

These papers are the same as the ones prepared for 5 October 2022 meeting

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SRB. 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 FR Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Cover Note**Governance – list of comments and changes to the draft****Background**

- 1 EFRAG ran a public consultation on 13 ESRS Exposure Drafts (EDs) from the end of April 2022 to the 8 of August 2022. The comments received are available at the following link: [News - EFRAG](#).
- 2 EFRAG ran a number of outreach events with different stakeholders from different countries in June and July 2022.
- 3 The consultation was structured in two different Surveys:
 - (a) Survey 1 covers the general approach to the standards, contents of ESRS 1 and prioritisation/phasing-in and it also includes one question per each of the other 12 ESRS EDs;
 - (b) Survey 2 covers the detailed content of 12 ESRS EDs (excluding ESRS 1), with a number of sub-questions covering different aspects per each disclosure requirement.
- 4 EFRAG SRB received a presentation of the comments received in a joint meeting with the EFRAG SR TEG on 8 September. The document used for this presentation can be found [here](#).
- 5 EFRAG has outsourced the analysis of comments received in the public consultation to an external consultant. Their report will be made publicly available in due course. A draft of the report for Survey 1 has been made available the EFRAG Secretariat to allow to progress in the subsequent analysis.

Purpose of this session

- 6 To discuss and approve the proposed detailed course of action to address the comments from the public consultation, including identification of topics that need to be further discussed (with the support of issue papers and SR TEG discussions) before a specific change to the standard is actually defined and agreed upon.

Summary of EFRAG SR TEG on 29 August 2022

- 7 On the 29 August 2022 SR TEG discussed a possible simplification of ESRS G1 on the basis of the changes to the CSRD and initial feedback. Agenda Paper 04.01 of the SR TEG on 29 August can be found [here](#).
- 8 EFRAG TEG agreed that DR G1-7 and G1-8 now belong in ESRS 2 as they relate to sustainability. With reference to GR 1-7 and 1-8 (DRs for sustainability reporting risk management and internal control DRs) the majority of the SR TEG that attended the meeting supported the proposal to narrow them down and limit them to the

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sustainability matters (not risk management and internal control in general). However a minority was opposed to this narrow interpretation as they consider that disclosure of business risk management (and risks to stakeholders) is essential information for users of sustainability statements. They suggested to include the reference to risks to the stakeholders in these DRs.

- 9 EFRAG SR TEG members discussed DRs G1-2 (Corporate governance code or policy); G1-3 (Nomination process); G1-5 (Evaluation process); G1-6 (Remuneration policy) and G1-10 (Meetings and attendance rate) should be eliminated. The CSRD does not mention explicitly these items in the governance factors to be covered in the report. However, some SR TEG members considered these topics to be maintained in G1 as implicitly belonging to the ‘corporate culture’ topic (which is an item that is still covered by the CSRD as a separate reporting area).
- 10 EFRAG SR TEG expressed mixed views on the GRI recommendation that the DRs in ESRS G1 and the general policies and processes (e.g., whistleblowing) for business conduct (i.e. ESRS G2) should be mandatory in all cases.
- 11 EFRAG SR TEG agreed that with GRI that GRI 2-15 on conflicts of interest should be added to the DRs and presented alongside the other governance disclosures now in ESRS G1.
- 12 EFRAG TEG supported that the topics in ESRS G2 should remain in a separate standard.

EFRAG Secretariat assessment and recommended course of actions per each question in Survey 1

- 13 The EFRAG Secretariat has conducted an assessment of the comments received in the public consultation. **Agenda Paper 03-02** presents the outcome of this assessment for both ESRS G1 and G2. Each comment the papers document the proposed course of action, with the following wording conventions:
 - (a) No action: the EFRAG Secretariat acknowledges the comment, however does not consider necessary or appropriate to propose a change and the reasons for this are explained in the column ‘EFRAG Secretariat comments’.
 - (b) To be discussed: the EFRAG Secretariat considers that, due to different views that exist between different categories of stakeholders or due to the low support rate of this question in the statistics from the consultation or due to the complexity of the topic, a dedicated technical discussion is needed before a change to the draft standards can be defined in detail and agreed upon. The column ‘Issue paper needed?’ shows where the topic will be covered. The issue papers will be presented at future SR TEG/SRB meetings (some of them have been already discussed in SR TEG/SRB at this stage).
 - (c) To be aligned: the EFRAG Secretariat proposes to modify the text of the standard as illustrated in the column ‘EFRAG Secretariat comments’.
 - (d) To be considered: the EFRAG Secretariat proposes to consider this suggestion when finalizing the standard (differently from ‘to be aligned’, here the comment does not allow to identify immediately the change but further consideration is needed, without triggering a SRB discussion as the point is not as complex or controversial as it would be for the ‘To be discussed’).
 - (e) Ongoing: the assessment/change to the standards is in progress.

EFRAG Secretariat assessment and recommended course of actions per each disclosure requirement

- 14 The EFRAG Secretariat has conducted an assessment of the individual disclosure requirements for each standard based on the feedback received to date, including the results of the public consultation. **Agenda Paper 03-03 and 03-04** present the outcome of this assessment together with recommendations on the categorisation of the disclosure requirements for aspects such as sector-specificity and phase- in together with possible recommendations or operational complexity.

Agenda Papers

- 15 **Agenda Paper 03-02** which covers the respective questions in Survey 1 (only questions where open comments were provided).
- 16 **Agenda Paper 03-03 and 03-04** which covers the respective questions in Survey 2 (only questions where open comments were provided).

Questions to SRB members and observers

- 17 Do you have any other comments on the assessment in papers 03-02 to 03-04?
- 18 The EFRAG Secretariat proposes no major changes to the ESRS G1, but would like to confirm whether SRB agree that all the DRs are mandatory and applicable in the first year of application.
- 19 For questions 117, 120 and 125 of Survey 2 (open comments only), do you agree with the proposed course of actions proposed in the papers? If for a specific items you disagree, please explain.
- 20 In addition to the items identified in the papers as deserving discussion in a issue paper, do you consider that there are other items that should be covered in a issue paper? Please specify.
- 21 Do you have any other comments on this assessment?

- 22 The EFRAG Secretariat proposes no major changes to the ESRS G2, but would like to confirm whether SRB agrees to keep the following DR's (given mixed results, or not in CSRD):
- (i) G2-3 on Prevention and detection of corruption and bribery;
 - (ii) Anti-competitive behaviour as in G2-4 and G2-7;
 - (iii) G2-5 on Anti-corruption and anti-bribery training; and
 - (iv) G2-8 Beneficial ownership.

- 23 The EFRAG Secretariat proposes the following:

Mandatory DRs	Phasing in
G2-1	G2-8 – subject to agreement to keep DR
G2-2 – to be determined by SRB	Phasing in of the payment data (paragraph 50(a)) of G2-10
G2-5	

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G2-8 – subject to agreement to keep DR	
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Do you agree with these proposals?

- 24 Does EFRAG SR TEG agree to keep G2-1 on business conduct culture, or should this be changed to corporate culture to keep closer to the provisions of CSRD?
- 25 Although alignment on G2-6 and G2-7 with GRI was already discussed on 5 September, given the comments about burden, does EFRAG SRB have further proposals for amendments?
- 26 Does EFRAG SRB agree that CSRD requires ESRS to go further than GRI 415 or do you propose amendments to the requirements?
- 27 Does SRB agree that the AG of ESRS G2-10 be strengthened to explain that the information required while it may be an average, cannot just be calculated from balance sheet/income statement information, but needs some form of tracking?