



Building a Framework for an ESG Approach in Europe

Strategies and Considerations by the ACC Europe ESG Working Group

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INTRODUCTION

This document was created with an **effective date of 31 December 2023** by the ACC Europe ESG working group for information only, with the purpose of supporting in-house counsel on ESG topics (Environmental, Social, and Governance), and to serve as a starting point for reflection based on a selection of best practices.

It does not constitute legal advice for any entity or individual. It does not intend to be fully comprehensive, does not provide an exhaustive list of relevant legislation (which is constantly evolving), and does not recommend any specific voluntary standard. This resource should not be considered representative of the views of the Association of Corporate Counsel (ACC) or any of its lawyers.

The document is built under the assumption that the in-house counsel and companies who might use it will also conduct an internal review and identify ESG issues and requirements relevant to their business, perform materiality assessments, and prioritise their areas of focus. A key pre-requisite for this will be obtaining accurate data about the company's operations and value chain.

This document consists of intertwined and interdependent parts: Summary, Relevant Considerations, Environmental ("E"), Social ("S") and Governance ("G") aspects reflecting the European Sustainability Reporting Standards (ESRS) structure, and Final Remarks.

SUMMARY

ESG topics are broad in nature and their scope will only broaden going forward. ESG reporting represents the risks and opportunities that will impact a company's ability to create long-term value, and it is no longer a "tick the box" exercise. Investors, regulators, customers, clients, employees, and suppliers are increasingly evaluating and selecting companies based on their ESG maturity and commitment. Solid ESG management and reporting strategies demonstrate good governance, transparency, and future-readiness to these stakeholders, strengthening their overall trust in the company.

The framework might be simple, but it is not easy. It involves preparing an ESG strategy, defining and connecting with relevant internal and external stakeholders, defining and monitoring metrics and goals, and communicating the results consistently. Challenges persist in that ESG-related issues are difficult to quantify. Consistency and lack of standardisation between ESG scores is another big challenge since different enterprises will face different materiality of risk. Further, it is clear that ESG reporting will require a significant investment of resources and capital.

That said, acting on ESG in a proactive and strategic way to demonstrate responsible business practices is more than a matter of mere compliance. It is about creating a tangible, practical, purpose-led approach that achieves real results. It results in operational efficiencies, less waste, improved performance and contributes to the company's overall competitive positioning. It mitigates risk through training and creation of risk and performance measures and ensuring a reliable supply chain. It is about doing what is legal and what is right.

We hope that this Framework document helps you on your ESG journey. Additional ESG resources can be found in the ACC Resource Library at acc.com/resource-library - and an informative selection of ESG resources is available in the library's [ESG Resource Center](#).

LIST OF ABBREVIATIONS

CSRD	»	EU Corporate Sustainability Reporting Directive (EU) 2022/2464
CSDDD	»	EU Corporate Sustainability Due Diligence Directive
ECHA	»	The European Chemicals Agency
EPR	»	Extended Producer Responsibility
ESRS	»	The European Sustainability Reporting Standards
EUDR	»	EU Deforestation Regulation 2023/1115
GHG	»	Greenhouse Gas
IED	»	Industrial Emissions Directive 2010/75 (IED)
RBA	»	Responsible Business Alliance
SBTN	»	Science Based Targets Network Initiative for Nature
SRD II	»	The Shareholder Rights Directive II
SVHC	»	Substances of Very High Concern
Taxonomy	»	EU Taxonomy Regulation (EU) 2020/852
TCFD	»	Task Force on Climate-related Financial Disclosures
TNFD	»	Task Force on Nature-related Financial Disclosures
UN PRI	»	United Nations Principles for Responsible Investment
UN SDGs	»	United Nations Sustainable Development Goals

Part 1: Relevant Considerations When Working on an ESG Framework

Specific actions and initiatives undertaken by a company will vary based on its industry, size, and geographic location.

It is important for organisations to tailor their approach to ESG matters to their unique circumstances and stakeholder expectations.

