

## EFRAG SECRETARIAT ANALYSIS OF THE OVERALL COMMENTS ON ESRS G2 Business conduct

Comment	Type	Already in TEG survey/ ISSB alignment/ GRI alignment	EFRAG Secretariat comments	EFRAG Secretariat conclusion (*)	Issue paper needed ?
<b>I. Reservations</b>					
01. Excessive granularity - is too long and detailed, which risks turning it into a tick-box exercise	Burden	Yes	Considering recommendations for changes to drafting	Draft to be amended	No
02. High or disproportionate burden for reporting entities - high number and level of detail of disclosure requirements, the tight timeframe and difficulties in collecting data will cause a substantial or disproportionate workload for companies and high costs	Burden	Yes	As for previous line. Prioritisation also to be determined	Draft to be simplified. Analysis at DR level.	No
03. Inconsistencies with existing EU or international level reporting requirements - in particular with respect to the inclusion of tax-related reporting requirements	Missing topics	Yes	Tax is outside the scope of CSRD	No change	No
04. Relevant DRs are missing such as tax governance and compliance; on animal welfare	Missing topics	Yes	As previous line. Animal welfare was added to CSRD post release of the ED.	Animal welfare possibly a sector specific standard	Yes
05. Certain DRs , for instance the number of reported allegations, are irrelevant	Relevance	No	This is per the requirements of GRI, although some changes will be made	Draft to be updated	Yes, <a href="#">paper</a> discussed by SRT on 6 Sept
06. Requirements go beyond the CSRD requirements	CSRD	Yes	Further details in DR by DR summary, but some regard anti-competitive behaviour and beneficial ownership as going beyond CSRD.	No change at this stage given support from some for these DRs. To be decided by SRT/SRB	No
07. Appendix B provides insufficient guidance – it is too brief and high-level	Application guidance	No	A balance has to be struck between providing principles and becoming rules-based.	Some updates to be considered where possible/ relevant	No
08. Inconsistencies & risk of conflict with existing national regulations e.g. on anti-corruption frameworks.	National regulations	No	To be clarified that these are disclosure are expected to exclude names or identifiable details to reduce concerns	AG to be amended	No
09. Lack of comparability of data in particular as most of the disclosed information will be qualitative	Qualitative nature of requirements	No	As some of the information describes processes, it is factual, but would reflect differences in approach which would still be relevant to stakeholders.	No change	No

## Governance – Assessment of summary comments (Table 1)

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10. Standards are not proportionate - proportionate standards are standards that do not need a materiality assessment	Burden	No	Accounting systems all rely on materiality assessment and therefore, the Secretariat disagrees that a standard could be proportionate without such a materiality assessment.	No change	No
11. Difficulties in reporting along the value chain: to be particularly difficult, for SMEs and financial institutions	Value chain	No	Yes, agreed that this needs to be considered more deeply	To be discussed by SRT and SRB	Yes, paper on value chain
12. Overlaps with existing reporting requirements, e.g. the GRI standards	GRI	No	GRI is an important source in the drafting process. However, as they are voluntary, overlaps are not a general concern, rather deviations from GRI	No change on this point, but Corruption and anti-competitive behaviour events to be updated	No
Inconsistencies between the standards - the documents and the type of information requested	Inconsistencies	No	This reflects the different nature of the topics covered.	No change	No
Insufficient time for reporting	Burden		To be taken into account with prioritisation	No further action	No
Limited comparability of information, given the differences in sustainability between sectors	Comparability	No	Comparability is not the same as uniformity and should consider differences in business model, sector etc. Therefore, not a concern in itself unless it reflects items that should be reflected in the same way/	No further action	No
<b>II. Suggestions for improvement</b>					
01. Clarify certain notions and concepts for instance the notion of "relevant management"; "lobbying", "business conduct", "ethical corporate behaviour", "corruption" & "fraud", "legal proceedings", "at-risk employees", "experts"	Glossary	Yes	To be clarified where relevant.	Draft to be amended	No
02. Better align with relevant EU and international legislation and frameworks, in particular with respect to the inclusion of a tax-related disclosures	Missing topics	Yes	As for 03 under reservations	No change	No
03. Disclosure of confidential or sensitive information should not be required	Confidentiality	Yes	Discussion by SRT completed on confidential information and to be followed by discussion of SRB.	No change	Yes, <a href="#">paper</a> discussed by SRT on 6 Sept
04. Include additional DRs to tax compliance, payment practices, corruption & bribery, sustainable revenue	Missing topics	Yes	Payment practices, corruption and bribery already included. Sustainable revenues to be covered by future guidance, not feasible at this stage. In ESRs 2 as part of Strategy value creation for all stakeholders.	No changes to topics	No
05. Phase-in disclosure requirements over time – G2 should be de-prioritised	Prioritisation	Yes	To be discussed by SRB/SRT	No further action	Yes

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06. Merge governance-related disclosures into ESRS 2	Governance architecture	Yes	Discussed by SRT on 29 August, however ESRS G2 is to remain a separate standard.	No further action	<a href="#">Governance architecture</a>
Re-structure ESRS 1 & ESRS 2 vs. ESRS G1 & ESRS G2 - Given significant overlaps between governance-related standards (in particular between G1 and ESRS 2), multiple respondents suggest merging G1 (or, less frequently, both governance-related requirements) into the cross-cutting standard ESRS 2					
07. Foresee or better account for auditing procedures: Certain procedures in place should be audited; moreover, auditing and verification procedures are ought to be challenging and should be better accounted for	Assurance	No	Assurance procedures do not form part of the ESRS. We are considering comments around factual nature of DRs and updating where necessary.	Drafts to be updated	No
08. Traceability of referenced documents and materials	Hyperlinks	No	General comment referring to ESRS. Probably not possible to do for delegated acts.	No action required	No
09. Standardisation of disclosure requirements to enable comparability	Comparability	No	Changes to G1 means that data will be more comparable with reference to composition and policies.	No action required	No
10. Simplify DRs or reduce minimum DRs	Burden	Yes	Part of review of detail comments/Prioritisation	Drafts expended to be amended	No, except for prioritization paper
11. Need for more application guidance	Application guidance	Yes	To be considered	Some updates to be considered where possible/ relevant	No
12. Allow for cross-referencing	Incorporation by reference	Yes	Process under way to improve incorporation by reference paragraph in ESRS 1	No further action needed once updated for SRB decision	<a href="#">Incorporation by reference</a>
13. Include certain DRs under sector-specific standards as certain business conduct aspects of financial undertakings are already strictly regulated	Burden/FIs	No	The regulations do not necessarily govern the disclosures referred to in G2, therefore not clear why sector-specific standards are required.	Detailed comments to be considered, but no change to sectors.	No
Business conduct information should be mandatory	Mandatory	No	Part of prioritization discussion	Awaiting SRT/SRB discussion	No
Consider using incorporation by reference	Incorporation by reference	Yes	Process under way to improve incorporation by reference paragraph in ESRS 1	No further action needed once updated for SRB decision	<a href="#">Incorporation by reference</a>
Limit the application guidance to explanations	Application guidance	Yes	Agreed	To be actioned depending on time.	No