

Scorecard

ESRS G1 Business Conduct

About ESRS G1 Business Conduct

COVERAGE OF COMPANIES

EU

LAUNCH DATE

2022 (as an exposure draft)

FOCUS

Sustainability reporting

ESRS G1 Business Conduct Score

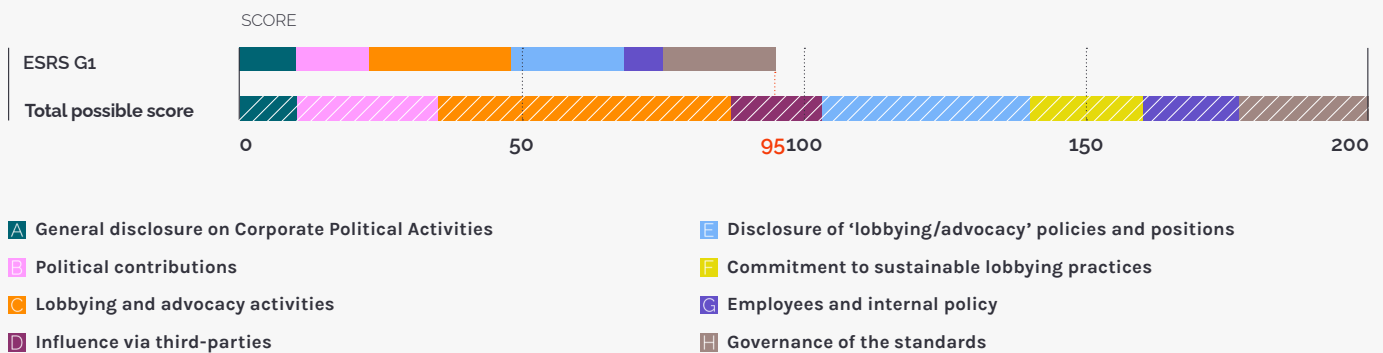


Rank 8 /27

Tracker Rank and Score for ESRS G1 Business Conduct

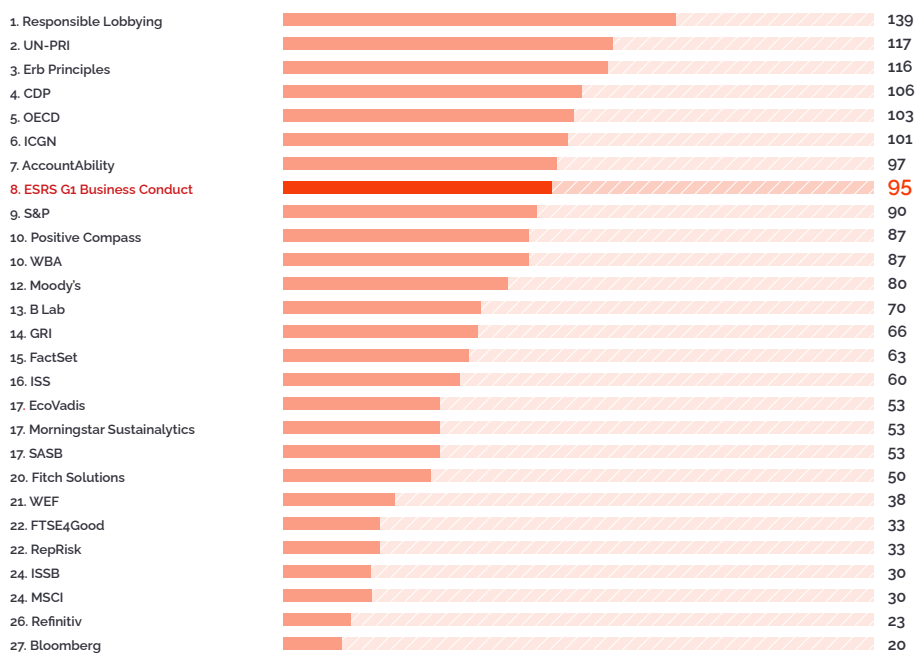
The score is out of a total of 200 and the rank describes the standards position in the 27 standards assessed by the Tracker.

Category scores of ESRS G1 Business Conduct



*Categories where the standard received no points do not appear in the colour-coded graph

Rank and scores for all standards



Description

The European Commission's Corporate Sustainability Reporting Directive (CSRD) which companies began reporting against from January 2024,¹ requires the adoption of EU Sustainability Reporting Standards (ESRS) and associated reporting by companies of a certain size.² ESRS 1 and 2 serve as guidelines for general sustainability reporting by large firms and define the information to be disclosed about material impacts, risks and opportunities related to sustainability. Part of the work to develop these standards was taken on by the European Financial Reporting Advisory Group (EFRAG).