Generally, each company would be expected to have the following elements covered in designing and implementing its ESG program:

A Governance & Controls Framework:	Create and maintain a governance structure to ensure cooperation, accountability, and consistence of approach across business units, affiliates, and external stakeholders.	G Corporate Strategy:	Embed ESG considerations into the corporate strategy and decision-making.
B Relevant Legislation:	Determine the company's reporting duties, for example in the EU, duties under the CSRD (<i>Corporate Sustainability Reporting Directive (EU) 2022/2464</i>) ¹ and related disclosures under the <i>Taxonomy Regulation (EU) 2020/852</i> , ² including the <i>European Sustainability Reporting Standards</i> ³ (ESRS). The <i>EU Taxonomy Navigator</i> website ⁴ may help inform this assessment.	H IT Systems:	Consider how ESG-related data will be captured and collated on a central IT platform to avoid overlapping and/or conflicting sources of data.
C Double Materiality Assessment:	Identify material impacts according to the double materiality principle (i.e. identifying those issues that impact both a company's financial performance as well as the wider world). The most material impacts will inform the Action Plan.	I Engage Stakeholders & Investors:	Actively engage with stakeholders, including employees, customers, suppliers, local communities, and investors, to understand their concerns, priorities, and expectations regarding ESG issues. Regularly communicate progress and initiatives through sustainability reports, disclosures, and engagement channels.
D Action Plan:	Based on the most material impacts identified, develop comprehensive Action Plan for each affected business area capturing existing data, with clear targets and KPI metrics (Key Performance Indicators), policies and standards that outline the company's expectations and requirements regarding ESG performance.	J Collaborate with External Partners:	Collaborate with industry peers, NGOs, and other organisations to share best practices, learn from each other's experiences, and collectively address systemic ESG challenges. This can involve participation in industry initiatives, partnerships, and multi-stakeholder collaborations.
E Operating Framework:	Establish a suitable Operating Framework to (i) identify which ESG requirements are relevant, (ii) determine appropriate materiality threshold, and (iii) identify which business areas are impacted.	K Assurance & Continous Improvement:	Audit/stress test the existing governance model to ensure that (emerging) ESG requirements can be adequately discharged.
F Implement Risk Management Process:	Integrate ESG considerations into the company's risk management framework. This involves identifying and assessing emerging ESG risks, establishing mitigation strategies, and monitoring ongoing performance to ensure compliance with relevant regulations and standards and voluntary/early compliance with certain aspects of emerging regulatory requirements.		

Part 2: Suggested Environmental Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
CLIMATE				
<p>A company may set a voluntary goal in relation to greenhouse gas (GHG) emissions, for ex.:</p> <ul style="list-style-type: none"> Significant reduction of GHG, Net zero target, Decouple business from emissions. 	<p>Step 1: Calculate GHG emissions. Understand where, in operations and the value chain, most GHG emissions occur.</p> <p>Step 2: Set voluntary goal. Many standards⁵ are available to choose from.</p> <p>Step 3: Create, implement and follow-up action plan.</p>	<p>Implementation depends on ambition for ex.:</p> <ul style="list-style-type: none"> Value chain emissions. Significant GHG reductions over offsets. Purchase high quality offsets. 	<ul style="list-style-type: none"> CSRD and Taxonomy establish mandatory reporting. Other standards⁶ may be applied voluntarily. Note: Some sectors may be required to take part in emissions trading system. Mandatory energy efficiency criteria for some products.⁷ 	<p>CSRD and Taxonomy:</p> <ul style="list-style-type: none"> ESRS E1. Delegated Regulation (EU) 2021/2139 as amended by Delegated Regulation (EU) 2023/2485 (Climate Delegated Act). <p>GHG metrics are key (scopes 1, 2, and 3):</p> <ul style="list-style-type: none"> Direct emissions. Indirect emissions. Value chain emissions.
POLLUTION				
<p>A company may set voluntary goals in relation to its impacts on the natural environment and resources use, for ex.:</p> <ul style="list-style-type: none"> Science based target network initiative for nature. 	<ul style="list-style-type: none"> As a minimum, comply with mandatory rules, such as: site operations industrial emissions control and permitting, safe chemicals management, harmful events reporting and remediation (“polluter pays”), and information about substances of very high concern (SVHC) in products. Setting a voluntary ambition is similar to what is described for climate. 	<p>As part of legal compliance, a company may need internal documents to describe its routines, for ex.:</p> <ul style="list-style-type: none"> Environmental, health and safety in operations, Incident management, Product design and sourcing standards. <p>Further policies depend on ambition and material impacts.</p>	<ul style="list-style-type: none"> Industrial Emissions Directive 2010/75 (IED),⁸ under review. Best available techniques reference documents (BREFs),⁹ which provide non-binding guidance to interpret the IED. Chemicals regulations as listed on the European Chemicals Agency’s (ECHA) webpage¹⁰ including SVHC. Science Based Targets Network initiative for nature¹¹ (SBTN). 	<p>CSRD and Taxonomy:</p> <ul style="list-style-type: none"> ESRS E2. Delegated Regulation (EU) 2023/2486 (Environmental Delegated Act) and its Annex III.¹² <p>Metrics include pollution to air, water and soil, and substances of concern and of very high concern (SVHC).</p>

