

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **ESRS G2: DR by DR assessment of feedback Issues Paper**

### **Objective**

- 1 The objective of this paper is to provide feedback to EFRAG SR TEG on the feedback received on ESRS G2 Business conduct on a disclosure requirement by disclosure requirement – basis. The session will also include approval of the proposed course of action to address comments from the public consultation.

### **ESRS G2-1: Business conduct culture**

- 2 While CSRD requested information about corporate culture, which is a vague concept, the PTF-ESRS decided to rather target the undertaking’s culture with respect to business conduct in an attempt to narrow the requirement.

<b>Support rate</b>	63% RAR by average stakeholder
<b>Key outcome of the consultation</b>	Mixed views reflect ambivalence around the CSRD ambitions and a unique DR from a global perspective. Respondents have concerns that DR intends disclosure around outcomes such as that such a culture exists or strategy around such a culture has been fulfilled.
<b>Reference to the CSRD</b>	Art 29b(2) (c)(ii) -“corporate culture”
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	<ul style="list-style-type: none"> <li>• Yes, although disagreement from business associations, EU listed non-financial corporations and rating agencies.</li> <li>• Concern that results of outcomes are not covered, however, this is qualitative in nature rather than factual and would create problems for verification.</li> </ul>
<b>Relevance across sectors</b>	Yes, while business conduct concerns may arise more in some sectors than others, information about the norms, customs and behaviour relating to business conduct is sector-agnostic. Strong support from the consultation with disagreement from business associations, banks, and EU listed non-financial corporations.
<b>Promoting alignment with international standards?</b>	The low score reflects that there are no similar requirements in GRI, ISSB or SASB, but appears to disregard the CSRD requirement.

<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>Value chain data</li> <li>Some concerns from audit firms around verifications (45% RAR)</li> </ul>
<b>Is the requirement placing a disproportionate burden in effort and costs on reporters and their value chain?</b>	The EFRAG Secretariat considers that this is not information which can be collected from the value chain and audited in an effective manner. Furthermore, there is no clear benefit to users of such information as it would be very summarised in nature.
<b>To be made mandatory</b>	Yes, as very important for ethics and compliance with legal requirements in general.
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>Simplification of the text to clarify that this is about process rather than outcomes (to assist with concerns about verifiability)</li> <li>Inclusion of definitions as requested</li> <li>Is the distinction between shall and shall consider too subtle?</li> <li>Other minor wording changes to improve the requirements</li> <li>Secretariat also to consider alignment with GRI on topic of policy commitments</li> </ul>
<b>Phase-in recommendations</b>	No phasing in recommended by the Secretariat

### ESRS G2-2: Policies and targets on business conduct

- 3 As in other topical standards, where there are policies and targets on business conduct, this DR requires disclosure of these based on the materiality assessment per ESRS 2. Where it does not have such policies, it complies by stating such fact.

<b>Support rate</b>	76% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>General support for the DR</li> <li>Concern that 'negative information' will have to be published which is seldom a legal requirement relating to the SFDR required information (par 20(b)) while an auditor considers that this would complex<sup>1</sup></li> </ul>
<b>Reference to the CSRD</b>	Art 19a(2)(d)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	<p>Yes, but some concerns about the use of words like unethical without definitions and requests to require information about whether policies and procedures include application of the international standards against anti-money laundering and combatting the financing of terrorism and proliferation (AML/CFT).</p> <p>82% RAR (stakeholder) with strong support from Auditors, CO, ESG Reporting initiative, Insurer, NSS, Trade unions and Unlisted (all 100%). Opposition from</p>

<sup>1</sup> That is, it would be complex to validate whether the undertaking's policies are consistent with the UN Convention against Corruption.

