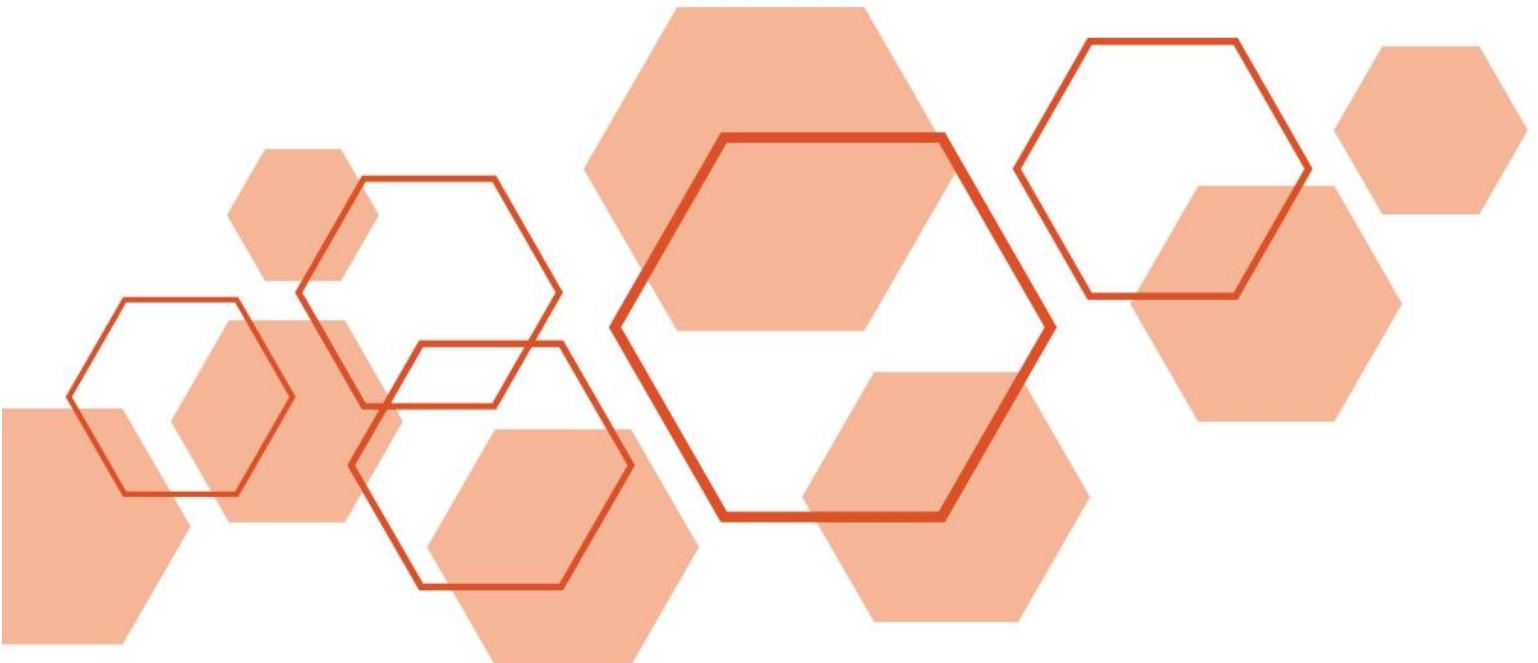


EXPOSURE DRAFT

ESRS S1 **Own workforce**

April 2022



Open for comments until 8 August 2022

DISCLAIMER

This Exposure Draft has to be read in conjunction with the cover note for ESRS public consultation. It has been prepared under the sole responsibility of the EFRAG PTF-ESRS and is submitted for public consultation by EFRAG SRB to inform the upcoming standard-setting steps. It therefore does not reflect the EFRAG SRB's position at this stage, nor the position of the European Union nor European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA), nor the position of organisations with which the EFRAG PTF-ESRS has cooperated. The final version of the [draft] Standard will be produced by the EFRAG SRB starting from this Exposure Draft, taking into consideration the outcome of the public consultation and the requirements of the final CSRD.