Part 2: Suggested Environmental Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
WATER & MARINE RESOURCES				
A company may set voluntary goals in relation to its impact on and usage of water and marine resources.	Much of what is written above for pollution also applies to a company's impact on and usage of water resources. SBTN provides a framework for a company voluntary goal.	A company may have internal routines, among others, to: <ul style="list-style-type: none"> • Save Water. • Measure water quality. 	<ul style="list-style-type: none"> • <i>Drinking Water Directive</i> (EU) 2020/2184.¹³ • <i>Commission Implementing Decision</i> (EU) 2022/679 establishing a watch-list of substances of concern in drinking water.¹⁴ 	<i>CSRD</i> ¹⁵ and <i>Taxonomy</i> : <ul style="list-style-type: none"> • <i>ESRS</i> E3. • <i>Delegated Regulation (EU) 2023/2486</i> and its Annex I. Key metrics include water consumption and impacts on areas at water risk.
BIODIVERSITY & ECOSYSTEMS				
A company may set voluntary goals in relation to its impact on and usage of ecosystems.	<ul style="list-style-type: none"> • Comply with mandatory rules for nature protection, such as habitat protection, and due diligence requirements to prevent deforestation when sourcing certain products.¹⁶ • Setting a voluntary ambition is similar to what is described above for GHG emissions, pollution, and water. 	Internal policies, routines, and documentation may support due diligence requirements. Further engagement depends on ambition and material impacts, for ex.: <ul style="list-style-type: none"> • SBTN target. • Payment for nature protection or restoration services. 	<ul style="list-style-type: none"> • <i>Birds and Habitats Directive</i> 2009/147/EC.¹⁷ • <i>EU Deforestation Regulation</i> 2023/1115 (EUDR).¹⁸ • <i>Proposed EU Nature Restoration Law</i>.¹⁹ • Kunming-Montreal <i>Global Biodiversity Framework</i>.²⁰ • Voluntary raw material certification.²¹ • EU guidance documents for payment for nature protection services.²² 	<i>CSRD</i> and <i>Taxonomy</i> : <ul style="list-style-type: none"> • <i>ESRS</i> E4. • <i>Delegated Regulation (EU) 2023/2486</i> and its Annex IV. Key metrics include ecological thresholds, biodiversity sensitive areas, and habitat changes.