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	BA (56%), EU listed NFCs(43%) and rating agencies (50%)
<b>Relevance across sectors</b>	<p>Yes. Some recommend restricting the scope based on the complexity of the organization structure and the sector of business concerned in order to carve-out entities operating in less risky environments.</p> <p>However, the question scored relatively high in the consultation and the Secretariat believes that this should rather depend on the undertaking's risk assessment.</p> <p>81% RAR reflects strong support across various types of respondents except for BA's (50%), Banks (50%), and EU listed NFCs (43%).</p>
<b>Promoting alignment with international standards?</b>	<p>Some concerns that the DR is more demanding than GRI 2-23 to 25 and a recommendation to reorganise paragraph 20 to improve its structure.</p> <p>68% RAR with strong support from academics, ESG RI, NGOs, Rating agencies, Trade unions and Non-EU listed and unlisted NFCs (all 100%). Disagreement from BA's (41%) Banks (17%) Insurer (0%), EU Listed NFCs (36%)</p>
<b>Operational complexity?</b>	<p>Clarifying that this DR requires information about policies and targets <i>with respect to</i> the value chain but not (necessarily) information <i>from</i> the Value chain will alleviate concerns in this area. Where the policies cover also the value chain, undertakings should have in house the necessary information as part of the implementation of the policy.</p>
<b>To be made mandatory</b>	<p><i>'where applicable'</i></p> <p>This DR requires a description of the implemented policies. As such, undertakings that do not have in place policies will comply with the DR stating this fact (and where applicable disclosing their plans to implement such policies). In this sense, it should be mandatory (being applicable only where policies do exist).</p>
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>• Improve wording or definitions and include references to whistle-blower directive</li> <li>• Other minor wording changes to improve the requirements</li> </ul>
<b>Phase-in recommendations</b>	<p>– 73% RAR by average stakeholder</p> <ul style="list-style-type: none"> <li>• No phasing in recommended given the PAI indicators.</li> <li>• The EFRAG Secretariat considers that other compliance aspects such as compliance with laws and regulations generally or compliance with</li> </ul>

	specific requirements such as anti-money laundering or CFT should be left for future standards.
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### ESRS G2-3: Prevention and detection of corruption and bribery

- 4 This DR requires information on the systems to prevent and/or detect instances of corruption/bribery. Due to the SR TEG survey feedback received the performance measures (paragraphs 24 (c) and (d)) will be moved to ESRS G2-6.

<b>Support rate</b>	72% RAR by average stakeholder
<b>Key outcome of the consultation</b>	The most significant concerns relate to: <ul style="list-style-type: none"> <li>• Relevance of indicators<sup>2</sup>;</li> <li>• Harming ongoing investigations<sup>3</sup>;</li> <li>• No legal requirement for independence<sup>4</sup>;</li> <li>• Topics covered by national law – how taken into account</li> <li>• Too detailed and too process focussed and should rather describe process for reporting allegations or incidents.</li> </ul>
<b>Reference to the CSRD</b>	Art 19a(2)(c)(ii)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	Yes, with an 82% RAR reflecting strong support except from Banks (0%); EU listed NFCs (33%) and auditors scoring this aspect only 67%.
<b>Relevance across sectors</b>	Yes with an 86% RAR with Banks (38%) and EU listed NFCs (42%) disagreeing. This ties in with the Secretariat’s consideration that while corruption/bribery may be more prevalent in some sectors however, the geography of operations could also be important.
<b>Promoting alignment with international standards?</b>	64% RAR reflects that this DR goes further than GRI in paragraph 24 a) and e), however GRI requires more specific information on the number and percentage of operations assessed for risks related to corruption.

<sup>2</sup> The Secretariat agrees that a number on its own is hard to judge, i.e., the launch of 5 investigations in response to allegations or incidents relating to corruption or bribery could be reflecting a low inherent risk relating to corruption/bribery or a very good internal control system or that there may be barriers to sharing concerns. However, over time, and in comparison to peers, these numbers will become more useful.

<sup>3</sup> As discussed on 29 August 2022, the required disclosures are of such a high level that it is difficult to see how this could be the case. However, the AG will be updated to reflect that this is not the intention.

<sup>4</sup> Good governance cannot allow that those overseeing the functions where problems are being investigated are involved/leading investigations into the allegations. This is simply segregation of duties as a corner stone of good control environment.

