



European Banking Federation
Response to the EFRAG consultation survey
3D. Adequacy of Disclosure Requirements –
Governance standards

5 August 2022

DR G2-1– Business conduct culture

The undertaking shall disclose its initiatives to establish, develop and promote a business conduct culture. The principle to be followed under this Disclosure Requirement is to provide an understanding of how the administrative, management and supervisory bodies are involved in forming, monitoring, promoting and assessing the business conduct culture.

Q127: Please, rate to what extent do you think G2-1 – Business conduct culture

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)			X			
C. Can be verified / assured		X				
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance		X				
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation	X					
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities	X					

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

This disclosure requirement is based mainly on qualitative disclosures, and it may, therefore, be difficult to verify disclosures with the exception of the incentives and contractual clauses. Making these business

conduct related practices verifiable, i.e., registering each instance, would come at a high cost to companies. Above all, this is related to conduct culture, and as such it relates to the overall approach of the company, which will be validated/verified through the real activities of the company, which will be expressed in ESG indicators, and not based on the principles of the conduct of their business approach. (C)

Reporting on business conduct culture on this kind of practical level of detail is a rather novel concept and might even incite significant change in the business conduct culture of many companies. On the other hand, reporting might still not be able to capture the actual business culture. While it is, on the one hand, a question of cost, it is more importantly a question of substance (conduct culture is a principle-based approach to what business is and its purpose) (E)

We do not see this as an essential issue for sustainability matters and given the high cost, should not be prioritized. The related indicators and measures about its results will come up on the governance, social and environmental indicators sections (H).

DR G2-2 – Policies and targets on business conduct

The undertaking shall provide information about its policies with respect to business conduct matters. 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.

Q128: Please, rate to what extent do you think G2-2 – Policies and targets on business conduct

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities			X			

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

This disclosure requirement feeds into two voluntary PAI indicators (6, 15), and should therefore be prioritized (H).

Disclosure requirements should remain as consistent as possible, or otherwise it will be very cumbersome and expensive for companies to adapt to them. If changes are needed, it is of utmost importance that the disclosure requirements under the ESRS and the SFDR RTS go hand in hand. Either one should not be changed without simultaneous changes to the other, or cross-referencing should be considered so that a change in the delegated regulation supplementing the SFDR would automatically amend the disclosure requirement under the ESRS. (F)

The link to the Directive (2019/1937) on the protection of persons who report breaches of Union law is not made clear (F).

3D. Adequacy of Disclosure Requirements – Governance standards (2/2) DR G2-3 Prevention and detection of corruption and bribery

The undertaking shall provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery. The principle to be followed under this disclosure requirement is to provide transparency on the key procedures of the undertaking to prevent and detect, investigate and respond to corruption or bribery related incidents or allegations

Q129: Please, rate to what extent do you think G2-3 – Prevention and detection of corruption & bribery

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

Compared to the GRI 205-01 on Anti-corruption, the disclosure requirements are more focused on processes whereas GRI looks at the coverage and outcomes of those processes (G).

It is questionable whether the public reporting of internal processes is appropriate. There is no clearcut definition for an internal process, leading to varying interpretations – therefore “Internal process” should be well defined. (A)

DR G2-4 – Anti-competitive behaviour prevention and detection

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

Q130: Please, rate to what extent do you think G2-4 – Anti-competitive behaviour prevention and detection

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements		X				
H. Represent information that must be prioritised in first year of implementation		X				
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities			X			

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

Compared to the GRI 206 on Anticompetitive behaviour, the disclosure requirements are much wider, with GRI only focusing on legal processes (G).

It is questionable whether the public reporting of internal processes is appropriate, and to what extent it may be relevant in the case of anticompetitive behaviour. There is no clearcut definition for an internal process, leading to varying interpretations. (A)

DR G2-5 – Anti-corruption and anti-bribery training

The undertaking shall provide information about any anti-corruption and anti-bribery training programmes offered. 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 anticorruption or anti-bribery and business conduct within the undertaking as well as in the value chain.

Q131: Please, rate to what extent do you think G2-5 – Anti-corruption and anti-bribery training

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be 10rioritized in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities			X			

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

GRI disaggregated the training information based on employee type and region, whereas the ESRS introduces a concept of at-risk employees (G). This approach should be assessed against the protection of privacy, and could only be based on employee categories, not personal qualities (F).

