

C L I F F O R D
C H A N C E



**WHICH CONCRETE MEASURES ARE REQUIRED TO
EMBED ESG INTO GOVERNANCE?
BUILDING A ROADMAP TO DEAL WITH ESG**

ESG REGULATIONS – CHALLENGES FOR ETHICS & COMPLIANCE PROFESSIONALS IN THE
HEALTHCARE INDUSTRY
ETHICS INTERNATIONAL INTERACTIVE WORKSHOP, TUTZING, 29 APRIL 2024

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FUNDAMENTAL DECISIONS TO BE TAKEN



In order to implement the Sustainability/ESG-related requirements in the company, two fundamental decisions have to be made



Which Sustainability/ESG strategy shall be pursued?



What governance system should be established to implement the strategy?

The need for these decisions follows from the balancing of:

- Expectations of responsible and sustainable corporate behavior, which could be going beyond mandatory legal requirements
- Compliance with legally binding requirements, e.g. on reporting, auditing, compliance with certain minimum standards (value-related and organizational).



Without answering these questions, anchoring Sustainable/ESG compliant conduct across the company in a structured, efficient and legally secure way and to meet the expectations of the relevant stakeholders, may be challenging. ESRS asks the same questions and requires corresponding disclosure.

WHICH SUSTAINABILITY/ESG STRATEGY SHOULD BE PURSUED?



The determination of a Sustainability/ESG strategy is an absolute CEO and board decision and requires the following questions to be answered:

1



Which values should be observed, only legal requirements or voluntary commitments (setting the Sustainability/ESG ambitions and commitments of the company)?

2



What are the environmental and social expectations of the company in this respect from society, investors, employees, markets (each of these categories to be defined by the company)?

3



Are these applicable to the whole of the company's business or certain activities only?

4



Are the values already included in the vision, mission, purpose or do they need to be redefined (constitutionally and operationally)?

5



What are the consequences of the defined Sustainability/ESG understanding for the business, operational and financial model and the competitive environment (e.g. increased insourcing)?

6



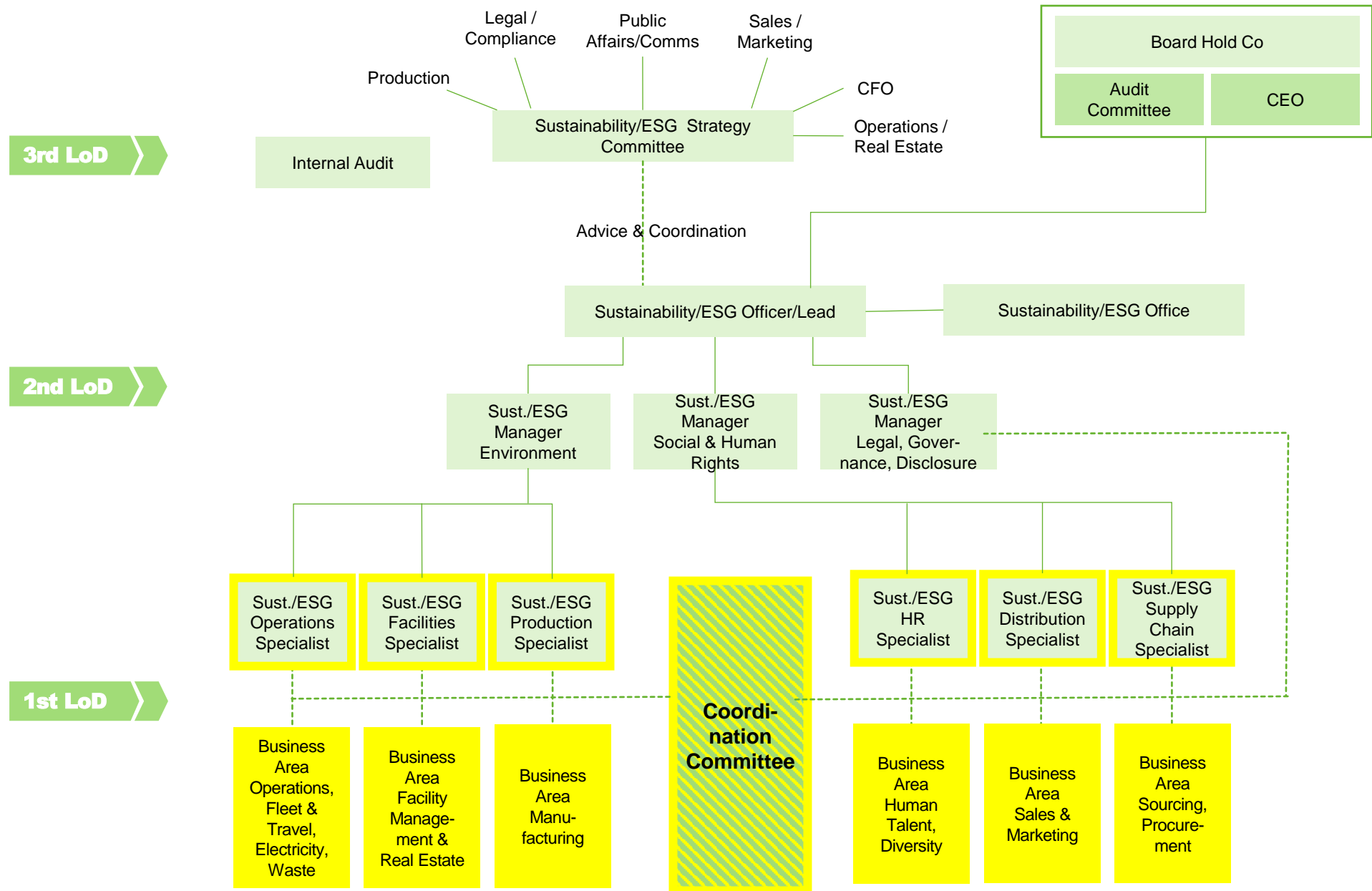
With what emphasis and through which measures should the various Sustainability/ESG commitments be pursued and achieved (including communication, public affairs, tone-from-the-top, corrections to business areas, remuneration systems, KPIs, etc.)?