<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>Describing processes in a brief but meaningful way may be difficult</li> <li>This DR is not intended to refer to information from the value chain</li> </ul>
<b>To be made mandatory</b>	No, as corruption and bribery may not always be material depending on countries undertaking operate in as well as business activities.
<b>Possible simplification</b>	Other minor wording changes to improve the requirements
<b>Phase-in recommendations</b>	<p>No phasing in recommended by the Secretariat as the DR only requires a description of what is in place.</p> <p>67% RAR with similar ratings as for international alignment except for a 33% decrease for auditors and 40% for NSS.</p>

#### ESRS G2-4: Prevention and detection of anti-competitive behaviour

- 5 CSRD did not request information about anti-competitive behaviour, but in the context of the reference to business ethics and corporate culture, it was included given its importance to consumers and society at large.

<b>Support rate</b>	72% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>Some concerns about local laws; that ISSB is not covering the topic and not in scope of CSRD</li> <li>RAR above 85%: from CO's; ESG RI; NGO, and TU's. Banks (13%) and insurers (50%) disagree. One of the few DRs where BA (65%) score exceeded that of avg. for preparers by 11%.</li> </ul>
<b>Reference to the CSRD</b>	Included as part of business ethics in Art 29b(2)(c)(ii)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	Yes, 86% RAR with 100% RARs from all except from banks (0%), academics (67%), BA's (89%), Other FI (83%), EU listed NFC and rating agencies (67%).
<b>Relevance across sectors</b>	<ul style="list-style-type: none"> <li>Yes. 88% RAR with Banks (0%) disagreeing. EU listed NFCs scored the DR 64%.</li> <li>However, some commented that the DR is relevant only to sectors relating to subject to anti-competitive rules/legislation.</li> </ul>
<b>Promoting alignment with international standards?</b>	<ul style="list-style-type: none"> <li>Some consider Agenda 2030 should be taken into account and a disclosure on appropriate measures in case of incidents of anticompetitive behaviour/monopoly practices.</li> </ul>

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	<ul style="list-style-type: none"> <li>64% with 0% from banks and insurers. 50% RAR from rating agencies and EU listed NFCs.</li> </ul>
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>AG should contain a warning that a legal definition of anticompetitive behaviour may differ among jurisdictions</li> <li>This DR is not intended to refer to information from the value chain</li> </ul>
<b>To be made mandatory</b>	No, as the topic may not always be material to the undertaking.
<b>Possible simplification</b>	Minor wording changes to improve the requirements
<b>Phase-in recommendations</b>	<p>No phasing in recommended as this is a very important DR for those where the topic is material.</p> <p>55% RAR with low scores from Auditors, Banks and insurers, Unlisted NFCs (all below 30%). BA's (36%) and rating agencies (33%)</p>

**ESRS G2-5: Anti-corruption and anti-bribery training**

6 While some respondents thought that this DR does not provide useful information, the EFRAG Secretariat considers education an important tool in the fight against corruption/bribery and notes that this follows the approach by GRI.

<b>Support rate</b>	70% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>Considered to be too granular per comments</li> <li>Concerns about confidentiality such as 'at risk'<sup>5</sup></li> <li>Reservations about benefits of section compared to high costs</li> <li>RAR above 85% by academics, CO's; ESG RI; NGO, and TU's. Banks (18%), BA's (32%) and EU listed NFCs (37%) disagreeing. Relatively strong support from unlisted and auditors (both 74%)</li> <li>6 requests to map revenues in areas where corruption is very high</li> </ul>
<b>Reference to the CSRD</b>	Art 29b(2) (c)(ii)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	Yes, 76% RAR with banks (0%) contrasting sharply with insurers (100%) and Other FI (83%). Rating agency (33%) and EU listed NFCs (46%) also giving low scores.

<sup>5</sup> The EFRAG Secretariat will refer to functions rather than people to emphasise that the nature of the job is the concern here rather than the particular person. Furthermore, the functions considered at risk is for the undertaking to identify what functions may require more in-depth education but not to contravene any GDPR/privacy requirements.