[Draft] ESRS S1 Own workforce is set out in paragraphs 1–118 and Appendices A: Defined terms and B: Application Guidance. All the paragraphs, including those in the Appendices A and B, have equal authority. Each Disclosure Requirement objective is stated in a bold paragraph, followed by a paragraph that illustrates the principle to be followed in the preparation of the respective disclosures. The [draft] Standard also uses terms defined in other [draft] ESRS and should be read in the context of its objective.

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Objective

1. The objective of this [draft] Standard is to specify disclosure requirements which will enable users of the sustainability statements to understand:
 - (a) how the undertaking affects own workforce, in terms of material positive and negative actual or potential impacts;
 - (b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
 - (c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on own workforce, and how the undertaking manages them; and
 - (d) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on own workforce, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.
2. In order to meet the objective, this [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to:
 - (a) working conditions, including:
 - i. training and development;
 - ii. health and safety;
 - iii. working hours;
 - iv. work-life balance;
 - v. fair remuneration; and
 - vi. social security.
 - (b) access to equal opportunities, including:
 - vii. discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation;
 - viii. equality in pay;
 - ix. access to secure employment;
 - x. equal treatment regarding working conditions, access to social protection and training; and
 - xi. inclusion of persons with disabilities.
 - (c) other work-related rights, including rights related to:
 - i. freedom of association and collective bargaining;
 - ii. social dialogue;

- iii. child labour;
 - iv. forced labour;
 - v. privacy; and
 - vi. adequate housing.
3. This [draft] Standard derives from the [draft] CSRD, which states that sustainability reporting standards shall specify information to be disclosed about social factors in relation to own workforce.
 4. This [draft] Standard also requires an explanation of how such impacts, as well as the undertaking's dependencies on its own workforce, can create material risks or opportunities for the undertaking. For example, on the matter of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation. Conversely, policies to increase the representation of women in the workforce and in upper levels of management can have positive effects, such as increasing the pool of qualified labour and improving the undertaking's reputation.
 5. This [draft] Standard covers an undertaking's "own workforce", which is understood to include both workers who are in an employment relationship with the undertaking ("employees") and non-employee workers who are either individuals with contracts with the undertaking to supply labour ("self-employed workers") or workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78).
 6. This [draft] Standard does not cover (i) workers in the undertaking's upstream or downstream value chain for whom neither work nor workplace are controlled by the undertaking; or (ii) workers whose work and/or workplace is controlled by the undertaking but are neither employees, nor individual contractors ("self-employed workers"), nor workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78); these categories of workers are covered in ESRS S2 Workers in the value chain.
 7. The [draft] Standard requires undertakings to describe their own workforce, including key characteristics of the employees and non-employee workers that are part of it. This description provides users with an understanding of the structure of the undertaking's own workforce and helps to contextualise information provided through other disclosures.
 8. The terms "own workforce" and "own workers" are used interchangeably in this [draft] Standard. All disclosures under performance measures in this [draft] Standard shall be reported separately for employees and non-employee workers in their own workforce, unless the disclosure requirement prescribes that the information is to be disclosed for employees only.
 9. The objective of the [draft] Standard is also to ensure that the reporting requirements enable undertakings to disclose alignment with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Multinational Guidelines, the Charter of Fundamental Rights of the European Union, the Convention on Human Rights of the European Union, the European Social Charter (revised), EU policy priorities as set out by the European Pillar of Social Rights, and EU legislation, including the EU labour law acquis, the Sustainable Finance Disclosure Regulation and the EU taxonomy regarding sustainable finance, especially regarding the approach and reporting needs set out by the "minimum safeguards".

Interaction with other ESRS

10. This [draft] Standard shall be read in conjunction with ESRS 1 General Principles, and ESRS 2 General, Strategy, Governance and Materiality Assessment, as well as the ESRS S2, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.
11. The reporting under this [draft] Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workforce under ESRS S2, in order to ensure effective reporting.

Disclosure requirements

General, Strategy, Governance and Materiality Assessment

12. The provisions of this [draft] Standard shall be read in conjunction with and reported alongside the disclosures required by ESRS 2.
13. Appendix B of this [draft] Standard contains specific application guidance to report on Own Workforce that the undertaking shall follow when disclosing information under ESRS 2, in particular with regard to:
 - (a) the interaction between material impacts, risks and opportunities and the strategy and business model as per ESRS 2 Disclosure Requirements SBM 2, 3 and 4;
 - (b) the outcome of the assessment of material sustainability impacts, risks and opportunities as per ESRS 2 Disclosure Requirements IRO 2 and 3; and
 - (c) the information of the administrative, management and supervisory bodies about sustainability matters as per ESRS 2 Disclosure Requirement GOV 2.

