

[Draft] European Sustainability Reporting Standard G3 Business conduct

DISCLAIMER

This document is a technical working paper intended solely for the internal use of PTF- ESRS members, supporting debates in Plenary meetings. It is not open to public consultation but serves as work-in progress document leading to the exposure drafts to be submitted to a future public consultation. Significant changes to this working paper may arise from the subsequent steps of the due process (for more information on subsequent steps of the due process, see [here](#)).

This working paper should therefore not be interpreted in any way whatsoever as representing the views of the PTF-ESRS as a whole at this stage, nor the position of relevant co-construction partners. Also, the content of this working paper is the sole responsibility of the PTF-ESRS and can under no circumstances be regarded as reflecting the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

Table of contents

[DRAFT] EUROPEAN SUSTAINABILITY REPORTING STANDARD G3 BUSINESS CONDUCT	1
TABLE OF CONTENTS.....	2
Objective	3
Interaction with other ESRS.....	3
Disclosure requirements	4
Strategy and business model, governance and organisation, impacts, risks and opportunities.....	4
Disclosure requirement 1 – Leadership on business conduct	4
Disclosure requirement 2 – Risk assessment of business conduct matters	4
Policies and targets	5
Disclosure requirement 3 – Policies and targets on business conduct.....	5
Disclosure requirement 4 – Policy and processes on responsible investments and/or ethical exclusions	5
Action plans and dedicated resources	6
Disclosure requirement 5 – Corruption detection.....	6
Disclosure requirement 6 – Anti-competitive behaviour detection	6
Performance measures.....	6
Disclosure requirement 7 – Anti-corruption training	6
Disclosure requirement 8 – Corruption incidents	7
Disclosure requirement 9 – Anti-competitive behaviour incidents	7
Disclosure requirement 10 – Beneficial ownership	8
Disclosure requirement 11 – Donations and sponsorships.....	8
Disclosure requirement 12 – Political engagement and lobbying activities	8
APPENDIX A: DEFINED TERMS	10
APPENDIX B: APPLICATION GUIDANCE	12
Disclosure requirement 1 – Leadership on business conduct	12
Disclosure requirement 2 – Risk assessment of business conduct matters	12
Disclosure requirement 3 – Policies and targets on business conduct.....	12
Disclosure requirement 4 – Policy and processes on responsible investments and/or ethical exclusions	13
Disclosure requirement 7 – Anti-corruption training	13
Disclosure requirement 8 – Corruption incidents	14
Disclosure requirement 9 – Anti-competitive behaviour incidents	14
Disclosure requirement 10 – Beneficial ownership	14
Disclosure requirement 11 – Donations and sponsorships.....	14
Disclosure requirement 12 – Political engagement and lobbying activities	15
[DRAFT] BASIS FOR CONCLUSIONS ON ESRS G3 BUSINESS CONDUCT – ACCOMPANYING MATERIAL.....	16
APPENDIX: REFERENCES TO MAJOR INITIATIVES	24

Objective

- 1 The objective of this standard is to specify disclosure requirements for the undertaking to provide information about its strategy and approach, processes and procedures as well as its performance in respect of business conduct.
- 2 Business conduct for purposes of this standard covers a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. These practices include:
 - (a) avoiding corruption and other behaviours that often have been criminalised as they benefit some in positions of power with a detrimental impact on society;
 - (b) transparency about anti-competitive behaviour and political engagement or lobbying; and
 - (c) policy on responsible investments and/or ethical exclusions.
- 3 This [draft] standard is addressing business conduct as a key element of the undertaking's sustainable development. This [draft] standard requires the undertaking to report information about its overall policies and practices for business conduct, rather than information for specific material sustainability topics.
- 4 The requirements in this [draft] standard are intended to provide information that reinforces users' understanding of the risks of, and opportunities afforded by, sustainability matters, as well as the impacts of the undertaking on people and the environment.

Interaction with other ESRS

- 5 The contents of this [draft] standard shall be applied in the context of and in conjunction with [draft] standards ESRS 1 to ESRS 4.
- 6 The disclosure requirements in this [draft] standard are complementing those prescribed by [draft] standards ESRS 1 to ESRS 4 with a view to addressing the objective of this [draft] standard, as stated in paragraph 1 above.
- 7 This [draft] standard shall also be applied in conjunction with the [draft] standards on environmental and social topics ([draft] ESRS E1 to [draft] ESRS E4, and [draft] ESRS S1 to [draft] ESRS S7) where they prescribe disclosures on the topics listed in paragraph 2 above with respect to specific environmental or social features. Those disclosures shall be considered as complementary to the disclosures provided under this [draft] standard focusing on the overarching sustainability perspective.
- 8 Topics that cover similar areas may be covered in other ESRS standards, such as human rights or worker conditions. Nothing in this standard override those requirements and undertakings should refer to the relevant standard such as [draft] ESRS S1 to [draft] ESRS S7.
- 9 This [draft] standard covers sector-agnostic disclosure requirements. Sector-specific disclosure requirements are [prescribed] separately and in accordance with the classification specified by [draft] ESRS SEC1.
- 10 The Disclosure Requirements in this [draft] standard shall be read in conjunction with [draft] ESRS 5 Definitions for policies, targets, action plans and resources, that specifies, as a reference standard, the key aspects to disclose to describe policies, targets, action plans and resources in relation to sustainability matters. The undertaking shall apply the provisions of [draft] ESRS 5 when disclosing its policies, targets, action plans and resources with reference to business conduct.