7

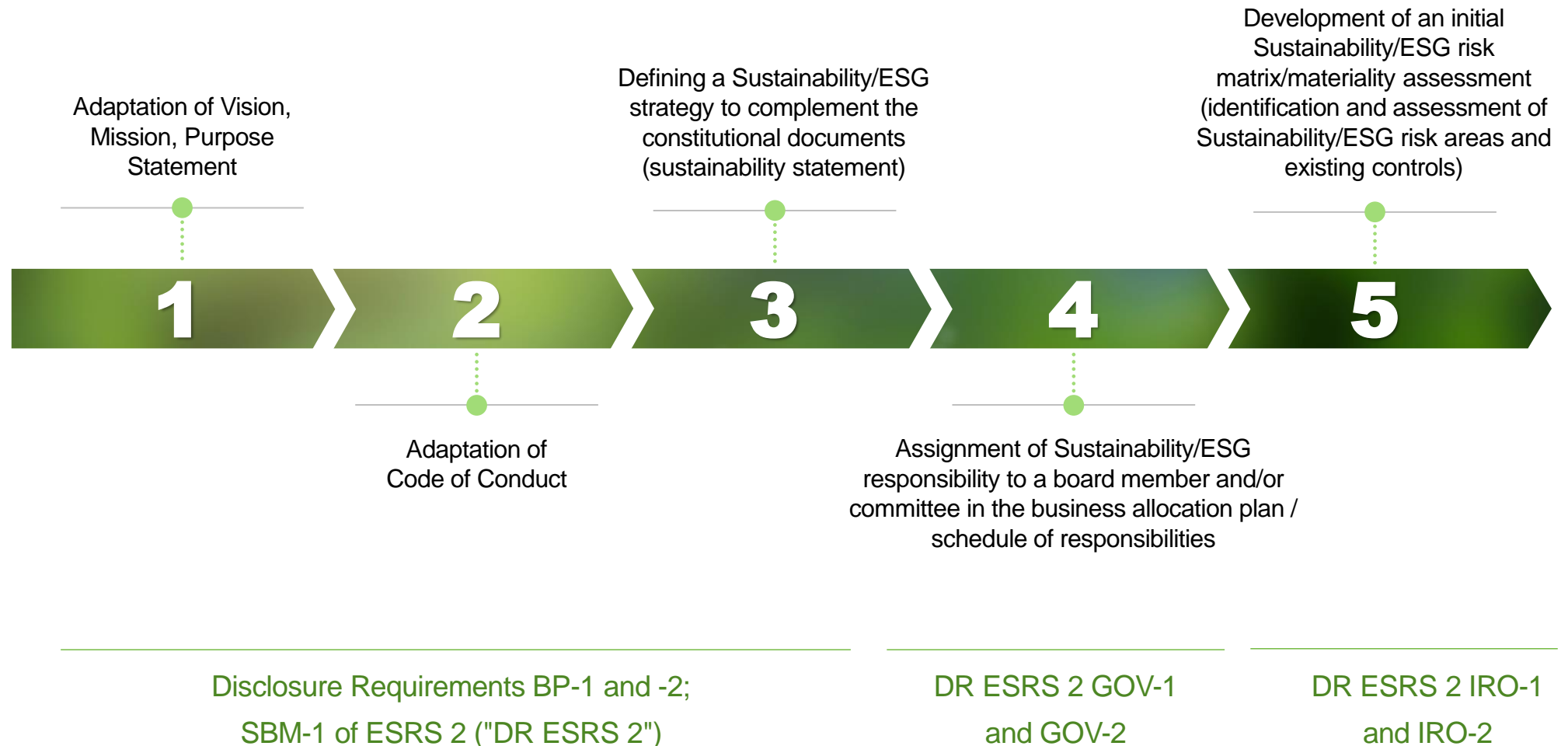


Which levels are to be involved in defining the strategy (shareholders, management, supervisory board, employees, investors)?