Part 2: Suggested Environmental Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
RESOURCE USE & CIRCULAR ECONOMY				
<p>A company may set voluntary goals in relation to their products' circularity, taking into account the waste hierarchy.</p>	<ul style="list-style-type: none"> • Mandatory product waste management rules may require producers to design their products for recycling, participate in extended producer responsibility (EPR) schemes for their products' end-of-life, or to incorporate recycled materials as part of their production. • Setting a voluntary ambition calls for a full understanding of a product's impacts cradle-to-grave, and economic ecosystem, so that one person's waste can be used as resource by another. 	<ul style="list-style-type: none"> • A company may need to document compliance of its products to the relevant sectorial rules. How it does this will be sector specific. • The Ellen MacArthur Foundation²³ is a good starting point to formulate product relevant circular design principles. 	<ul style="list-style-type: none"> • Waste Framework Directive 2008/98/EC.²⁴ • Sectoral waste policies²⁵ may include extended producer responsibilities for example regarding packaging.²⁶ • Proposed Product Environmental Footprint methods.²⁷ • Proposed right to repair directive.²⁸ • ECHA website list of hot topics²⁹ gives insights to possible future developments. • Local waste management regulations. 	<p>CSRD and Taxonomy:</p> <ul style="list-style-type: none"> • ESRS E5. • Delegated Regulation (EU) 2023/2486 and its Annex II. • Delegated Regulation (EU) 2021/2139 as amended by Delegated Regulation (EU) 2023/2485 includes economic activities that consist in recycling or use recycled materials. <p>ESRS key metrics include resources inflows and outflows, packaging, hazardous waste, and recovery operations.</p>
FAIR ADVERTISING				
<p>To meet fair advertising requirements, a company may set principles as to how it will communicate about its environmental performance to avoid greenwashing.</p>	<p>Comply with mandatory rules on fair advertising when making ESG claims. These rules are subject to varying interpretation and enforcement, which is why a voluntary set of principles may help a company to apply them in practice.</p>	<p>Voluntary internal documents may include:</p> <ul style="list-style-type: none"> • Guidance on green claims. • Library of approved claims. 	<ul style="list-style-type: none"> • Fair advertising rules.³⁰ • New proposed rules on green claims.³¹ • EU Ecolabel is an officially recognised voluntary scheme.³² 	<p>Material risks arising from greenwashing accusations or claims might need to be disclosed.</p>

Part 3: Suggested Social Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
HUMAN RIGHTS				
<ul style="list-style-type: none"> Support, respect, and comply with globally recognised ethical working conditions, international human rights, and applicable laws in conducting business activities. Commitment to human rights is embedded into company frameworks and processes, applicable to all employees and contractors, such as code of conduct and ethics. 	<ul style="list-style-type: none"> Supporting the elimination of modern slavery, all forms of forced labour, child labour, and human trafficking. Supporting freedom of association and the right to organise and collective bargaining. Individual right to work is checked. Freedom is not limited outside of working hours and employees are free to leave employment. Regular training is provided. (Confidential) whistleblowing channels, independent investigation of reported human rights breaches and consequence management. Specific labour and human rights expectations are cascaded to suppliers and customers. 	<ul style="list-style-type: none"> Human Rights policy. Company code of conduct and ethics (applicable to all employees, workers suppliers and subcontractors of suppliers). Sustainable Purchasing/ Supply chain Policy (including contractual provisions and regular audits). Ethical AI, Machine Learning and Automated Decision-making Policy. 	<ul style="list-style-type: none"> United Nations <i>Guiding Principles</i> on Business and Human Rights.³³ United Nations International Labour Organisation <i>Convention</i>.³⁴ European Convention on <i>Human Rights</i>.³⁵ United Nations <i>Sustainable Development Goals</i> (SDGs).³⁶ Applicable local laws. 	<ul style="list-style-type: none"> List of applicable collective bargaining per country. Working hours per country and overtime paid. Code of conduct training. Procedures to prevent child labour in forced labour, in own operations and suppliers.
COMPENSATION & BENEFITS				
<ul style="list-style-type: none"> Wages are compliant with legal standards, are comparable with industry benchmarks and do not differentiate gender on remuneration. Employees are provided with additional health and wellbeing benefits. 	<ul style="list-style-type: none"> All employees have signed locally compliant contracts, are paid regularly and on time and are provided with transparent payslips. Working hours are recorded, overtime is voluntary and/or follows applicable local laws and it is paid at the prevailing rates. Provide training and support employees development. Fair and transparent year end evaluation and calibration meetings to assess performance. 	<p>Equal pay for equal work policy.</p>	<ul style="list-style-type: none"> Global Living Wage <i>Coalition</i>.³⁷ Gender pay legislation. Applicable local laws. 	<ul style="list-style-type: none"> Number of full-time employees. Mandatory gender gap reporting. Ethnicity pay gap reporting. Executive remuneration. Salary bands per roles and grades. Comparison with industry benchmarks. List of additional employee benefits.

