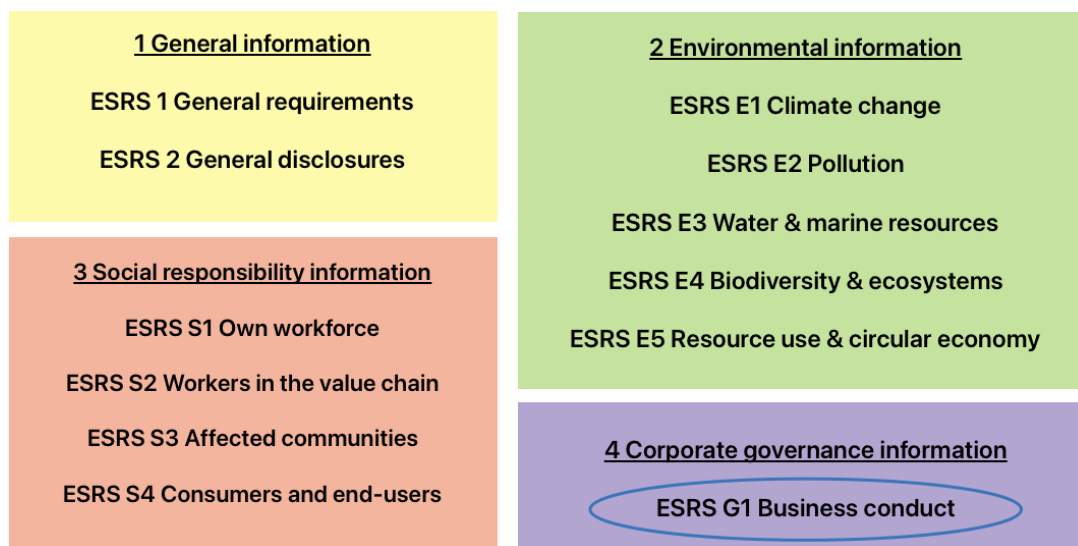




Business conduct

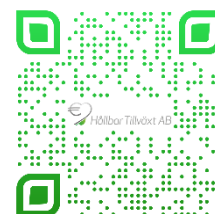
This text is part of the series of brief articles that HållbarTillväxt AB has created to explain, simplify and explore the various steps that are currently most relevant in the area of sustainability; **CSRD** and **ESRS**. The ESRS consists of a total of 12 separate documents, 2 of which relate to general and comprehensive information (ESRS 1 and 2). The remaining 10, so-called topical standards, deal with various sustainability issues divided into **environment**, **social responsibility** and **corporate governance** – in English **Environment, Social and Governance**, abbreviated **ESG**. Fulfilment of the new requirements in CSRD and reporting according to ESRS is based on the involvement of all functions in a business, including the board and management. The board is ultimately responsible for sustainability reporting just as it is for financial reporting. Like the financial report, the sustainability report must now also be reviewed by an external auditor.



ESRS G1 – Business conduct is the thematic standard that focuses on clarifying the company's strategies, methods, processes and procedures, as well as its results, in terms of business conduct and business ethics. The standard aims to promote good corporate governance, business conduct practices and ethical behaviour along the entire value chain. Central aspects of ESRS G1 include transparency in decision-making, integrity in business relationships and responsible management of company resources. The sub-topics are corporate culture, whistleblower protection, animal welfare, political engagement and lobbying, supplier relationship management, including payment practices, anti-corruption and bribery. Companies must report what they are doing to detect and manage significant consequences, risks and opportunities linked to business conduct and, by extension, which governance, measures and goals are in place or are planned to be introduced to deal with this impact. In this article, the key aspects of reporting according to ESRS G1 are presented.

Key terms and definitions

- **Corporate governance:** Structures and processes that direct and control the company's operations, including the board's role, division of responsibilities and decision-making processes.
- **Corporate culture:** In corporate culture, goals are expressed through values and principles. The corporate culture is a guide for the company's operations through common assumptions and norms, values, operational goals and ethical rules and principles.
- **Protection for whistleblowers:** This heading describes, for example, which internal reporting channels are available for whistleblowers, and how their anonymity is protected. It also describes what information and training the company provides its employees and how personnel are appointed and trained to receive reports.
- **Transparency:** Being open, honest and straightforward with the company's decision-making, dialogue, risk assessment, accountability and reporting, which enables stakeholders to understand and assess the company's operations.





- **Corruption:** When entrusted power is used for personal gain, which can happen at the instigation of a person or an organisation. Corruption can take the form of kickbacks, fraud, extortion, collusion or money laundering. It can also occur when an individual associated with the company's business proposes to someone or receives from someone a gift, a loan, a fee, a reward or any other advantage for doing something that is dishonest or illegal or that constitutes disloyalty to the principal. These may be benefits in the form of money or in kind, such as free goods, gifts, travel or special personal services given to obtain an undue advantage or which may result in moral pressure to receive such a benefit.
- **Confirmed Cases of Corruption or Bribery:** A case of corruption or bribery that is proven to have occurred. Cases of corruption or bribery that are still under investigation at the end of the reporting period are not considered confirmed cases of corruption. Whether a violation is to be considered to have demonstrably occurred is decided either by the company's compliance officer, or someone who has a similar position, or by an authority. It does not have to be proven in court.
- **Political Engagement:** The Company's activities and intentions regarding political influence with political contributions, including the nature and purpose of lobbying.

What should be reported?

Reporting according to ESRS G1 involves identifying and disclosing the company's significant impacts, risks and opportunities related to business conduct, and demonstrating the measures taken to manage them. A large part involves the governance that exists or is to be introduced regarding business ethics and corporate culture. Here, companies must describe how they establish, evaluate and promote their corporate culture, the values and ethical rules that the company follows. Policies regarding business ethics must also be highlighted here, for example how the company works to detect and handle acts that break the law, the company's code of conduct, protection for whistleblowers, animal protection and channels that enable internal and external stakeholders to file reports. Furthermore, companies must report on their relationships with suppliers. This involves providing an understanding of how the company manages its purchasing process and whether suppliers are treated fairly. For example, companies must report whether and how they take social and environmental criteria into account when choosing their suppliers and whether there are control systems to prevent late payments, especially to small and medium-sized companies. Corruption and bribery are also a central part of reporting according to ESRS G1. Companies must report on the systems they have in place to prevent, detect, investigate and handle allegations or incidents related to bribery and corruption. Here you can describe what routines you have and which people handle the allegations of corruption or if you organise training for staff about the work against corruption and bribery. Information about confirmed cases of corruption and bribery in the business or in the value chain where own employees have been directly involved must also be reported. The company's political influence and lobbying activities are also covered by ESRS G1. Here, companies must disclose their intentions regarding political influence through contributions or lobbying and provide details on the amount and recipients of their political contributions.

Advice in preparation for reporting according to ESRS G1

- **Strengthen the governance structure and document processes:** Clarify roles and responsibilities within the board and management for sustainability issues linked to ESRS G1.
- **Develop and implement internal controls and guidelines:** Implement robust internal control systems and conduct regular audits to ensure accurate and reliable data. Review existing policies for business conduct and corporate culture.
- **Collect and report relevant data:** Identify and collect data for specific disclosure requirements required by ESRS G1.