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<b>Relevance across sectors</b>	Yes. 84% reflects strong support across categories except from banks (17%), BA's (37%) and EU listed NFCs (46%).
<b>Promoting alignment with international standards?</b>	<ul style="list-style-type: none"> <li>72% RAR with disagreement from BA's (33%), Banks (17%), EU listeds (30%).</li> <li>One respondent requested better alignment with GRI whilst another thought training programmes should be broken down by region.</li> </ul>
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>For non-NFRD's this is probably more challenging. However, listed undertakings should have training programmes in place and be able to measure attendance etc.</li> <li>This DR is not intended to refer to information from the value chain except where training or information about procedures have been provided to the value chain.</li> </ul>
<b>To be made mandatory</b>	No as corruption/bribery may not be a material topic to all undertakings.
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>Requests for rephrasing, clarification and description.</li> <li>Other minor wording changes to improve the requirements</li> </ul>
<b>Phase-in recommendations</b>	<ul style="list-style-type: none"> <li>The EFRAG Secretariat would consider the information should be provided as soon as possible, but no later than year 3.</li> <li>This is in recognition of the need for the development of processes to gather, test and report the information rather than any indication of importance of the DR.</li> </ul>

**ESRS G2-6: Corruption and bribery events**

7 Issues paper discussed by SRT and on its way to SRB to impact the DR and its wording. SR TEG agreed to use the wider definition similar to GRI and agreed not to allow preparers to omit information that may be prejudicial or confidential.

<b>Support rate</b>	72% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>Concerns about burden and resulting costs;</li> <li>Various proposals for rephrasing, restructuring and deletion of paragraphs and definitions/clarifications.</li> <li>Follows similar approval pattern to previous DRs except for scores above 90% from ratings agencies and unlisted</li> </ul>
<b>Reference to the CSRD</b>	Art 29b(2) (c)(ii)
<b>ESRS (including AGs) support a fair representation of the</b>	Yes, 79% RAR with a particularly low scores from banks (0%) and 31% from EU listed NFCs. 100% support from insurers is noteworthy

<b>topic required by the CSRD including meeting the qualitative characteristics?</b>	
<b>Relevance across sectors</b>	Yes. 83% RAR reflects that this is sector agnostic. BA's (45%), Banks (13%), EU listed NFCS (33%) disagree.
<b>Promoting alignment with international standards?</b>	64% RAR with relatively low scores from auditors (56%) and NSS (50%). This may reflect the divergence from GRI definition as noted above.
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>For those that do not collect this information currently, it would create additional costs. However, in the context that this is surely shared with AMSB's, this should be manageable.</li> </ul>
<b>To be made mandatory</b>	No as it may not be a material topic for all undertakings
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>Changes to definition as agreed with SR TEG on 6 September.</li> <li>Other minor wording changes to improve the requirements</li> </ul>
<b>Phase-in recommendations</b>	<ul style="list-style-type: none"> <li>No phasing in recommended in the context of communicating such incidents with AMSBs.</li> <li>71% RAR with BA's at 20% about 49 percentage points lower than average of other preparers. Auditor support also only 55%.</li> </ul>

### ESRS G2-7: Anti-competitive behaviour events

8 As for previous DR, issues paper on topic discussed by SR TEG and to be discussed by SRB.

<b>Support rate</b>	70% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>Strong concern that the information is too granular and not all relevant</li> <li>Limit to material publicly announced investigations and announced litigations whereas others consider that only most severe controversies and the undertaking's responses to these should be mandatory</li> <li>Definition of event contravenes presumption of innocence<sup>6</sup></li> <li>Beyond CSRD scope</li> <li>Others want to include the definition of costs and the broader financial consequences of incidents, compliance with OECD Guidelines for Multinational</li> </ul>

<sup>6</sup> The EFRAG Secretariat would be very concerned if true, however, as there is no requirement to publish either the name(s) of persons involved or information needed to identify them, this is not the case.



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	Enterprises related to competition, number of investigations into and decisions in which employees were dismissed or disciplined for anti-competitive behaviour; number of investigations into and decisions relating to contracts with business partners that were terminated or not renewed.
<b>Reference to the CSRD</b>	Included as part of business ethics in Art 29b(2)(c)(ii)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	Yes, with a 75% RAR - similar to G2-6 except for rating agencies (50%)
<b>Relevance across sectors</b>	Yes. 81% - as for G2-6 except for Banks (25%) and rating agencies (67%)
<b>Promoting alignment with international standards?</b>	<ul style="list-style-type: none"> <li>• 64% - with a concern that GRI 206 requires reporting on pending and completed legal actions; ESRS requires to report on material risks, including on active legal processes, e.g. in their financial statements<sup>7</sup>.</li> <li>• Another asked for alignment with EMAS regulation, Agenda 2030 and IPCC. The relevance is not obvious to the EFRAG Secretariat.</li> </ul>
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>• Undertakings seem more concerned about the response from stakeholders if such items were disclosed.</li> </ul>
<b>To be made mandatory</b>	No as it may not be a material topic for all undertakings
<b>Possible simplification</b>	Other minor wording changes to improve the requirements
<b>Phase-in recommendations</b>	No phasing in recommended