Part 3: Suggested Social Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
HEALTH & SAFETY (H&S) AT WORK				
Company ensures workplace safety and applies best practice H&S standards.	<ul style="list-style-type: none"> • Company has assessed workplace risks, provides a safe and healthy workplace, and prevents potential health and safety incidents. • Company has appointed a H&S Representative/ Advisor. • Employees are provided with training and regular updates on H&S. • Company monitors work-related fatalities; work-related serious injuries and warnings and enforcement actions against company for H&S breaches. 	Workplace Health & Safety Policy	<ul style="list-style-type: none"> • Applicable local laws. • <i>ISO 45001</i>- Occupational health and safety.³⁸ 	<ul style="list-style-type: none"> • Workplace accident statistics and any other information required by local laws. • Incidents. • Accidents. • Executive remuneration. • Fatalities. • Number of hours worked. • Number of overtime hours.
DIVERSITY, EQUITY, AND INCLUSION³⁹ (DEI)				
Company values embed appreciation and respect for what makes every person unique and “creates a culture that inclusively empowers all employees to succeed.” ⁴⁰	<ul style="list-style-type: none"> • Company sets (voluntary) DEI ambitions in relation to gender, race, ethnicity, and LGBT+ representation, continuously monitors and regularly reports on progress. • Mandatory training on new DEI skills. • Affinity groups dedicated to the promotion of DEI (with a board member as sponsor). • Regular DEI surveys with all employees. • Analysis of types of diversity in each country. 	<ul style="list-style-type: none"> • Diversity, Equity & Inclusion Policy. • Anti-Harassment & Discrimination Policy. 	<ul style="list-style-type: none"> • <i>Web Content Accessibility Guidelines</i> (web accessible to people with disabilities). • Equality and anti-discrimination legislation. • Applicable local laws. 	<ul style="list-style-type: none"> • Diversity in professional positions, management positions and senior leadership positions (progress against aspirational representation goals). • Reports regarding number or perceived or identified ethnically diverse males, diverse females. • Total number of employees. • Training on new DEI skills. • DEI surveys conducted. • List of protected characters per country. • Recruiting initiatives to increase diversity. • Policies and internal processes to ensure employee integration. • Resources dedicated to diversity initiatives (or time invested for designated resources.) • Budget dedicated to diversity initiatives.

Part 3: Suggested Social Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
EMPLOYEE ENGAGEMENT & SATISFACTION				
<ul style="list-style-type: none"> • Company has an effective workforce engagement and transparent and fair decision making. • Constructive relationship with management. 	<ul style="list-style-type: none"> • Employees have a mechanism to raise anonymous concerns and to share ideas and concerns with senior management. • Managers are subject to anonymous 360° assessments. • Regular independent employee satisfaction surveys to all employees (responses are anonymous). 	Whistleblowing Policy.	<ul style="list-style-type: none"> • Applicable local laws. • Company rules of engagement. • Employee engagement guide. • Industry best practices. • Employee recognition programs. 	<ul style="list-style-type: none"> • Employee satisfaction surveys, regular reports, and trends. • Staff turnover. • Violations of code of conduct reported and actions taken. • Feedback on exit interviews.
COMMUNITY & SOCIAL VALUE				
<ul style="list-style-type: none"> • Company aims to manage or reduce any negative impacts on local communities and to bring benefits to the communities and local economies, e.g. through involvement in local community initiatives. 	<ul style="list-style-type: none"> • Company assesses the potential impacts of its activities to manage and reduce any effects they may have on the environment and the lives of local communities. • Company has established remedy and grievance mechanisms for community members. • Employees are given hours for community engagement. • Employees decide locally in what activities to engage. • Company has a graduates program, interns, and other collaboration programs. 	Social value/Social performance policy (incl. community engagement).	Applicable local laws.	<ul style="list-style-type: none"> • Impact assessments. • Social performance activities carried out and employees involved. • Monetary contributions (estimated spend). • Time contributions. • Charitable gifts. • Community partnerships. • Employee secondments. • Financial education hours. • Volunteer time.

