

## ESRS G1: EFRAG SECRETARIAT ANALYSIS OF THE FEEDBACK ON INDIVIDUAL DRs

The DR G1-1, G1-4, G1-7, G1-8 and G1-9 are all considered to be always material and a priority for year 1. All DR's to be updated to require disclosures only relating to governance of reflect only own operations. A separate datapoint will be included for undertakings to describe their policy/targets etc with respect to the value chain around governance and diversity. The EFRAG Secretariat proposes year 1 for prioritization given importance of the topic and the significant reduction in DRs.

DR	Avg RAR %	Key outcome of the consultation	Fair representation incl. characteristics of quality?	Relevant across sectors?	Alignment with international standards?	Operational complexity?	Possible simplification	Prioritisation
G1-1 Governance structure & composition Art 29b(2)(c)(i)	62%	<ul style="list-style-type: none"> <li>Distinction between listed and unlisted</li> <li>Include other types of undertakings</li> <li>High level of detail</li> </ul>	<p>RAR of 66% with strong opposition from BA's (22%), Banks (0%) and non-EU listed NFCs.</p> <p>This DR is necessary in order to provide understanding of governance.</p>	Yes, with an RAR of 68%. Disagreement from BA's (44%) and EU listed NFCs (31%)	57% RAR with requests to align with ISSB. The EFRAG Secretariat notes that GRI forms the basis of this disclosure as the ISSB have not covered the topic.	<ul style="list-style-type: none"> <li>Burden of details of 'committees on operational levels' and 'associated regulation'</li> </ul>	<ul style="list-style-type: none"> <li>Remove 'operational level' in par 13</li> <li>Strengthen definitions on independence, identity etc.</li> <li>Remove stakeholder representation as beyond CSRD</li> <li>Possibility to move to ESRS 2 (as a background to GOV1)</li> </ul>	<ul style="list-style-type: none"> <li>60% RAR with requests to phase in over time</li> <li>Year 1</li> </ul>
G1.2 - Corporate governance code or policy G1.3 - Nomination process)		G1-5 - Evaluation process) G1-6 - Remuneration policy		<ul style="list-style-type: none"> <li>G1-10 - Meetings and attendance rate</li> </ul>		<ul style="list-style-type: none"> <li>Comments to be shared separately, but topic is not mentioned in CSRD</li> </ul>	<ul style="list-style-type: none"> <li>To be discussed</li> </ul>	
G1-4 Diversity policy Art 29b(2)(c)(i)	64%	<ul style="list-style-type: none"> <li>Targets and monitoring too prescriptive</li> </ul>	RAR of 62% with strong opposition from BA's (17%), Banks	Yes, with an RAR of 80%.	52% RAR - concerns that DR exceeds CSRD which focusses on gender. GRI includes "under-	<ul style="list-style-type: none"> <li>Compatibility with GDPR/ French national law</li> </ul>	<ul style="list-style-type: none"> <li>Definition of vulnerable groups is not adapted to boards</li> </ul>	<ul style="list-style-type: none"> <li>68% RAR with opposition from BA's (25%); Insurers (0%); EU listed NFCs (25%)</li> </ul>

### Governance: Analysis of comments on Survey 2, i.e. individual DRs

DR	Avg RAR %	Key outcome of the consultation	Fair representation incl. characteristics of quality?	Relevant across sectors?	Alignment with international standards?	Operational complexity?	Possible simplification	Prioritisation
		<ul style="list-style-type: none"> <li>GDPR concerns</li> <li>Companies should describe outcomes from policies</li> </ul>	<p>(0%) and NFCs.</p> <p>The DR (and the datapoints therein) is needed for a proper reflection of the matter.</p>		represented social group”	<ul style="list-style-type: none"> <li>Information should be qualitative and less data driven</li> </ul>	<ul style="list-style-type: none"> <li>Adapt gender definition/ description</li> <li>Refer to national restrictions</li> <li>Only for listed entities?</li> </ul>	<b>Year 1</b>
G1-9 Governance structure & composition  Art 29b(2)(c)(i)	63%	<ul style="list-style-type: none"> <li>Concerns that too much detail for unlisted/ unregulated entities.</li> <li>Alignment with CSDDD</li> <li>GDPR</li> </ul>	RAR of 69% with opposition from BA's (22%), Banks (0%).	Yes, with an RAR of 72%. Disagreement from BA's (44%) and EU listed NFCs (31%)	59% RAR – with comments that diversity information is only relevant to listed undertakings	<ul style="list-style-type: none"> <li>Concern that AMSBs should not refer to those of subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Include that some requirements may be subject to national restrictions</li> </ul>	<ul style="list-style-type: none"> <li>55% RAR with opposition from BA's (25%); Banks (33%); Insurers (0%); EU listed NFCs (25%)</li> </ul> <p><b>Year 1</b></p>

#### ESRS G1 – DETAILED NOTES TO THE TABLE

- All percentages refer to recalculated approval rates averaged per stakeholder category.
- DRs G1-2; G1-3; G1-5; G1- 6 and G1-10 have been deleted due to changes to CSRD as discussed with SR TEG on 29 August 2022 and to be discussed by SRB. Furthermore, DRs G1-7; G1-8 have been substantially revised due to changes to CSRD. Therefore the approval rates and comments on these DRs have not been repeated here. The titles of DRs G1-1 and G1-9 have been updated to distinguish more clearly between them. DR G1-1 is now called *Governance structure* and DR G1-9 *Governance composition*.
- The remaining DRs are intended to describe the governance of the undertaking and not to require specific types of governance or actions. Some consider it inappropriate to require these disclosures of unlisted companies as the current Accounting Directive does not require this. However, the EFRAG Secretariat notes that the Accounting Directive is specifically amended by CSRD to extend the reporting requirements to many companies including some that had no such requirements previously. Furthermore, SMEs (both listed and unlisted) are outside the scope of ESRS. Also CSRD extends the stakeholders to include more than shareholders but also employees, capital providers and others. In the context of all this, the EFRAG Secretariat considers the remaining disclosure requirements to be proportionate and relevant.

### **Governance: Analysis of comments on Survey 2, i.e. individual DRs**

4. Changes to Incorporation by reference paragraphs in ESRS 1 were discussed by EFRAG SR TEG on 29 August 2022 and by SRB on 12 September 2022.
5. The EFRAG Secretariat also notes various recommendations to simplify and improve the wording of the standard, beyond what is described here.
6. Abbreviations to this table:
  - i) NFCs: Non-financial companies
  - ii) BA's: Business Associations
  - iii) Financials: Banks, Insurers and Other (e.g. asset managers)
  - iv) NSS: National Standard Setters
  - v) RAR: Recalculated approval rate averaged by stakeholder category
  - vi) CO: Consumer organization
  - vii) ESG RI: ESG Reporting Initiative
  - viii) TU: Trade union
  - ix) pp: Percentage points