EFRAG is a private association established in 2001 with the encouragement of the European Commission to serve the public interest and inform the development of financial regulation on the continent. EFRAG extended its mission in 2022 following the new role assigned to EFRAG in the CSRD, providing Technical Advice to the European Commission in the form of fully prepared draft ESRS. This draft was analysed in the last edition of the Tracker. This draft EFRAG standard was adopted as a delegated act, bringing the EFRAG ESRS G2 Business Conduct draft standard into force with minor updates and reorganising it into the new ESRS G1 delegated act.³ The 2025 edition of the Tracker assesses the ESRS G1 standard.⁴

Under the ESRSs, companies will have to start publishing separate sustainability statements as part of their management reports. This will significantly affect the scope, volume and granularity of sustainability-related information that companies need to collect and disclose. The 12 ESRSs, issued by the European Financial Reporting Advisory Group (EFRAG), apply for companies located or listed in EU member states as well as non-EU companies with significant operations in the EU. This makes the ESRS G1-5 section of the regulations an important first step towards more consistent global rulemaking on corporate political activities and other forms of lobbying. Other countries can learn from the EU regulatory push into this sensitive area of corporate reporting.

The newly adopted ESRS standards outline expectations for companies to publish separate sustainability statements as part of their management reports containing sector-agnostic, sector-specific and company-specific information on governance, strategy, impact, risk and opportunity management, as well as metrics and targets of their corporate sustainability. In particular, Disclosure Requirement G1-5 covers 'Political influence and lobbying activities'⁵ and covers a range of issues. At present this is the most important globally relevant regulatory standard on corporate political activities and other forms of lobbying.

Score summary

The standard receives a **Tracker score of 95 out of 200**, the same as the draft assessed in the 2023 edition. The new standard covers more areas of corporate political activity than many of the ESG data and rating agency methodologies assessed in the Tracker. The ESRS standard covers revolving door issues, requiring companies to disclose "information about the appointment of any members of the administrative, management and supervisory bodies who held a comparable position in public administration (including regulators) in the 2 years preceding

such appointment in the current reporting period.” This receives points in Tracker Category G ‘Employees and internal policy’.

The new regulations also specify a need for disclosure of financial or in-kind political contributions, including “the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country or geographical area where relevant, as well as type of recipient/beneficiary; and where appropriate, how the monetary value of in-kind contributions is estimated.” These expectations receive points under Tracker category B, ‘Political contributions.’

Importantly, the ESRS delegated act includes a definition of lobbying that covers a range of indirect lobbying practices and processes. The regulations define lobbying as “activities carried out with the objective of influencing the formulation or implementation of policy or legislation, or the decision-making processes of governments, governmental institutions, regulators, European Union institutions, bodies, offices and agencies or standard setters.”⁶ According to the definition, such activities include: (i) organising or participating in meetings, conferences, events; (ii) contributing to/participating in public consultations, hearings or other similar initiatives; (iii) organising communication campaigns, platforms, networks, grassroots initiatives; and (iv) preparing/commissioning policy and position papers, opinion polls, surveys, open letters, research work as per the activities covered by transparency register rules.⁷

Opportunities for improvement

The new ESRS standard sets a high bar for regulation on lobbying, with a principles based approach, and links lobbying disclosures to other corporate reporting topics. Specifically, the ESRS G1 standard should be read in conjunction with and reported alongside the disclosures required by ESRS 2 on Governance (GOV), Strategy (SBM) and Management of impacts, risks and opportunities (IRO). These expectations and the linking of G1-5 disclosures with other areas will likely mean much better information is made available to investors regarding company conduct.

Given the scope and range of corporate political activities, the additional guidance provided by G1-5 and related reporting expectations should improve the consistency and transparency of company disclosures in this area. Additional recommendations for more complete information in Tracker Category G ‘Employees and internal policy’ could improve the ESRS G1 Tracker score. It is possible that the regulations will be opened up for further updates as international standards and expectations in this area continue to evolve.

Endnotes

- 1 'Timeline for the Corporate Sustainability Reporting Directive:' https://www2.deloitte.com/content/dam/Deloitte/gr/Documents/sustainability/gr_deloitte_sustainability_eu_csr_timeline_june_2022_noexp.pdf
- 2 https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ%3AL_202302772
- 3 EFRAG 'Cover Note - Approval of draft ESRS Set 1' (2022): <https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/BC%20ESRS%201%20General%20requirements.pdf>
- 4 https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FED_ESRS_G2.pdf
- 5 https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ%3AL_202302772
- 6 Idem
- 7 'Transparency register:' https://commission.europa.eu/about-european-commission/service-standards-and-principles/transparency/transparency-register_en

www.thegoodlobby.eu/initiatives/tracker
info@thegoodlobby.eu

Rue du Commerce 72,
1000 Bruxelles

EU Transparency Register Number:
013786146388-70