Part 4: Suggested Governance Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
BUSINESS ETHICS				
All staff shall behave in accordance with the business principles, company code of conduct and the supplementary compliance manuals, application of those documents is promoted with counterparties.	<ul style="list-style-type: none"> Regular compliance trainings for staff and (select) suppliers. Regular ethics and compliance risk assessments. Transparency and specific approval processes for sensitive transactions. (Confidential) whistleblowing channels, independent investigation of reported breaches and consequence management. Application of the code of conduct is underpinned by a comprehensive set of assurance procedures. Ethics and compliance requirements are cascaded to suppliers and customers via contractual clauses. Counterparties are assessed and monitored/audited. Ethical leadership initiatives led by management reinforcing the company's expectations. 	<ul style="list-style-type: none"> Business principles. Code of conduct and ethics. Compliance manual(s) supplementary to the code of conduct. Ethical decision-making framework or a similar tool requiring staff to consider broader considerations as part of major business decisions and resolve ethical dilemmas in a structured manner. 	<ul style="list-style-type: none"> UN Global Compact <i>Principle 10</i>. <i>RBA Code of Conduct</i>. International and national Anti-Corruption, Data Privacy, and Antitrust laws, such as the US <i>Foreign Corrupt Practices Act</i>, UK <i>Bribery Act</i>, and EU <i>General Data Protection Regulation</i>. 	Annual reporting on code of conduct violations and disciplinary actions.
ESG DUE DILIGENCE				
Company performs thorough evaluations of environmental, social, and governance risks along its value chain to identify, prevent or stop adverse impacts.	<ul style="list-style-type: none"> Company analyses the actual and potential adverse impacts of operations, supply chains, and products/services on areas such as environment, labor practices, human rights, diversity, and ethics, with respect to the company's own operations and those of its subsidiaries and other entities in its value chain, and prioritises adverse impacts based on their severity and likelihood. Company embeds outcome of due diligence into the corporate strategy and decision-making while considering the input of stakeholders and civil society organisations. 	<ul style="list-style-type: none"> Supply chain/responsible sourcing policy that outlines the company's expectations and requirements for suppliers and contractors in terms of environmental and social performance. Pertinent aspects of other ESG policies, incl.: environmental policy, social responsibility policy, diversity and inclusion policy, human rights policy, and disclosure policy. 	<ul style="list-style-type: none"> EU Member State and other local laws on supply chain due diligence, such as the French Corporate Duty of Vigilance Law ("<i>Loi relative au devoir de vigilance</i>"), UK's <i>Modern Slavery Act</i>, California <i>Transparency in Supply Chains Act</i>, the German <i>Supply Chain Due Diligence Act</i>. The EU's Corporate Sustainability Due Diligence Directive (CSDDD) [when formally adopted]. 	Supply chain reporting incl.: supplier sustainability assessments and audits, supplier diversity and inclusion metrics, responsible sourcing practices, and labour standards.

Part 4: Suggested Governance Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
BOARD AND CORPORATE LEADERSHIP				
<p>Board members are actively engaged in decision-making processes related to ESG matters.</p>	<ul style="list-style-type: none"> • Company has established transparent and robust, regular reporting mechanisms by the internal business groups to the Board. • Company actively promotes diversity among Board members, including diversity in gender, race, ethnicity, background, and expertise. • Board members lead by example, demonstrating strong corporate leadership in ESG matters. 	<ul style="list-style-type: none"> • Clear guidelines for the roles and responsibilities of the Board members, such as defining the scope of the Board's oversight. Company can consider establishing an ESG Committee to drive the integration of ESG considerations into business strategies. • Board ESG training program. • Company conducts periodic reviews of ESG metrics and performance with the Board. • Board diversity and inclusion policy. • Policy on conflicts of interest. • Executive compensation and incentive structures aligned with ESG performance. 	<ul style="list-style-type: none"> • Corporate Sustainability Due Diligence Directive (CSDDD) [when formally adopted] introducing Directors' duty of care. • <i>OECD Principles</i> of Corporate Governance. 	<ul style="list-style-type: none"> • Board composition, independence, and diversity. • Executive compensation policies and practices.
POLITICAL RESPONSIBILITY				
<ul style="list-style-type: none"> • Company does not make political payments and does not take part in party politics.* <i>*Alternatively, if Company does make political payments, it is committed to disclosing them and to respecting donation limits established in applicable laws.</i> • When dealing with governments, company has the right and the responsibility to make its position known on any matters which affect the company or its stakeholders. 	<ul style="list-style-type: none"> • Clear standards on corporate political activities. • Regular compliance trainings. • Advocacy is based on advocacy priorities which are published externally. • A designated government relations department has responsibility for political engagement. • All expenditure related to political engagement must be approved in line with internal governance controls. 	<ul style="list-style-type: none"> • Business principles regarding lobbying and government affairs. • Code of conduct and ethics. • Anti-bribery and corruption manual. <p>Company can also consider developing and publishing:</p> <ul style="list-style-type: none"> • Corporate political engagement statement. • Principles for participation in industry associations. • Principles for responsible lobbying. 	<p>Lobbying laws, for example EU <i>Transparency Register</i> and the US <i>Lobbying Disclosure Act</i>.</p>	<ul style="list-style-type: none"> • Total costs relating to lobbying activities. • Information about memberships of key industry associations, including payments to these associations.