Disclosure requirements

Strategy and business model, governance and organisation, impacts, risks and opportunities

Disclosure requirement 1 – Leadership on business conduct

- 11 **The undertaking shall disclose the roles of its governance body or bodies, senior executives and operational levels in the development, approval and updating of the undertaking's purpose, value or mission statements, and of the strategies, policies and goals related to business conduct.**
- 12 *The principle to be followed under this disclosure requirement is to provide an understanding of the distribution of business conduct-related roles and responsibilities throughout the undertaking's organisation. This would be from its highest governance body to its executive and operational levels, the expertise of its governance bodies and relevant management on business conduct matters, and how the undertaking's business conduct programme(s) are implemented and managed.*
- 13 The disclosure required by paragraph 11 shall include information on how the highest governance body of the undertaking oversees and manages business conduct. The requirement is intended to be read broadly as to any activities that provide direction to the undertaking's employees about business conduct.
- 14 The disclosure required by paragraph 11 shall also include information as to whether responsibility for implementing and managing the undertaking's business conduct programme(s) has been assigned to a senior executive and whether they have a direct or indirect reporting line to the highest governance body or one of its members. If there is no oversight by its highest governance body over its business conduct, then the undertaking should provide a statement to that effect.

Disclosure requirement 2 – Risk assessment of business conduct matters

- 15 **The undertaking shall disclose information about its risk assessment process over the matters related to business conduct.**
- 16 *The principle to be followed under this disclosure requirement is to describe the process put in place by the undertaking to identify and manage the risks. It also intends to provide an understanding of whether and how matters related to business conduct are considered, integrated and evaluated as part of the risk assessment process conducted by the undertaking over the risks that originate from its business model.*
- 17 Business conduct (as defined in Appendix A) includes a wide range of matters that may be of differing levels of importance for the undertaking.
- 18 The disclosure required by paragraph 15 shall include the following information:
- (a) the basis and scope of the undertaking's assessment process over risks of putting in place behaviours or single events that contradict transparent and sustainable business practices (including those originating from relationships with business partners such as suppliers, subcontractors and customers where relevant);
 - (b) the frequency of carrying out this risk assessment process;
 - (c) any changes to the basis, scope or outcome of this risk assessment process from the previous reporting period.

- 19 The undertaking shall also disclose if any of the business conduct matters covered by this standard were omitted from its risk assessment process and why and refer, where applicable, to plans to cover them in the future.

Policies and targets

Disclosure requirement 3 – Policies and targets on business conduct

- 20 **The undertaking shall provide information about its policies with respect to matters related to business conduct.**
- 21 *The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking's ability (i) to mitigate any negative impacts and maximise positive impacts related to business conduct throughout its value chain, and (ii) to monitor and manage the related risks.*
- 22 The disclosure required under paragraph 20 shall cover the following aspects in relation to each of the matters mentioned above:
- (a) The undertaking's safeguards of its employees;
 - (b) A description of the mechanism for reporting concerns about unethical or unlawful behaviour;
 - (c) Whether the undertaking is committed to investigate associated incidents promptly, independently and objectively;
 - (d) A description of how associated incidents in respect of contracts and relationships within the undertaking's value chain are handled; and
 - (e) The undertaking's strategy for training within the organisation on each of the matters listed above, including target audience, frequency and depth of coverage.
- 23 The disclosure required under paragraph 22 shall also include information on the undertaking's policies and procedures with respect to the appointment as members of the highest governance body or senior executives, of individuals who recently held a comparable position in public administration, including regulators.
- 24 Where relevant, the undertaking shall disclose its targets for the above topics in accordance with [draft] ESRS 5.

Disclosure requirement 4 – Policy and processes on responsible investments and/or ethical exclusions

- 25 **The undertaking shall provide information about its investment policy and processes with respect to what it regards as responsible investments and/or what it has defined as ethical exclusions in its investment strategy.**
- 26 *The principle to be followed under this disclosure requirement is to provide an understanding of whether and how the overall investment strategy of the undertaking takes responsible investments and/or ethical exclusions into consideration, including the processes that implement the policy.*
- 27 Where the undertaking has no such policy in place it shall disclose this fact and, where applicable, its plans to adopt it.

Action plans and dedicated resources

Disclosure requirement 5 – Corruption detection

- 28 **The undertaking shall provide information about its system to track, investigate and respond to allegations or incidents relating to corruption.**
- 29 *The principle to be followed under this disclosure requirement is to provide transparency on the actions of the undertaking to detect and prevent or respond to corruption related allegations or incidents.*
- 30 The disclosure required under paragraph 28 shall include the following information:
- (a) an overview of the system in place to detect and address corruption;
 - (b) whether the investigators or investigating committee are separate from the chain of management involved in the matter;
 - (c) the actions or remediation plans to manage the confirmed incidents;
 - (d) the system to report outcomes to senior management and the highest governing body(s) where relevant;
 - (e) how the highest governing body(s) exercise oversight on the actions to detect, prevent and respond to corruption related allegations or incidents,
 - (f) whether the entity has taken a public commitment to determining root causes of the allegations or incidents and the actions to prevent them from occurring in the future.
- 31 The undertaking shall disclose its action plans and targets for the above topics in accordance with [draft] ESRS 5.
- 32 Where the undertaking has no such system and actions in place, it shall disclose this fact and, where applicable, its plans to adopt them.

