated for the changes to CSRD to focus specifically on the sustainability reporting process.</p>	<p>→ <b>Draft to be amended as per final text of the CSRD</b></p>
5.	DR G1-9 – Composition of the administrative, management and supervisory bodies	<p>GRI recommends considering additional categories of gender, as the disclosure requirement is currently limited to male and female. GRI also recommends reviewing the application guidance for this disclosure requirement as some of it may be superfluous.</p>	<p>Drafting to be aligned with gender categories with ESRS S1-7 to be performed.</p>	<p>→ <b>Draft to be amended</b></p>

## ESRS G2 Business conduct

Ref.	ESRS G2	GRI Feedback	EFRAG Secretariat preliminary analysis	Conclusions
1.	General	<p>The scope of 'business conduct' used in this ESRS is very limited... which also include respect for human rights and the environment, employment and industrial relations and consumer interests.</p> <p>GRI strongly recommends that disclosures on general policies and processes (e.g., whistleblowing) for responsible business conduct be moved into the cross-cutting standard ESRS 2, in line with GR's approach, as materiality judgements should not apply to these disclosures.</p> <p>GRI further recommends that these disclosures be further aligned with the disclosures in the GRI Standards, which have been recently revised to be consistent with expectations in authoritative intergovernmental instruments. GRI proposes this ESRS be then limited to anti-corruption and anti-bribery and other practices and be renamed accordingly.</p> <p>Disclosure requirements that refer to employees and staff should be aligned with the terminology and scope of workers used in the ESRS social standards.</p> <p>ESRS G2 would benefit from an updated and expanded Glossary to better explain key concepts included in the standard, e.g., business relationships, value chain, business partner. GRI recommends aligning with the definitions included in the GRI Standards Glossary.</p>	<p>These aspects are covered under the respective Social and Environmental standards. Clarification in the session Objective of G2 may be beneficial.</p> <p>Architecture to be considered by SR TEG and SRB.</p> <p>To be discussed</p> <p>Draft to be amended</p> <p>Not consistent with ESRS Glossary approach whereby the terms are defined in the first standard where such concept is used or for key concepts within ESRS 1 and ESRS 2.</p>	<p>→ <b>Draft to be amended (clarification)</b></p> <p>→ <b>To be discussed</b></p> <p>→ <b>To be discussed</b></p> <p>→ <b>Draft to be amended</b></p> <p>→ <b>No action</b></p>
2.	<p>DR G2-1– Business conduct culture</p> <p>DR G2-2 – Policies and targets on</p>	<p>GRI recommends that Disclosure Requirements G2-1 and G2-2 be moved to the cross-cutting standard ESRS 2, in line with GRI's approach.</p> <p>GRI recommends full alignment with GRI 2-23 and GRI 2-24 which have been recently developed in line with the expectations in key</p>	<p>Refer to point #1 above in ESRS G1.</p>	

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	business conduct	authoritative intergovernmental instruments with which the ESRS aim to align with.	To be considered but alignment by November 2022 may not be feasible.	To be discussed
3.	DR G2-3 – Prevention and detection of corruption and bribery	GRI recommends moving requirements 24 c and d to Disclosure Requirement G2-6, as they do not strictly conform to the principle of G2-3 which is to provide transparency on the key procedures of the undertaking to prevent, detect, investigate and respond to corruption or bribery-related incidents or allegations.  There is duplication between this disclosure requirement (paragraph 25) and Disclosure Requirement G2-2 when it comes to reporting on targets.	The draft will be updated	→ <b>Draft to be amended</b>
4.	DR G2-4 – Anti-competitive behaviour prevention and detection	GRI recommends moving requirements 24 c and d (as they refer to G2-4) to Disclosure Requirement G2-7, as they do not strictly conform to the principle of G2-4.  There is duplication between this disclosure requirement (paragraph 25) and Disclosure Requirement G2-2 when it comes to reporting on targets.	The draft will be updated	→ <b>Draft to be amended</b>
5.	DR G2-5 – Anti-corruption and anti-bribery training	GRI recommends closer alignment with GRI 205-2.	Concerns have been expressed from EFRAG SR TEG and others that publication on internal investigations could result in legal risk for undertakings.	→ <b>To be discussed</b>
6.	DR G2-6 – Corruption or bribery events	GRI recommends closer alignment with the structure and wording of GRI 205-3.	As no significant differences are noted and due to the lack of feasibility to perform such change before November, no actions proposed.	→ <b>No action</b>