Part 4: Suggested Governance Framework

Goal	How To Do It	Internal Policies	Legislation & Standards	Reporting & Metrics
SHAREHOLDER VOTING				
Company meaningfully engages with its shareholders on ESG matters.	Company respects the right of its shareholders to submit proposals on ESG matters for consideration at annual general meetings and is committed to reviewing these proposals in a fair and unbiased manner.	<ul style="list-style-type: none"> • Corporate bylaws, voting policies. • Shareholder agreement, family pact (where relevant). 	<ul style="list-style-type: none"> • <i>OECD Principles</i> of Corporate Governance. • The Shareholder Rights Directive II (<i>SRD II</i>). • United Nations Principles for Responsible Investment (<i>UN PRI</i>). 	Violations of any policy in exercising the right to vote reported and actions taken.
TRANSPARENCY AND DISCLOSURES / REPORTING				
Company provides transparent and comprehensive information regarding ESG policies, practices, and performance to its stakeholders and general public.	<ul style="list-style-type: none"> • Assigned accountability for reporting, including Board oversight. • Voluntary/early compliance with certain aspects of emerging reporting requirements. • Audit/Stress test of existing governance model to ensure that emerging reporting requirements can be adequately discharged. • The disclosures are underpinned by a comprehensive set of assurance procedures. 	<ul style="list-style-type: none"> • Sustainability reporting & targets policy. • Pertinent aspects of other corporate policies, incl.: environmental policy, social responsibility policy. • Diversity and inclusion policy, human rights policy, and disclosure policy. 	<p>EU:</p> <ul style="list-style-type: none"> • Corporate Sustainability Reporting Directive (<i>CSRD</i>) • <i>Taxonomy</i> • Transition Plan Taskforce (<i>TPT</i>) • Taskforce on Nature-related Financial Disclosure (TNFD) <p>UK:</p> <ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosures (<i>TCFD</i>) • Various voluntary frameworks. 	Violations of any policy about transparency and disclosures reported and actions taken.