**ESRS G2-8: Beneficial ownership**

9 Beneficial ownership was included in the draft standard as it provides important information in the context of:

- (a) The composition of the administrative, management and supervisory bodies;
- (b) Corruption and bribery as highlighted by the OECD and others; as well as

<sup>7</sup> The EFRAG Secretariat notes that an active legal case is equivalent to a pending legal action. Furthermore, there may be no amounts recognised related to such a case if the undertaking concludes the case represents a contingent liability. Also, even if the amounts have been included as a liability, it may not be material from a financial perspective and there may be no explanatory disclosures.

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(c) Where entities/individual want to avoid individuals or undertakings subject to sanctions.

10 The PTF-ESRS included this in response to the ambition expressed in CSRD. The DR has been strongly supported by GRI and based on an EU directive that has been effective since 2016. However, the EFRAG Secretariat is considering simplifications for listed entities and where registers have been implemented.

<b>Support rate</b>	59% RAR by average stakeholder
<b>Key outcome of the consultation</b>	Relatively low support. Some consider that it is already covered by either 2015/849 or the company register. The EFRAG Secretariat notes that neither of these require public disclosures.
<b>Reference to the CSRD</b>	
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	Yes, 58% RAR with lower scores from BA's (11%), Banks (0%), EU listeds (18%) and unlisteds (0%)
<b>Relevance across sectors</b>	Yes. 71% with lower scores from BA's (20%), EU listeds (18%) and unlisteds (33%) vs G2-7. Double RAR for banks at (25%) (vs G2-7)
<b>Promoting alignment with international standards?</b>	45% RAR reflects lack of similar requirements in GRI, ISSB or SASB. However, strong support from GRI and aligned with current EU legislation and supported by OECD for avoidance of corruption.
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>None expected given the EU Directive has been in force since 2016</li> </ul>
<b>To be made mandatory</b>	Yes, as very important for ethics and compliance with legal requirements, but concerns about verifiability
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>Include exemption in Directive 2018/843 for listed companies</li> <li>OECD toolkit simplification for where registers are available either for listed entities or on national level</li> <li>To refer only to beneficial ownership and remove words 'ultimately own or control' in paragraph 44 and similarly in paragraph 45.</li> <li>Other minor wording changes to improve the requirements</li> </ul>
<b>Phase-in recommendations</b>	<ul style="list-style-type: none"> <li>The DR can be delayed if required however, that would not be useful for those that are concerned about individuals subject to sanctions.</li> <li>48% reflecting lower support from ESG RI and preparers than for G2-7, but 10 pp increase for auditors.</li> </ul>

**ESRS G2-9: Political engagement and lobbying activities**

11 Various comments that this is beyond the scope of CSRD or beyond ESG, ignoring that this is a specific required per CSRD.

<b>Support rate</b>	59% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>RAR reflects lower support from preparers and auditors, CO's and NSS. However, this and some comments<sup>8</sup> seem to ignore the express requirement in CSRD to cover the topic.</li> <li>Some believe reference to the Transparency register is sufficient, however, that does not explain the requirement in CSRD.</li> </ul>
<b>Reference to the CSRD</b>	Art 29b(2)(c)(iii)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	Yes, 59% with CO scoring low at (0%) but otherwise similar to G2-8
<b>Relevance across sectors</b>	Yes. 65% - similar to G2-8 except banks and CO's (0%).
<b>Promoting alignment with international standards?</b>	49% surprisingly low rating given the alignment to GRI on part it covers (political contributions) and the specific requirement in CSRD
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>Concerns about definitions such as in-kind contribution, which was considered to be self-evident, but will be considered.</li> <li>Some requested a threshold, but this is contrary to the spirit of ESRS.</li> </ul>
<b>To be made mandatory</b>	No, as not necessarily material to all undertakings.
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>Add AG iro paragraph 46(a)<sup>9</sup> explaining that if responsibility was not assigned to a specific member of the ASMB, this can be noted.</li> <li>Include AG/definition to clarify that industry association policy engagement is also captured by the DR</li> <li>Clarify objective of DR.</li> <li>Include a time limit (2 years) in paragraph 47<sup>10</sup>.</li> <li>Other minor wording changes to improve the requirements</li> </ul>