Disclosure requirement 6 – Anti-competitive behaviour detection

- 33 **The undertaking shall provide information about its system to track, investigate and respond to allegations or incidents relating to anti-competitive behaviour.**
- 34 *The principle to be followed under this disclosure requirement is to provide transparency on the key actions of the undertaking to detect and handle allegations or incidents of anti-competitive behaviour.*

Performance measures

Disclosure requirement 7 – Anti-corruption training

- 35 **The undertaking shall provide information about any anti-corruption training programmes offered.**
- 36 *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 and business conduct within the organisation as well as in the value chain.*
- 37 The disclosure required by paragraph 35 shall include information about the following:
- (a) identification or definition of the persons within the organisation who are most at risk in respect of corruption;

- (b) the nature and scope (including location and staff included) of anti-corruption training programmes offered or required by the undertaking;
 - (c) the scope and depth covered by the training programmes provided;
 - (d) the percentage of persons who are most at risk covered by training programmes;
 - (e) the assessment methodology to ascertain whether the target audience acquired the necessary knowledge.
- 38 The disclosures required by paragraph 35 shall include information about how the undertaking shares this anti-corruption policy within its value chain or with business partners.
- 39 Where the undertaking has an information programme on anti-corruption, such as information pamphlets or videos, it shall consider providing information on the members of staff and management this is shared with.
- 40 The training programme may cover aspects around 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 on these topics.

Disclosure requirement 8 – Corruption incidents

- 41 **The undertaking shall provide information on any confirmed corruption incidents that came to its attention during the reporting period.**
- 42 *The principle to be followed under this disclosure requirement is to provide transparency on any externally reported or internally identified corruption incidents during the reporting period and the related outcomes.*
- 43 The disclosure required by paragraph 41 shall include information about the following:
- (a) sanctions brought against the undertaking or its employees during the reporting period regarding corruption;
 - (b) the number of reported allegations of corruption received through whistleblowing channels;
 - (c) the number of investigations launched internally and the number of confirmed incidents of corruption;
 - (d) the number of confirmed incidents in which employees were dismissed or disciplined for corruption-related incidents;
 - (e) the number of confirmed incidents when contracts with business partners that were terminated or not renewed due to violations related to corruption;
 - (f) legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.
- 44 When (one of more items of) this information is presented in the financial statements, the undertaking shall refer to the relevant section of the financial statements.

Disclosure requirement 9 – Anti-competitive behaviour incidents

- 45 **The undertaking shall provide information on any confirmed incidents of anti-competitive behaviour it is facing during the reporting period.**

- 46 *The principle to be followed under this disclosure requirement is to provide transparency on the number, nature and outcome of any incidents with respect to anti-competitive behaviour of the undertaking during the reporting period.*
- 47 The disclosure required by paragraph 45 shall include the following information:
- (a) violations of anti-trust and monopoly legislation where the undertaking or its subsidiaries was named as a participant by a legal 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 and fines.
- 48 When (one of more items of) this information is presented in the financial statements, the undertaking shall make reference to the relevant section of the financial statements.

Disclosure requirement 10 – Beneficial ownership

- 49 **The undertaking shall provide information about its beneficial owners and control structure.**
- 50 *The principle to be followed under this disclosure requirement is to provide transparency on the individuals who ultimately own or control the undertaking's organisational and control structure, including beneficial owners.*
- 51 The disclosure required by paragraph 49 shall include information on the identity of who the ultimate beneficial owners or those who control the undertaking are, together with their respective ownership or control percentages.

Disclosure requirement 11 – Donations and sponsorships

- 52 **The undertaking shall provide information on its charitable donations and sponsorships.**
- 53 *The principle to be followed under this disclosure requirement is to provide transparency on the donations and sponsorships of the undertaking during the reporting period.*
- 54 The disclosure required by paragraph 52 shall include the type and amount of donations and sponsorships made by the undertaking.

Disclosure requirement 12 – Political engagement and lobbying activities

- 55 **The undertaking shall provide information on its political engagement and lobbying activities.**
- 56 *The principle to be followed under this disclosure requirement is to provide transparency on the types, purpose and cost of political engagement and lobbying activities of the undertaking during the reporting period.*
- 57 The disclosure required by paragraph 55 shall include:
- (a) 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;
 - (b) where appropriate, how the monetary value of in-kind contributions was estimated;
 - (c) the total monetary amount of financial and in-kind lobbying expenses; and

- (d) the total amount paid for membership to professional associations.
- 58 The disclosure shall also include information about the appointment of any members of the highest governance body or senior executives who previously held a comparable position in public administration, including regulators.

WORKING PAPER

Appendix A: Defined terms

This appendix is integral part of the [draft] ESRS G3 Business conduct.

Anti-competitive behaviour	Action of the undertaking or its employees that can result in collusion with potential competitors, with the purpose of limiting the effects of market competition. It may include fixing prices, coordinating bids, creating market or output restrictions, imposing geographic quotas, or allocating customers, suppliers, geographic areas, and product lines.
Beneficial owner	As defined in article 3(6) of Directive (EU) 2015/849.
Business conduct	All business practices that include avoiding corruption. This also includes transparency about the undertaking's anti-competitive behaviour, responsible investments or ethical exclusions, and political engagement.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Corruption incident	Incident of corruption that has been found to be substantiated by internal investigation but does not include those that are still under investigation at the end of the reporting period.
Indirect political contribution	Financial or in-kind support to political parties, their representatives, or candidates for office made through an intermediary organisation such as a lobbyist or charity, or support given to an organisation such as a think tank or trade association linked to or supporting particular political parties or causes.
Lobbying activities	Refers to activities carried out with the objective to influence governments, governmental institutions and/or regulators. Such activities include (non-exhaustive list): <ul style="list-style-type: none"> • organising or participating in meetings, conferences, events; • contributing to/participating in public consultations, hearings or other similar initiatives; • organising communication campaigns, platforms, networks, grassroots initiatives; • preparing/commissioning policy and position papers, opinion polls, surveys, open letters, research work as per the activities covered by transparency register rules.
Political contribution	Financial or in-kind support provided directly to political parties, their elected representatives or persons seeking political office.