Policies, targets, action plans and resources

Disclosure Requirement S1-1 – Policies related to own workforce

14. The undertaking shall state its policies that address the management of its material impacts on own workforce, as well as associated material risks and opportunities; and provide a summary of the content of the policies and how they are communicated¹.
15. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on the undertaking's own workforce specifically, as well as policies that cover impacts, risks and opportunities in one policy. It also aims to provide an understanding of how both the internal organisation, and the workers whose interests they address, are made aware of their existence and content.

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #11 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises").

16. The summary of the description of the policy shall contain the information requirements defined in ESRS 1 Disclosure Principle 1 – On policies adopted to manage material sustainability matters.
17. Where a policy is publicly available, the undertaking may provide a link to the policy.
18. The undertaking shall state human rights policy commitments that are relevant to own workforce, including those policies to monitor compliance with UN Global Compact principles or OECD Guidelines for Multinational enterprises, in relation to the social matters described in paragraph 2 of the Objective section, as well as those that address²:
 - (a) respect for the human rights of all stakeholders;
 - (b) respect for the human rights, including labour rights, of own workers;
 - (c) engagement with affected stakeholders; and
 - (d) measures to provide and/or enable remedy for human rights impacts.
19. The undertaking shall also state whether its policies in relation to own workers explicitly address trafficking in human beings, forced or compulsory labour and child labour.
20. The undertaking shall also include a statement if it does not have a workplace accident prevention policy or management system³.
21. The undertaking shall summarise how the policy that addresses material impacts on, and risks and opportunities in relation to, own workforce (including policy commitments, codes of conduct and other relevant policies as outlined above) is communicated in an accessible form to own workers.
22. If the undertaking cannot disclose the above required information, because it does not believe it has material impacts, risks and opportunities in relation to own workforce or it has not adopted a policy and/or objectives as outlined in ESRS 1, it shall disclose this to be the case, shall provide reasons for not having adopted a policy or objectives, and may report a timeframe in which it aims to have such policy or objectives in place.

Disclosure Requirement S1-2 – Processes for engaging with own workers and workers' representatives about impacts

23. **The undertaking shall explain its general processes for engaging with its own workers and workers' representatives about actual and potential material impacts on its own workforce.**
24. The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking engages, as part of its ongoing due diligence process, with its own workers and workers' representatives about material, actual and potential, positive and/or negative impacts that do, or may, affect its own workforce.

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #9 and #11 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Lack of a human rights policy" and "Lack of processes and measures for preventing trafficking in human beings").

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impact as set out by indicator #1 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Investments in companies without workplace accident prevention policies").

25. The undertaking shall explain whether and how the perspectives of its own workforce inform the decisions or activities aimed at managing the actual and potential material impacts on its workforce. This shall include, where relevant, an explanation of:
- (a) whether engagement occurs with the undertaking's own workers or workers' representatives;
 - (b) the stage(s) at which engagement occurs (for example, in assessing material impacts on own workers, in determining approaches or in evaluating their effectiveness), and the type of engagement (e.g. information, consultation, participation, etc.), as well as the frequency of the engagement (e.g. quarterly, yearly, etc);
 - (c) what role or function within the undertaking has responsibility for ensuring that this engagement happens and that the results inform the undertaking's approach;
 - (d) any Framework Agreement or other agreements that the undertaking has with workers' representatives related to the respect of human rights of its own workforce, in relation to the social matters listed in paragraph 2 of the Objectives section; and
 - (e) how the effectiveness of and, where relevant, outcomes and agreements from engagements are monitored.

