

# ESRS G1: Supplier relationship management, including payments 1/38/24



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When adopting a supplier management model, companies look for the most efficient ways to optimise relationships with their suppliers, make their supply chains more efficient and cut their costs to continue receiving the best goods and services within the most appropriate time frames.

A supplier management model usually deals with selecting and evaluating suppliers, building and maintaining relationships, identifying and managing risks, adopting a communication and cooperation model, and other matters relevant to your company.

EFRAG guidelines on supply chain management offer an overview of principles that can be applied to developing and adopting a supplier management model in your company, and to obtaining necessary data that can later be used in the context of sustainability reporting, for example:

- Defining key impacts, risks and opportunities – an efficient supplier management model includes the need to understand the impacts, risks and opportunities associated with suppliers.
- The supplier management model will include methods not only for managing supplier relationships but also for ensuring they meet certain standards and requirements (e.g. AML requirements).

European Sustainability Reporting Standard G1 *Business Conduct* includes requirements for supplier payment practices, focusing on late payments to small and medium enterprises (SMEs). Let's take a closer look at this standard.

## The goal of disclosing payment practices

- To provide an overview of contractual payment deadlines and your company's performance when it comes to payments, especially their impact on SMEs and late payments to SMEs in particular

## Mandatory disclosures

- *Average time to pay an invoice.* Your company should state the average number of days required to pay an invoice, starting from the date on which calculation of the contractual or statutory time limit begins.
- *Standard terms of payment.* Your company should describe its standard terms of payment expressed as the number of days and split by key supplier categories, as well as stating the percentage of payments made according to these standard terms.
- *Pending litigation.* Your company should state the number of pending court cases over late payments.
- *Additional information.* Your company should provide additional information that is necessary

for sufficient context. If your company has used a representative sample to compute the average time for paying an invoice, you should state this fact and briefly describe the methods used.

## Additional contextual information

- In some cases the standard terms of payment in your company's contract may vary substantially according to the country or type of supplier. In such cases you can provide information on the standard terms for your key supplier categories, country or geographical region.

These requirements help secure transparency and responsibility in your company's payment practices, especially for SMEs, as well as improving cooperation and building trust between companies and suppliers.