	<p>Financial contributions can include donations, loans, sponsorships, retainers, or the purchase of tickets for fundraising events and other similar actions. In-kind contributions can include advertising, use of facilities, design and printing, donation of equipment, provision of board membership, employment or consultancy work for elected politicians or candidates for office.</p>
--	--

WORKING PAPER

Appendix B: Application Guidance

This appendix is an integral part of the [draft] ESRS G3 Business conduct. It describes how to apply the disclosure requirements set forth in paragraphs 11 to 58 and has the same authority as the other parts of the [draft] standard. More specifically, it provides further background information on what should be disclosed and describes how it should be disclosed.

Disclosure requirement 1 – Leadership on business conduct

- AG 1. The disclosure provided under this Disclosure Requirement shall cover the following aspects:
- (a) How roles and responsibilities related to business conduct are distributed throughout the undertaking's organisation, from its highest governance body to its executive and operational levels;
 - (b) Where applicable, how the governance bodies exercises direction and oversight over its business conduct;
 - (c) The expertise of its governance bodies and relevant management on business conduct matters;
 - (d) How the undertaking's business conduct programme(s) are implemented and managed.

Disclosure requirement 2 – Risk assessment of business conduct matters

- AG 2. The disclosure about risk assessment should include all relevant criteria used in the assessment including location, activities, sector and transactions.

Disclosure requirement 3 – Policies and targets on business conduct

- AG 3. The policies with respect to business conduct should cover the matters detailed in the standard, including the process for incident management both within the organisation and with its value chain in a prompt, thorough and efficient manner.
- AG 4. The policies can be published as a stand-alone document or be embedded in general policy document(s).
- AG 5. Where the policies, targets, action plans and resources required to be disclosed under paragraph 10 are disclosed under the provisions of another ESRS, for instance because they relate to social and/or environmental dimensions, cross referencing to such alternative disclosures is sufficient.
- AG 6. As set out in paragraph 17, some of these practices may be more or less relevant to the undertaking and the disclosures per paragraphs 20 and 22 would depend on its risk assessment.
- AG 7. Protection of staff in paragraph 22(a) should include when staff refuse to act unethically which may result in loss of business. This also includes statements on non-retaliation against employees who have been granted whistle-blower status in accordance with the applicable law and employees who report any non-ethical behaviour incidents.

Disclosure requirement 4 – Policy and processes on responsible investments and/or ethical exclusions

- AG 8. The undertaking may have a policy that restricts the industries it invests in, such as only renewable energy or vegan-only products, and it would report such a policy under this disclosure requirement.
- AG 9. The policy for excluding investments from its investment portfolio may pertain to direct and/or indirect investments and may cover exclusions on the basis of specific (sub) sectors. Such sectors may include entities involved in tobacco, gambling, transition laggards with respect to thermal coal and oil sands or controversial weapons depending on the undertaking’s policy. The policy may also refer to countries that have failed internal screening processes for purposes of investment as well as those entities that are nonresponsive to engagement or shareholder concerns.

Disclosure requirement 7 – Anti-corruption training

- AG 10. This standard requires the undertaking to provide details of specific anti-corruption training, including frequency, delivery method(s), and coverage as well as whether it is a requirement as part of employment.
- AG 11. The undertaking should provide details as to the extent to which communication and training on anti-corruption is tailored to those governance body members, employees, business partners, and other persons that have been identified as having a high risk of incidents of corruption.
- AG 12. The undertaking shall consider presenting the required information using the following table:

Anti-corruption training

During the 2023 financial year ABC provided training to its at-risk employees in terms of its policy (see note x). For those at-risk employees the training is mandatory, but ABC also made available voluntary training for other employees. Details of its training during the year is as follows.

	At-risk employees	Management	Board of Directors	Other staff
Training coverage				
Total	20,000	200	16	70,000
Total receiving training	19,500	150	8	5,000
Delivery method and duration				
Classroom training	5 hours			
Computer-based training	1 hour	2 hours	1 hour	
Voluntary computer-based training				1 hour
Frequency				
How often training is required	Annually	Annually	Bi-annually	-
Topics covered				
Definition of corruption	X	X	X	X
Policy	X	X	X	X
Procedures on suspicion/detection	X	X		
Etc.	X			

All training events included an assessment for which at-risk employees required 90% to pass and others 80%. Where this mark was not achieved, the training had to be repeated until the required pass mark was obtained.

Business partners received the policy document with respect to anti-corruption and had to complete a survey covering the following topics:

AG 13. The important aspects in paragraph 30 may also be relevant for these disclosures.

Disclosure requirement 8 – Corruption incidents

AG 14. The disclosures required could be provided in tabular and/or narrative form and for the avoidance of doubt should also include incidents involving business partners.

AG 15. When this information is presented in the financial statements, the undertaking shall refer to the relevant section of the financial statements.

Disclosure requirement 9 – Anti-competitive behaviour incidents

AG 16. The disclosures required could be provided in tabular and/or narrative form.

AG 17. When this information is presented in the financial statements, the undertaking shall refer to the relevant section of the financial statements.

Disclosure requirement 10 – Beneficial ownership

AG 18. The beneficial ownership should include the identity and percentage of ownership of the largest shareholders, if applicable. Where already publicly available, undertakings could include a link to either beneficial ownership information filings with a stock exchange or another public register or if reported, a reference.