<sup>8</sup> Some say there is no link to sustainability. However, the concern is related to undue influence over regulators and legislators.

<sup>9</sup> Updated paragraph number – previously paragraph 48(a).

<sup>10</sup> Previously paragraph 50.

<b>Phase-in recommendations</b>	<ul style="list-style-type: none"> <li>• No delay recommended in the context of wording in CSRD.</li> <li>• 48% With low prioritization by auditors (36%) and preparers. Rated medium by NSS (60%).</li> </ul>
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### ESRS G2-10: Payment practices

12 CSRD originally required information on this to be required by the standards, even though respondents do not seem to disagree with the importance of such a requirements. The changes to CSRD will necessitate some changes to the DR to emphasis payments to SMEs rather than all payments.

<b>Support rate</b>	55% RAR by average stakeholder
<b>Key outcome of the consultation</b>	<ul style="list-style-type: none"> <li>• Concerns about confidentiality and legal issues and contrary to freedom of contract</li> <li>• Sensitive from market competition</li> <li>• Information is too burdensome</li> <li>• Some question the value of the information</li> </ul>
<b>Reference to the CSRD</b>	Art 29b(2) (c)(iv)
<b>ESRS (including AGs) support a fair representation of the topic required by the CSRD including meeting the qualitative characteristics?</b>	<p>Yes 53% RAR - similar to G2-9 including 100% RAR by insurers.</p> <p>Some mentioned reference to the late payment directive, however, this is going beyond that requirements as required by CSRD.</p>
<b>Relevance across sectors</b>	<p>Yes. 57% reflecting lower ratings by preparers overall, as well as auditors</p> <p>Comments have been received that this is sector specific, but apart from some vague comments that this relates to infrastructure type sectors, this has not been explained or expanded upon.</p>
<b>Promoting alignment with international standards?</b>	<ul style="list-style-type: none"> <li>• 40% surprisingly low rating in the absence of other disclosures on the topic and given specific requirement in CSRD</li> <li>• Some propose that this should be prepared in accordance with IFRS, however, the Secretariat notes that there is no similar requirement under IFRS.</li> </ul>
<b>Operational complexity?</b>	<ul style="list-style-type: none"> <li>• Value chain data</li> <li>• Concerns around system to do calculation especially 'aggregation'</li> </ul>
<b>To be made mandatory</b>	Yes, in the context of importance to SMEs
<b>Possible simplification</b>	<ul style="list-style-type: none"> <li>• Strengthening AG to explain that calculation is not sufficient, but tracking will be required.</li> </ul>

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	<ul style="list-style-type: none"><li>• Other minor wording changes to improve the requirements</li></ul>
<b>Phase-in recommendations</b>	<ul style="list-style-type: none"><li>• The EFRAG Secretariat would consider the payment data (paragraph 50(a)) should be provided as soon as possible, but no later than year 3.</li><li>• The other information should be provided in year 1.</li></ul>

## Appendix 1: Further information

### Introduction

- 1 In this appendix, further information such as extracts from GRI or ESRS G2 is provided which may be helpful.

### Training about corruption/bribery

#### *GRI requirement*

- 2 GRI requires the following information in this regard in 205-2:

“The reporting organization shall report the following information:

- a. Total number and percentage of governance body members that the organization’s anti-corruption policies and procedures have been communicated to, broken down by region.
- b. Total number and percentage of employees that the organization’s anti-corruption policies and procedures have been communicated to, broken down by employee category and region.
- c. Total number and percentage of business partners that the organization’s anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization’s anti-corruption policies and procedures have been communicated to any other persons or organizations.
- d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region.
- e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.”