The information should be relatively easy to verify with the exception of the nature and scope of the training. (C)

DR G2-6 – Corruption or bribery events

The undertaking shall provide information on legal proceedings related to corruption or bribery during the reporting period. The principle to be followed under this disclosure requirement is to provide transparency on legal proceedings relating to corruption or bribery incidents during the reporting period and the related outcomes.

Q132: Please, rate to what extent do you think G2-6 – Corruption or bribery events

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured			X			
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritized in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities			X			

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

This disclosure requirement feeds into two voluntary PAI indicators (16, 17) under the SFDR, and should therefore be prioritized (H).

Disclosure requirements should remain as consistent as possible, or otherwise it will be very cumbersome and expensive for companies to adapt to them. If changes are needed, it is of utmost importance that the disclosure requirements under the ESRS and the SFDR RTS go hand in hand. Either one should not be changed without simultaneous changes to the other, or cross-referencing should be considered so that a change in the delegated regulation supplementing SFDR would automatically amend the disclosure requirement under the ESRS. (F)

It is not made clear what is meant with an investigation (38c-d), and whether that only relates to public legal procedures or also internal processes. GRI 205-3 only requires reporting on confirmed cases and public legal procedures. Moreover, companies reporting under the IFRS are already required to report on material risks, including on active legal processes. (G)

It is questionable whether the requirement for public reporting of internal processes concerning employees or business partners is an appropriate requirement as these numbers could be interpreted in various ways, and the processes themselves contain private and delicate information. The requirement to disclose them publicly might create an incentive not to initiate those processes at all, defeating the purpose of the disclosure requirement. Additionally, a high number of internal processes might be interpreted to indicate problems, even though it might indicate the opposite – a strong internal inspection function that is capable to detect and investigate even minor suspicions. (A)

DR G2-7 – Anti-competitive behaviour events

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. 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.

Q133: Please, rate to what extent do you think G2-7 – Anti-competitive behaviour events

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered		X				
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured			X			
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation		X				
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation		X				
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities			X			

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

GRI 206 only requires reporting on pending and completed legal actions. Companies reporting under IFRS are already required to report on material risks, including on active legal processes, e.g., in their financial statement. (G)

Reporting on on-going investigations by authorities is usually not reported publicly, as it is considered inside information, and is deemed so until the investigation is made public by the competent authority. Furthermore, clarification is needed on what is considered an investigation by a competent authority. (A/F)

We recommend that the phrasing is clarified to make it clear that the disclosure requirement relates to material publicly announced investigations or litigations concerning possible anti-competitive behavior by the reporting entity. The preparer should not have to disclose all information on publicly announced investigations or litigations by organization or individual. Some investigations or litigations might be confidential and disclosing information on these items might result in a breach of contract and/or fiduciary duty. (A/E)

DR G2-8 – Beneficial ownership

The undertaking shall provide information about its beneficial owners (as defined in article 3(6) of Directive (EU) 2015/849) and control structure. 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.

Q134: Please, rate to what extent do you think G2-8 – Beneficial ownership

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation		X				
G. Is as aligned as possible to international sustainability standards given the CSRD requirements					X	
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital		X				

reporting taxonomy that will avoid creating misunderstandings or practical complexities						
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For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

The added value and consistency of this disclosure requirement is not entirely clear as member states are already required to set up beneficial ownership registers for trusts and corporate and other legal entities under AML legislation (i.e., Directive 2015/849). Under the latter, financial institutions are already obliged to identify ultimate beneficial owners of their clients, and therefore easing the access to such information is beneficial for the industry. However, listed companies are not liable to file a notification of beneficial owners. Should they be required to do so under ESRS, additional guidance would be needed on how to disclose the information and from which date the information would be reported on.

DR G2-9 – Political engagement and lobbying activities

The undertaking shall provide information on its political contributions and lobbying or advocacy activities. 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.

Q135: Please, rate to what extent do you think G2-9 – Political engagement and lobbying activities

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered		X				
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance		X				
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation	X					
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities			X			

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

The disclosure requirements in 48b i-ii are similar to that of GRI 415 on Public Policy with some additions. It is, however, not clear how the disclosure requirement relates to the decision to make the Transparency Register of the EU mandatory. We would suggest allowing references to the Transparency Register ID of the

entity and the professional or advocacy organization the entity is involved in. As a general rule, companies form joint positions in their advocacy associations that are then advocated by that organization. It should then not be necessary for the reporting to be duplicated by each member entity in the presence of a reference to the professional or advocacy organization. (G)

In addition, while we understand the need for increased transparency, there is no definition for an in-kind contribution, allowing for wide discrepancies in how it is interpreted. It is for e.g., unclear if the participation in working groups of an advocacy organization would be considered an in-kind contribution or for e.g., a compliance activity. It is also not simple to draw the line between “normal” business meetings and lobbying activities. However, we see the benefit in including such a disclosure requirement for the purpose of increasing transparency.