Disclosure requirement 11 – Donations and sponsorships

AG 19. The undertaking should report the types, purpose and value of the donations and/or sponsorships, in either narrative, or tabular format on an aggregated quantitative basis.

AG 20. The information required may be presented using the following table:

Donations and sponsorships

During the 2023 financial year ABC made several donations to charitable organisations or sports bodies in areas where its offices are located. It also sponsored educational and sports activities. ABC supported the independent committee on election reform in Narnia.

Amounts in € million.

	2023	2022 [TBC]
Sponsorships of sports events for marketing purposes	20	
Donations to charitable organisations	5	
Donations to local sports clubs	1	
Narnia Independent Election Observation Committee	- ¹	
	26	

¹ Less than a million

In this example in the management judgement of the undertaking the amount donated to the Election Observation committee it is not quantitatively material, it remains qualitatively material. Other undertaking may come to a different conclusion.

AG 21. When this information is presented in the financial statements, the undertaking shall refer to the relevant section of the financial statements.

AG 22. Undertakings shall consider whether a reference to the European Union's [transparency register about its interactions with the union's institutions](#) useful.

Disclosure requirement 12 – Political engagement and lobbying activities

AG 23. Expenditure data required (including the value of in-kind contributions) should be by type (e.g., internal and external lobbying costs, political funding, membership fees) and include explanations of how figures have been calculated. Expenditure data may be provided through value ranges.

AG 24. An example of what such disclosures could look like:

Political engagement (including lobbying activities)

During the 2023 financial year ABC was involved in activities around the proposed regulation XXX which could have significant negative impacts on its business model if implemented in the current format. This consisted of internal costs (including staff and travel costs) as well as its membership of trade organisations such as X, Y, Z. ABC also supported the QRP political party as xxx. Amounts in € thousands.

	2023	2022 [TBC]
Political funding provided	100	
Internal lobbying costs	500	
Membership fees of trade organisations	100	
	700	

In this example in the management judgement of the undertaking these amounts are qualitatively material even if not quantitatively material.

AG 25. When this information is presented in the financial statements, the undertaking shall refer to the relevant section of the financial statements.

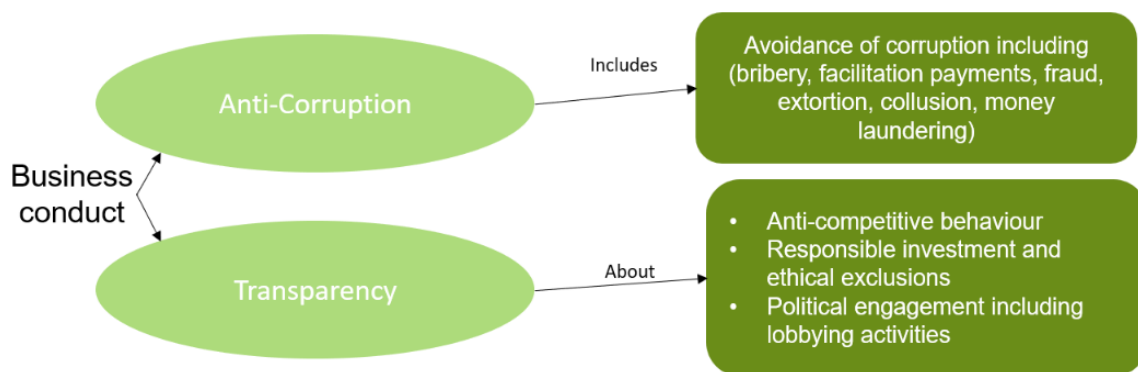
[Draft] Basis for conclusions on ESRS G3 Business conduct – Accompanying material

BC1. This [draft] Basis for Conclusions accompanies, but is not part of, [draft] ESRS G3 Business conduct. It summarises the considerations of the [EFRAG Sustainability Standards Board (the ‘Board’)] in developing the proposed contents of the [draft] standard. [Individual Board members gave greater weight to some factors than to others].

Objective of the [draft] standard

BC2. Based on the relevant provisions in the CSRD proposal, the [final report](#) from the EFRAG PTF-NFRS *Proposals for a relevant and dynamic EU sustainability reporting standard setting*, [the Board] considers it important that stakeholders receive information about the undertaking’s approach to business conduct.

BC3. A visual representation of the topics covered by the standard:



BC4. There are many descriptions of corruption, but it has been [summarised](#) by the European Commission as the abuse of power for private gain. However, it wears many guises and may include bribery, trading in influence, the abuse of functions or position, nepotism, creation of monopolies, conflicts of interest, or uncontrolled revolving doors between the public and the private sectors. The effects of corruption are serious and widespread. Corruption acts as a drag on economic growth, by creating business uncertainty, slowing processes, and imposing additional costs while impacting the EU as a whole by lowering investment levels, hampering the fair operation of the Internal Market and reducing public finances. As an enabler for crime and terrorism, it also constitutes a threat to security.

BC5. These activities may be subject to criminal or civil requirements and/or proceedings. However, this standard is intended to provide information, outside of such processes, to the undertaking’s stakeholders as to the undertaking’s strategy and approach, its processes and procedures as well as its performance in respect of these business practices.

BC6. Anti-competitive behaviour may “cause a misallocation of resources, which hampers the opportunities to create value and reduces the economy’s total welfare. It also reduces “incentives to provide new or better products, increase efficiency and set competitive prices. Final consumers may be harmed because end-prices are higher, while enterprises may suffer due to the prices of raw materials or energy and financing costs being inflated by entities engaged in anti-competitive practices.” as set out in a [Library Briefing](#) from the European parliament in 2013. Therefore, given the high stakes, stakeholders also ought to have transparency about those instances that the undertaking may have behaved in an anti-competitive manner.

