

Governance

EFRAG SR Board

19 October 2022



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Previous ESRS G1 Governance, risk management and internal control

All remaining DRs in ESRS 2

DRs	CSRD?	Topic	Location in ESRS 2
G1-1, G1-4 and G1-9	Yes, 29b(2)(c)(i)	Composition and diversity policy	Merged with GOV 1
G1-7/8	Yes, 29b(2)(c)(i)a or (v)	Risk management and internal control over sustainability reporting process	New GOV 5

Other DRs deleted due to changes in CSRD.

No additional data points



ESRS G1: Business conduct (renumbered)

Changes from ED

	ED #	New #	Title	CSRD reference
PTAPR	G2-1, G2-2	G1-1	Corporate culture and business conduct policies and targets	Yes, 29b(2)(c)(i)
	17(f)	G1-2	Procurement management	Yes, 29b(2)(c)(iv) – management and quality of supplier relationships
	G2-3 G2-5	G1-3	Prevention and detection of corruption/bribery (including training)	Yes, 29b(2)(c)(ii)
	G2-4	Deleted	Prevention and detection of anti-competitive behaviour	Implicit as part of business ethics
Performance	G2-6	G1-4	Corruption/ bribery events	Yes, 29b(2)(c)(ii)
	G2-7	Deleted	Anti-competitive behaviour events	Implicit as part of business ethics
	G2-8	SRB deleted	Beneficial ownership	OECD: prevention of bribery/corruption
	G2-9	G1-5	Political engagement and lobby activities	Yes, 29b(2)(c)(iii)
	G2-10	G1-6	Payment practices	Yes, 29b(2)(c)(iv)

ESRS G1: Business conduct

SFDR

New #	Title	Comments	SFDR indicators required
G1-1	Corporate culture and business conduct policies and targets	Merger of DRs 	<ul style="list-style-type: none"> where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption, it shall state this; where the undertaking has no policies on the protection of whistle-blowers, it shall state this;
G1-2	Procurement management	New as no DR on arrangements with suppliers	
G1-3	Prevention and detection of corruption/bribery	Includes training (G2-5)	
G1-4	Corruption/ bribery events	Fully aligned with GRI 	<ul style="list-style-type: none"> the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws; insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.
G1-5	Political engagement and lobby activities	Fully GRI aligned with respect to political engagement	
G1-6	Payment practices	Updated to improve reflection of late payments; SMEs and fairness of practices	



CSRD extracts

Changes to CSRD

- (c) specify the information that undertakings are to disclose about **the following** governance factors, ~~including information about~~:
- (i) the role of the undertaking's administrative, management and supervisory bodies, ~~including~~ with regard to sustainability matters, and their composition **and their expertise and skills to fulfil this role or access to such expertise and skills**;
 - (ii) business ethics and corporate culture, including anti-corruption and anti-bribery, **the protection of whistle-blowers and animal welfare**;
 - (iii) ~~political~~ engagements of the undertaking **to exert its political influence**, including its lobbying activities;
 - (iv) the management and quality of relationships with **customers, suppliers and communities affected by the activities of the undertaking** ~~business partners~~, including payment practices, **especially with regard to late payment to SMEs**;
 - (v) the **main features** undertaking's internal control and risk management systems, ~~including~~ in relation to the ~~undertaking's~~ **sustainability reporting and decision-making** process

CSRD recital 44

Users need information about governance factors. ...

Users also need information about undertakings' **corporate culture and approach to business ethics**, which are recognised elements of authoritative frameworks on corporate governance such as the Global Governance Principles of the International Corporate Governance Network, including information about **anticorruption and anti-bribery**, and about the **undertaking's political engagements, including lobbying activities**. Information about the management of the undertaking and the quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, helps users to understand an undertaking's risks as well as its impacts on sustainability matters. Information about **relationships with suppliers, includes payment practices** relating to the date or period for payment, the rate of interest for late payment or the compensation for recovery costs referred to in Directive 2011/7/EU of the European Parliament and of the Council³⁴ on late payment in commercial transactions. Every year, thousands of businesses, especially SMEs, suffer administrative and financial burdens because they are paid late, or not at all. Ultimately, late payments lead to insolvency and bankruptcy, with destructive effects on entire value chains. Increasing information about payment practices should empower other undertakings to identify prompt and reliable payers, detect unfair payment practices, access information about the businesses they trade with, and negotiate fairer payment terms.

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THANK YOU

EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 210 44 00
www.efrag.org