Finally, we agree with EFRAG’s proposal to foresee disclosures on political engagement and lobbying activities with the benefit of increasing transparency vis-à-vis external stakeholders. There are, however, some instances where the level of granularity may not be crucial. An example of where the burden associated to collecting the information may not justify the benefits is the breakdown by country of the direct and indirect lobbying activities foreseen in paragraph 48 (b) (i). (A/E)

DR G2-10 – Payment practices

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. The principle to be followed under this disclosure requirement is to provide insights on the contractual payment terms and the average actual payments.

Q136: Please, rate to what extent do you think G2-10 – Payment practices

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information					X	
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements					X	
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers. For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately. For part G, please explain how you think further alignment could be reached

Payment delays complicate the financial management of undertakings, especially SMEs[1], who rely on predictable flows of cash to operate. According to the relevant EU legislation (Directive 2011/7/EU) a payment is late when the creditor has not received the funds at the expiry of the period negotiated in the contract. And yet, even payments performed within the contractually negotiated period can hide unfair payment practices. Very often businesses accept payment terms longer than they are comfortable with[2], as such terms may reflect the one party's power compared to the other, such as by virtue of its size or brand.

[1] SMEs (Small and Medium-sized enterprises) are defined according to the Commission Recommendation 2003/361/EC https://ec.europa.eu/growth/smes/sme-definition_en [2] According to the Intrum European payment Report 2021, on average 49% of businesses in the EU accepted payment terms longer than they are comfortable with out of fear of losing their customers or damaging business relations.

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Answer:

The information on payment services of clients is material information for banks, but not for assessing the sustainability performance of the client, but rather to assess the financial performance of the company.

Since late payments is a relevant problem for SMEs, there would be benefit in foreseeing reporting on how many days on average a company takes to pay their suppliers. There is a simple and universal formula to do so, and it should be used and published every year. This is, in our view, a very important sustainability practice.

Q137: do you consider that the indicators in G2-10 (in isolation or jointly) capture the following sufficiently:

	Yes	No	No opinion
the extent to which accounts payable or creditors at period end have been outstanding			X
the fairness of the undertaking's payment practices			X

If not, please provide your rationale and indicate the sector(s) for which you deem add-ons necessary.

Q 138: what alternative indicators would you propose? Please specify whether your proposal(s) are of sector-agnostic or sector-specific nature.

If you have any other comments in the form of a document, please upload it here

- The standards address the issue of supply chains throughout the ESRS. It would be beneficial to streamline for internal coherence of the standard, as well as for alignment with the corporate sustainability due diligence directive proposal.
- The governance standards as a whole are rather limited, and do not address issues such as privacy, anti-money laundering, tax compliance cyber security, data security, and whistleblower protection. UN Global Compact and OECD Guidelines for Multinational Enterprises include elements on good governance, including anti-corruption and anti-bribery, and disclosing on compliance with them is required by the mandatory PAI indicators under the SFDR. These disclosure requirements are now included in all four of the social standards with regards to each topical issue but are not correspondingly included under G2. A uniform approach would be appreciated.
- Financial institutions need to calculate SFDR-aligned sustainable revenue linked to the definition of “sustainable investment” as per the SFDR. Currently, identifying what revenue is sustainable through existing labels, such as NACE codes proves to be difficult. For example, there are many instances where sustainable and non-sustainable activities are included in the same NACE code. Sustainable product revenue cannot be fully captured correctly by product labels either. Furthermore, even after the green and social EU Taxonomies will fully be in place, a large portion of economic activities will remain uncovered by these Taxonomies (currently 60% of economic activities and 20% of CO2 emissions lie outside of the climate Taxonomy; source: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-faq_en.pdf). Thus, it is not justified to define SFDR sustainable revenue only based on Taxonomy definitions. It would be useful if the ESRS would address the information need stemming from the SFDR with regards to sustainable revenue.