- BC7. As highlighted by the [OECD](#), although political engagement such as lobbying can be a positive force in democracy, it can also allow powerful groups to influence laws and regulations to the detriment of the public interest. Effective policymaking may be hampered by undue influence, unfair competition and policy capture. Therefore, transparency and integrity in the decision-making process are crucial to safeguard public interest.
- BC8. Given that these standards in many cases extend reporting obligations to undertakings who do not currently have obligations to this extent or on unfamiliar topics, the focus of the standard is those issues and information that is most important to all stakeholders across all standards. This means that not all the proposals are equally important to all reporting undertakings, and undertakings should provide essential disclosures while not diluting the impact of such disclosures by including other unimportant information.
- BC9. However, for undertakings in some sectors and/or operating in certain geographic areas, more in-depth information about a broader range of topics may be needed. Where the undertaking's risk assessment reveals significant risks in the area of business conduct, the [proposed] disclosures should be regarded as a starting point rather than the destination. Sector-specific disclosures will be developed via dedicated standards.
- BC10. [The Board] have regarded certain disclosures as pertaining to a smaller set of sectors and/or undertakings and have included some proposals for these even if these may form part of future standards including those for specific sectors, for example, around responsible investing or ethical exclusions. However, nothing in this standard should be regarded as discouraging those in the relevant sectors from providing additional disclosures on these topics.

Disclosure requirements

Disclosure requirement 1 – Leadership on business conduct

- BC11. The [draft] standard includes the following Disclosure Requirement 1: “The undertaking shall disclose the roles of its governance body/(ies), senior executives and operational levels in the development, approval and updating of the undertaking's purpose, value or mission statements, and of the strategies, policies and goals related to business conduct”.
- BC12. The so-called ‘tone at the top’ determines the purpose, values and strategy for any undertaking and provides guidance to employees on how to approach issues of a sensitive nature such as economic, environmental and social subjects. It is clear that the undertaking's top management structures and organisation has a profound impact in this regard. Therefore, disclosure about how the undertaking's leadership provide direction on the topics in this standard is important to stakeholders to evaluate how seriously these topics are treated and managed.
- BC13. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 102-26¹ requires reporting of the “Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies and goals related to economic, environmental, and social topics.”

¹ GRI 102-26 (2016): Role of highest governance body in setting purpose, values, and strategy

Disclosure requirement 2 – Risk assessment of business conduct matters

- BC14. The [draft] standard includes the following Disclosure Requirement 2: “The undertaking shall disclose information about its risk assessment process over the matters related to business conduct”.
- BC15. At the heart of tackling these kinds of issues, is the need to assess the related risks when considering the business model and activities, geographical location of the activities and the inherent risks in corruption and similar behaviours. Risk assessments can aid the assessment of the potential for corruption incidents within and related to the undertaking and assist in the design of policies and procedures to combat corruption. In some sectors or subsectors and/or geographies, the risks relating to these behaviours are unfortunately more prevalent and the undertaking’s risk assessment should capture this. Specifically around corruption, the risk assessment should consider the risks posed by business partners (either upstream or downstream) in the value chain. This is in recognition of the fact that relationships with business partners may pose legal and/or reputational risks if not managed correctly.
- BC16. Furthermore, to allow stakeholders to evaluate the completeness of the assessment, and thereby draw conclusions as to the adequacy of the undertaking’s policies, procedures and resources, the undertaking should report information about the assessment as required by the standard. These disclosures measure the extent of the risk assessment’s implementation across an undertaking.
- BC17. The disclosures about policies, practices and performance should focus on where the undertaking is concentrating its efforts and allow stakeholders to understand its priorities.
- BC18. **EU legislation and global reporting framework:** This disclosure relies on the CSRD and is compatible with GRI. GRI 205² recommends the reporting organisation should disclose its “risk assessment procedures for corruption, including the criteria used in the risk assessment, such as location, activity, and sector”. GRI 205-1³ requires reporting of the “Total number and percentage of operations assessed for risks related to corruption” and “Significant risks related to corruption identified through risk assessments”.

Disclosure requirement 3 – Policies and targets on business conduct

- BC19. The [draft] standard includes the following Disclosure Requirement 3: “The undertaking shall provide information about its policies with respect to matters related to business conduct”.
- BC20. Based on the risk assessment performed by the undertaking about the risks posed to corruption by its operations and geographical areas of such operations, the undertaking should develop a policy on corruption as well transparency about anti-competitive behaviour and political engagement. This requirement highlights certain aspects of such policies that should be disclosed by the undertaking to provide relevant and useful information to investors and other stakeholders.
- BC21. The additional matters to be covered in paragraph 22 are those that are important either in signalling the ‘tone at the top’ or providing protection for those who highlight cases where the policy may have been breached.

² GRI 205; Anti-Corruption 2016

³ GRI 205-1 (2016): Operations assessed for risks related to corruption

BC22. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 2-23⁴ requires reporting on organisation's "policy commitments for responsible business conduct". GRI 2-24⁵ requires the reporting organisation to "describe how it embeds each of its policy commitments for responsible business conduct through its activities and business relationships". GRI 2-26⁶ requires the reporting organisation to describe the mechanisms available to "seek advice on implementing the organization's policies and practices for responsible business conduct" and "raise concerns about the organization's business conduct".