Citations

- ¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464>
- ² https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en
- ³ https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en
- ⁴ <https://ec.europa.eu/sustainable-finance-taxonomy/>
- ⁵
 - Greenhouse Gas Protocol (<https://ghgprotocol.org/>),
 - CDP (<https://www.cdp.net/en>),
 - UN High-level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (<https://www.un.org/en/climatechange/high-level-expert-group>),
 - ISO Net Zero Guidelines (<https://www.iso.org/netzero>),
 - UN Race to Zero (RtZ) Starting Line and Leadership Practices 3.0 (<https://unfccc.int/climate-action/race-to-zero-campaign>),
 - Science Based Targets' initiative Net Zero Standard (<https://sciencebasedtargets.org/net-zero>),
 - Oxford Net Zero principles (<https://netzeroclimate.org/what-is-net-zero/>)
- ⁶
 - Global Reporting Initiative (<https://www.globalreporting.org/>),
 - The International Sustainability Standards Board (<https://www.ifrs.org/groups/international-sustainability-standards-board/>) builds on the work of the Task Force on Climate-related Disclosures (<https://www.fsb-tcdf.org/>)
- ⁷ https://energy.ec.europa.eu/topics/energy-efficiency_en
- ⁸ https://environment.ec.europa.eu/topics/industrial-emissions-and-safety/industrial-emissions-directive_en
- ⁹ <https://eippcb.jrc.ec.europa.eu/reference/>
- ¹⁰ <https://echa.europa.eu/legislation>
- ¹¹ <https://sciencebasedtargetsnetwork.org/how-it-works/the-first-science-based-targets-for-nature/>
- ¹² https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=OJ%3AL_202302486
- ¹³ <https://eur-lex.europa.eu/eli/dir/2020/2184/oj>
- ¹⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_2022.124.01.0041.01.ENG
- ¹⁵ https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
- ¹⁶ Scope of EUDR: cattle, cocoa, coffee, oil palm, rubber, soy, and wood products.
- ¹⁷ <https://op.europa.eu/en/publication-detail/-/publication/7230759d-f136-44ae-9715-1eacc26a11af/language-en>
- ¹⁸ https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en
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- ²⁰ <https://www.cbd.int/gbf/>

Citations *(continued)*

²¹ Examples include

- RSPO <https://rspo.org/>, RTRS <https://www.foodchainid.com/certification/rtrs-certification/>,
- FSC <https://se.fsc.org/>,
- RSB <https://rsb.org/>, ISCC <https://www.iscc-system.org/>,
- ASI <https://aluminium-stewardship.org/>,
- Bonsucro <https://bonsucro.com/> and many more

²² https://environment.ec.europa.eu/news/green-deal-new-guidelines-sustainable-forest-management-and-payment-schemes-forest-ecosystem-2023-07-27_en and https://agriculture.ec.europa.eu/system/files/2023-07/guidance-dev-public-private-payment-schemes-forest_en.pdf

²³ <https://ellenmacarthurfoundation.org/>

²⁴ Under review https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en

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²⁷ https://green-business.ec.europa.eu/environmental-footprint-methods_en

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³⁰ • Unfair business to consumer commercial practices directive 2005/29 and

- Related guidance https://commission.europa.eu/law/law-topic/consumer-protection-law/unfair-commercial-practices-law/unfair-commercial-practices-directive_en and
- Misleading and comparative advertising directive 2006/114 in business to business commercial practices <https://eur-lex.europa.eu/eli/dir/2006/114/oj>

³¹ • https://environment.ec.europa.eu/topics/circular-economy/green-claims_en, Proposed new Directive on substantiation and

- Communication of explicit environmental claims https://environment.ec.europa.eu/publications/proposal-directive-green-claims_en and
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³⁵ <https://www.echr.coe.int/european-convention-on-human-rights>

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³⁸ <https://www.iso.org/iso-45001-occupational-health-and-safety.html>

³⁹ About the definition of Diversity, Equity, and Inclusion: <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-diversity-equity-and-inclusion>

⁴⁰ Marc Barnhill, "Your Company's Greatest Investment Is People," *Forbes* (29 September 2022),

<https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2022/09/29/your-companys-greatest-investment-is-people/?sh=1193804a4dde>

Final Remarks

Please note that this example of an ESG Framework cannot provide an exhaustive list of all ESRS or Taxonomy criteria nor of all regulatory requirements and recognised best practices, as this list will be highly specific to each company, economic activity, and jurisdiction. EU websites may provide helpful sector-relevant summaries. These are very fast-moving areas of the law, and setting voluntary goals can help a company to be best prepared for emerging requirements.

Reminder: This document was created with an **effective date of 31 December 2023** by the ACC Europe ESG working group for information only, with the purpose of supporting in-house counsel on ESG topics, and to serve as a starting point for reflection based on a selection of best practices. It does not constitute legal advice for any entity or individual. It does not intend to be fully comprehensive, does not provide an exhaustive list of relevant legislation (which is constantly evolving), and does not recommend any specific voluntary standard. This resource should not be considered representative of the views of the Association of Corporate Counsel (ACC) or any of its lawyers.

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