EXAMPLE OF A SUSTAINABILITY/ESG GOVERNANCE STRUCTURE (INDEPENDENT SUSTAINABILITY/ESG FUNCTION)



ESSENTIAL GOVERNANCE DOCUMENTS, LEGAL IMPLEMENTATION STEPS AND RELATING ESRS OBLIGATIONS (I)



ESSENTIAL GOVERNANCE DOCUMENTS, LEGAL IMPLEMENTATION STEPS AND RELATING **ESRS OBLIGATIONS** (II)

Basically, all Disclosure Requirements under
ESRS 1, 2 and ESRS G1

Development of individual policies, e.g., for
the implementation of supply chain laws,
supplier code of conduct, ESG reporting

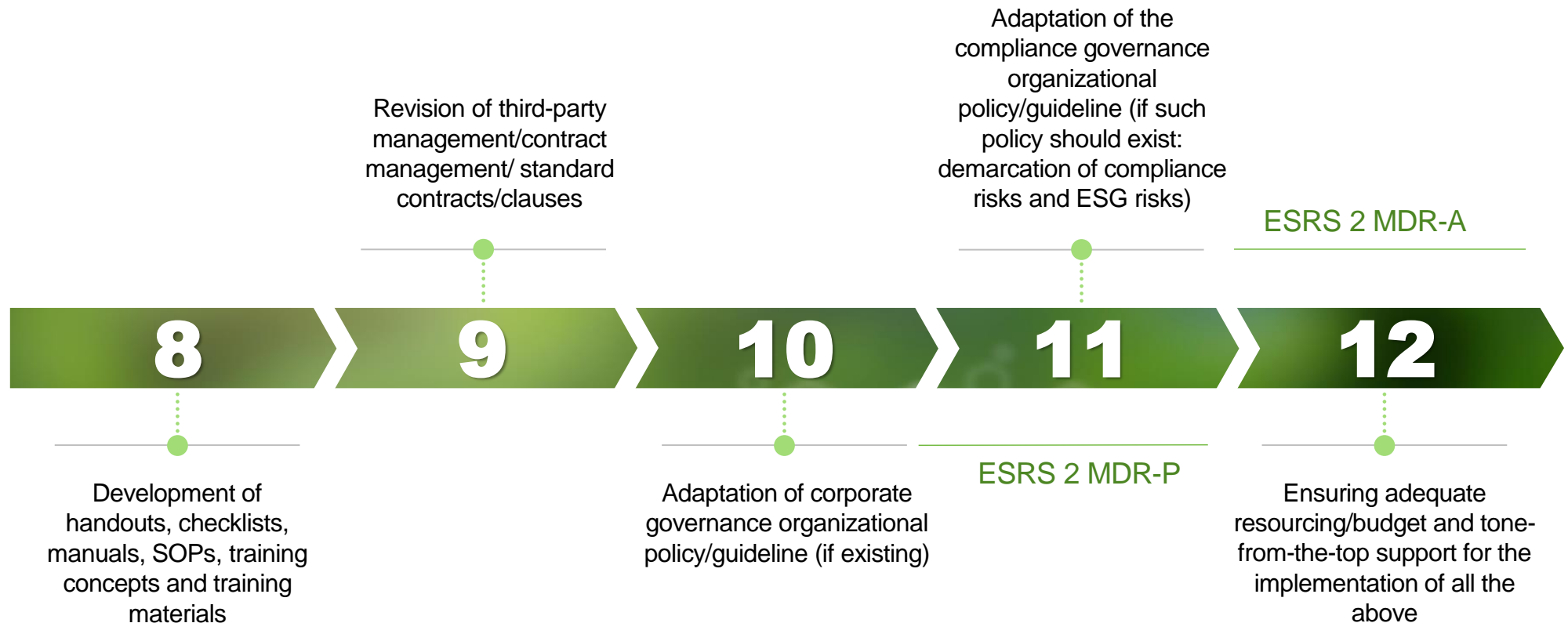


"ESG Governance Policy"

- Definition of ESG understanding/commitment
- Definition of the ESG governance structure
- Delegation of ESG responsibilities to special ESG functions and business functions
- Job descriptions of ESG functions including reporting lines
- Definition of method for ESG risk/materiality assessments
- Regulations on ESG audits, training/education, communication, ESG reporting, sanctions, reporting system, etc.
- Development of KPIs and tracking of performance

ESRS 2 MDR-P

ESSENTIAL GOVERNANCE DOCUMENTS, LEGAL IMPLEMENTATION STEPS AND RELATING **ESRS OBLIGATIONS** (III)



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