Disclosure requirement 4 – Policy and processes on responsible investments and/or ethical exclusions

BC23. The [draft] standard includes the following Disclosure Requirement 4: "The undertaking shall provide information about its investment policy and processes with respect to what it regards as responsible investments or what it has defined as ethical exclusions in its investment strategy".

BC24. While more detailed disclosures on these topics may be required in sector-specific standards, this standard aims to create a starting point by requiring disclosure about the undertaking's policy in this regard. This disclosure will help investors and other stakeholders understand what, if any, investments the undertaking would avoid or sectors/products/services it would increase its investments, based on its policy. This provides undertakings with the opportunity to explain their reasoning for such decisions to their stakeholders who is then able to hold the management of the undertaking accountable based on its policies.

BC25. EU legislation and global reporting framework: This disclosure relies on the CSRD and GRI. GRI-24⁷ recommends the reporting organisation should disclose its "procurement or investment policies and practices".

Disclosure requirement 5 and 6 – Anti-corruption and anti-competitive behaviour detection

BC26. The [draft] standard includes the following Disclosure Requirements 5 and 6: "The undertaking shall provide information about its system to track, investigate and respond to allegations or incidents relating to corruption" and "The undertaking shall provide information about its system to track, investigate and respond to allegations or incidents relating to anti-competitive behaviour".

BC27. The responsibility for anti-corruption and anti-competitive behaviour detection may lie in one or separate areas and therefore, the standard distinguishes between the two. However, in some cases, if the same process is used for both or if there are large overlaps between the two, the undertaking should explain this and combine the relevant disclosures.

BC28. To help stakeholders evaluate the undertaking's response to its risk assessment as well as the meticulousness of its prevention and detection processes, the undertaking is required to provide information about its tracking, investigative and response processes and systems.

⁴ GRI 2-23 (2021): Policy commitments

⁵ GRI 2-24 (2021): Embedding policy commitments

⁶ GRI 2-26 (2021): Mechanisms for seeking advice and raising concerns

⁷ GRI 2-24 (2021): Embedding policy commitments (see "Guidance to 2-24-a-iii")

- BC29. The chain of management provides important information about the independence or not of the investigators from those that may be implicated by such investigations. Comprehensive and systematic root-cause analyses along with remediation plans and reports to management will help to identify causes and possible improvements to the control framework to prevent repetitions.
- BC30. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 102-17⁸ requires reporting of the organization's "internal and external mechanism" for seeking advice or reporting concerns. GRI 2-26⁹ includes similar requirements and recommendations.

Disclosure requirement 7 – Anti-corruption training

- BC31. The [draft] standard includes the following Disclosure Requirement 7: "The undertaking shall provide information about any anti-corruption training programmes offered".
- BC32. Training is a very important tool to raise awareness and improve knowledge of the undertaking's business conduct as well as the relevant procedures and processes. Therefore, information about the undertaking's broader training programmes may be relevant in specific cases, however, in the interests of proportionality this standard requires certain information about the anti-corruption programmes as a minimum.
- BC33. The duties of some staff members may increase or decrease their risk of exposure to corruption with a corresponding increase or decrease in the need for training. Therefore, it is important that the training is commensurate with the needs of the staff members so while general awareness training may be sufficient for some staff, those who are 'at-risk' should receive more in-depth training. Therefore, the requirements are focussed on those persons that have been identified as 'at-risk'.
- BC34. Undertakings are welcome to provide broader information including those members of staff or management that have been informed about the undertaking's policies and procedures on anti-corruption and other topics, but this is not required.
- BC35. For some undertakings other aspects of business conduct or compliance may be very important such as regulated entities in the financial sector and they may have significant other training programmes in this regard. The undertaking may also provide information such training provided on a voluntary basis.
- BC36. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 205-2¹⁰ requires reporting on anti-corruption training information consistent with [draft] Disclosure Requirement 7.

Disclosure requirement 8 and 9 – Corruption and anti-competitive behaviour incidents

- BC37. The [draft] standard includes the following Disclosure Requirement 8: "The undertaking shall provide information on any corruption incidents that came to its attention transpired during the reporting period".
- BC38. The [draft] standard also includes the following Disclosure Requirement 9: "The undertaking shall provide information on any confirmed incidents of anti-competitive behaviour it is facing during the reporting period".

⁸ GRI 102-17 (2016): Mechanisms for advice and concerns about ethics

⁹ GRI 2-26 (2021): Mechanisms for seeking advice and raising concerns

¹⁰ GRI 205-2 (2016): Communication and training about anti-corruption policies and procedures

- BC39. Transparency provides stakeholders with a comprehensive view of the performance of the undertaking and how it manages its risks. The disclosures are intended to provide an opportunity for the undertaking to be transparent and underline the actions it has taken as a result of past events and those still ongoing.
- BC40. Information about the consequences of investigations or actions such as dismissal or disciplinary action for employees or termination of business contracts provide clear evidence about the seriousness which the undertaking affords to these behaviours. This information as well as that about the outcomes of investigations or cases against the undertaking fulfils the stewardship principle and allows stakeholders to hold management accountable for these incidents. The aim is that all of this will focus efforts on continuous improvement of the prevention and detection mechanisms and avoiding repetition of such incidents.
- BC41. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 205-3¹¹ and requires reporting on information related to corruption incidents consistent with [draft] Disclosure Requirement 8. GRI 2-26¹² recommends reporting on the number of reports received through the organisation's reporting mechanism.
- BC42. Global reporting framework: This disclosure is compatible with GRI. GRI 206-1 requires reporting on information related to anti-competitive behaviour incidents consistent with [draft] Disclosure Requirement 9.