#### *ESRS requirement – ESRS G2-5*

- 3 The ESRS DR after changes from the TEG Survey, user test etc currently reads as follows:
  28. “The undertaking shall provide information about any anti-corruption and anti-bribery training programmes offered.
  29. The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking’s training and educational initiatives to develop and maintain awareness related to anti-corruption or anti-bribery and other business conduct within the undertaking as well as in the value chain.
  30. The disclosure required by paragraph 28 shall include information about the following:
    - (a) the nature, scope and depth of anti-corruption/anti-bribery training programmes offered or required by the undertaking, including location and own workers as well as arrangements around new joiners;
    - (b) the percentage of functions most at risk covered by training programmes;
    - (c) the assessment methodology to ascertain whether the target audience acquired the necessary knowledge.”
  31. The disclosures required by paragraph 28 shall include information about how the undertaking shares its anti-corruption/anti-bribery policy within its value chain.
  32. Where the undertaking has an information programme on anti-corruption or anti-bribery, such as information pamphlets or videos, it shall consider whether to provide information on the members of staff and management this is shared with.

33. The training programme may cover other aspects of business conduct such as transparency on political engagements and anti-competitive behaviour. In these cases, the undertaking should consider whether disclosures similar to the ones required for anti-corruption would be useful to its stakeholders.”

### **Anti-competitive behaviour**

#### *GRI requirement*

- 4 GRI requires the following information in this regard in 205-2:
- “The reporting organization shall report the following information:
- a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.
  - b. Main outcomes of completed legal actions, including any decisions or judgments.”

#### *ESRS requirement – ESRS G2-7*

- 5 The ESRS reads as follows:
34. “The undertaking shall provide information on any publicly announced investigation into or litigation concerning possible anti-competitive behaviour it is facing during the reporting period.
35. The principle to be followed under this disclosure requirement is to provide transparency on publicly announced investigations into or litigation concerning possible anti-competitive behaviour of the undertaking that are ongoing during the reporting period.
36. The disclosure required by paragraph 34 shall include the following information:
- (a) investigations into and decisions relating to violations of anti-trust and monopoly legislation where the undertaking (or its subsidiaries) was named as a participant by a competent authority;
  - (b) number of new, continuing, or finalised legal action (separately) during the reporting period regarding anti-competitive behaviour;
  - (c) main outcome of legal proceedings against the undertaking concluded during the reporting period, including sanctions, fines and damages orders.”

#### **ESRS G2-9 – updated requirement**

- 6 The DR has been updated for changes to CSRD and pre-consultation feedback and now reads as follows:

#### **Engagement to exert its political influence and lobbying activities**

44. “The undertaking shall provide information on its engagement to exert its political influence as well as its lobbying or advocacy activities.
45. The principle to be followed under this disclosure requirement is to provide transparency on the types, purpose and cost of political contributions and lobbying activities of the undertaking during the reporting period.
46. The disclosure required by paragraph 44 shall include:
- (a) the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities;
  - (b) on financial or in-kind contributions:

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- i. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country and/or type of recipient/beneficiary;
  - ii. where appropriate, how the monetary value of in-kind contributions was estimated;
  - iii. the total monetary amount of financial and in-kind lobbying or advocacy expenses (both internal and external); and
  - iv. the total amount paid for membership to professional or advocacy associations.
- (c) the main topics covered by such activities; and
- (d) its main positions on these topics.
47. The disclosure shall also include information about the appointment of any members of the administrative, management and supervisory bodies or senior executives who previously held a comparable position in public administration, including regulators.”

**ESRS G2-10 – updated requirement**

7 The DR has been updated for changes to CSRD as follows:

48. **“The undertaking shall provide information on the payment practices to support transparency about these practices given the importance of timely cash flows to business partners, especially with respect to late payments to SMEs.**
49. The principle to be followed under this disclosure requirement is to provide insights on the contractual payment terms and the average actual payments.
50. The disclosure under paragraph 48 shall include:
- (a) the average time the undertaking takes to pay an invoice in number of days;
  - (b) details about the undertaking’s standard contractual payment terms in number of days for both purchases and sales of products or services provided; and
  - (c) complementary information necessary to provide sufficient context.”