Disclosure requirement 10 – Beneficial ownership

- BC43. The [draft] standard includes the following Disclosure Requirement 10: “The undertaking shall provide information about its beneficial owners and control structure”.
- BC44. Some consider the disclosure of beneficial ownership is seen as a simple and inexpensive way to improve financial transparency to ultimately improve corporate accountability.
- BC45. The concern is that lack of information about those who benefit from ownership enables many illegal activities, including corruption, money laundering, and the financing of terrorism. The EU emphasised the importance of this with the adoption of Directive 849 of 2015 that requires the establishment of beneficial ownership registers in Member States. To help stakeholders in their quest for information, a reference to such a register is sufficient or the information where such a register has not been established.
- BC46. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 2-1¹³ requires reporting on organizational details information consistent with [draft] Disclosure Requirement 10.

Disclosure requirement 11 – Donations and sponsorships

- BC47. The [draft] standard includes the following Disclosure Requirement 11: “The undertaking shall provide information on its charitable donations and any sponsorships”.

¹¹ GRI 205-3 (2016): Confirmed incidents of corruption and actions taken

¹² GRI 2-26 (2021): Mechanisms for seeking advice and raising concerns

¹³ GRI 2-1 (2021): Organizational details

- BC48. Direct or indirect donations or sponsorships can present corruption risks because they can be used to exert undue influence or stakeholders may perceive this to be the case. This disclosure can also provide an indication as to whether an undertaking's donations and sponsorships are in line with its stated policies, goals, or other public positions.
- BC49. Depending on the recipients of donations and/or sponsorships, these may present corruption risks depending on the situation. Transparency over these kinds of activities assists in the prevention of corruption.
- BC50. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 205¹⁴ recommends reporting on how the “organization ensures that charitable donations and sponsorships (financial and in-kind) that are made to other organizations are not used as a disguised form of bribery”. The [draft] Disclosure Requirement 11 expands on this by requiring an explanation and quantification of the undertaking's donations and sponsorships during the reporting period.

Disclosure requirement 12 – Political engagements and lobbying activities

- BC51. The [draft] standard includes the following Disclosure Requirement 12: “The undertaking shall provide information on its political engagement and lobbying activities”.
- BC52. Business organisations have an interest in the political landscape that shapes the business environment in the form of taxes, incentives, rules and regulation. In the regulatory framework it is important that the voice from those impacted by the regulations are heard to ensure equitable and reasonable requirements. However, this also potentially creates the potential for undue influence especially through constant interaction, exchange of personnel and financial contributions.
- BC53. Therefore, undertakings should provide information about these to stakeholders to allow them to understand the risk these relationships and interactions may create.
- BC54. Lobbying activities including membership of professional associations that undertake such activities can be a positive force in democracy, it can also allow powerful groups to influence laws and regulations to the detriment of the public interest (as explained in paragraph BC7). Therefore, this information is required to have a fuller view of the influencing of public policy and regulation.
- BC55. Direct or indirect contributions to political causes can also present corruption risks, because they can be used to exert undue influence on the political process. Many countries have legislation that limits the amount an undertaking can spend on political parties and candidates for campaigning purposes. To be as comprehensive as possible while avoiding the bypassing of existing regulations, the disclosure should include contributions indirectly through intermediaries such as lobbyists or organisations linked to political causes.
- BC56. As noted in paragraph BC52, the exchange of personnel can also contribute to a perception of conflict of interest or undue influence of public policy. Therefore, this [draft] standard requires information in this regard about appointments to the highest governing body of the undertaking.

¹⁴ GRI 205 (2016): Anti-corruption (see reporting recommendations in “Management approach disclosures”)

BC57. EU legislation and global reporting framework: This disclosure relies on the CSRD and is compatible with GRI. GRI 415-1¹⁵ requires reporting on information related to political contributions consistent with [draft] Disclosure Requirement 12. The [draft] Disclosure Requirement 12 also requires financial information about lobbying activities and professional associations.

WORKING PAPER

¹⁵ GRI 415-1 (2016): Political contributions

Appendix: References to major initiatives

[Draft] ESRS G3	GRI	Comparison [Draft] ESRS G3 vs GRI
DR 1 (Leadership on business conduct)	• 102-26	DR 1 is specific to business conduct
DR 2 (Risk assessment over business conduct matters)	• 205	Requirements in DR 2 encompasses those in the GRI standard
DR 3 (Policies and targets on business conduct)	• 2-23 • 2-24 • 2-26	Requirements in DR 3 encompasses those in the GRI standards
DR 4 (Policy on responsible investments & ethical exclusions)	• 2-24	GRI 2-24 refers to “investment policies and practices” whereas DR 4 also includes ethical exclusions
DR 5 (Corruption detection)	• 102-17 • 2-26	DR 5 requires additional disclosures about remediation and how oversight is arranged
DR 6 (Anti-competitive behaviour detection)	• 102-17 • 2-26	DR 6 is specific to anti-competitive behaviour
DR 7 (Anti-corruption training)	• 205	Requirements in DR 7 encompasses those in the GRI standard
DR 8 (Corruption incidents)	• 205 • 2-26	Requirements in DR 8 encompasses those in the GRI standards
DR 9 (Anti-competitive behaviour incidents)	• 206	Requirements in DR 9 encompasses those in the GRI standard
DR 10 (Beneficial ownership)	• 2-1	Requirements in DR 10 encompasses those in the GRI standard
DR 11 (Donations and sponsorships)	• 205	DR 11 requires financial information i.e., amounts involved
DR 12 (Political engagement and lobbying activities)	• 415	Requirements in DR 12 requires financial information about lobbying activities to understand the extent to which entities engage in these