Disclosure Requirement S1-3 – Channels for own workers and workers' representatives to raise concerns

26. **The undertaking shall describe:**
- (a) the channels it has in place for own workers and workers' representatives to raise their concerns or needs directly with the undertaking; and/or
 - (b) the processes through which the undertaking supports the availability of such channels through the workplace of own workers; and
 - (c) how it monitors issues raised and addressed.
27. The principle to be followed under this Disclosure Requirement is to provide an understanding of the formal means by which the undertaking's own workers and workers' representatives can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of grievance mechanisms in the workplace of their own workers and workers' representatives, how follow up is done with these own workers and workers' representatives regarding the issues raised, and the effectiveness of these channels.
28. The undertaking shall describe the channels in place, together with information on how the undertaking supports or requires the availability of such channels and whether it has insight into the issues raised. The channels, for raising concerns or needs, include any grievance mechanism, hotlines, dialogue processes or other means through which own workers and workers' representatives can raise concerns about impacts on their working conditions, equality of opportunity and right to non-discrimination, and other work-related rights, or to explain needs that they would like the undertaking to address.
29. The undertaking shall report if there are channels in place to cover the following:
- (a) workers' working conditions, including workforce training and development, health and safety (including access to water and sanitation), working hours, work-life balance, payment of fair wages, and access to social security;
 - (b) workers' access to equal opportunities, including freedom from discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation; equality in pay; access to secure employment; equal treatment

- regarding working conditions, access to social protection and training; and the inclusion of persons with disabilities; and
- (c) Other workers' work-related rights, including freedom of association and collective bargaining, social dialogue, child labour, forced labour, privacy at work, and adequate housing.
30. The undertaking shall explain whether and how it knows that its own workers are aware of, and trust, these structures or processes as a way to raise their concerns or needs and have them addressed. Also whether the undertaking has policies in place regarding the protection of individuals that use them, including workers' representatives, against retaliation.
31. If the undertaking cannot disclose the above required information because it has not adopted a channel for raising concerns and/or does not support the availability of mechanism in the workplace for own workers, it shall disclose this to be the case. It shall then also provide reasons for not having adopted such a channel and may report a timeframe in which it aims to have such a channel to be in place.

Disclosure Requirement S1-4 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

32. **The undertaking shall explain any outcome-oriented targets it may have related to:**
- (a) reducing negative impacts on its own workforce; and/or
- (b) advancing positive impacts on its own workforce; and/or
- (c) managing material risks and opportunities related to its own workforce.
33. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing its negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.
34. The undertaking shall describe any targets linked to specific material positive or negative impacts on its own workers and/or to risks or opportunities associated with its own workers.
35. The summary of the description of the targets shall contain the information requirements defined in ESRS 1 related to the Disclosure Principle 2 – On targets, progress and tracking effectiveness.
36. The undertaking shall disclose any targets with regard to:
- (a) workers' working conditions, including workforce training and development, health and safety (including access to water and sanitation), working hours, work-life balance, payment of fair wages, and access to social security;
- (b) workers' access to equal opportunities, including freedom from discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation; equality in pay; access to secure employment; equal treatment regarding working conditions, access to social protection and training; and inclusion of persons with disabilities; and
- (c) workers' other work-related rights, including rights related to freedom of association and collective bargaining, social dialogue, child labour, forced labour, privacy at work, and adequate housing.

37. The undertaking shall disclose the process for setting the targets, including whether and how the undertaking engaged directly with its own workers and workers' representatives in:
 - (a) setting any such targets;
 - (b) tracking the undertaking's performance against them; and
 - (c) identifying any lessons or improvements as a result of the undertaking's performance.
38. The undertaking, when applicable, shall disclose the connection and cross-refer any targets disclosed under this Disclosure Requirement and those disclosures from the performance measures provided under the sections below on Working Conditions, Equal Opportunities and Other Work-Related Rights.

Disclosure Requirement S1-5 – Taking action on material impacts on own workforce and effectiveness of those actions

39. **The undertaking shall explain:**
 - (a) what action is planned or underway to prevent, mitigate or remedy material negative impacts on its own workforce that are connected to its operations, products or services;
 - (b) any additional initiatives or processes it has in place with the primary purpose of delivering positive impacts for its own workforce; and
 - (c) how it assesses the effectiveness of these actions, programmes and processes in delivering outcomes for its own workforce.
40. The principle to be followed under this Disclosure Requirement is to provide an understanding of the types of processes, initiatives or engagements through which the undertaking:
 - (a) works to prevent, mitigate and remedy material impacts on its own workforce, or
 - (b) seeks to achieve positive impacts for its own workforce, recognising that in both instances, the ultimate aim is to deliver improved outcomes in workers' lives.
41. The summary of the description of the approaches to taking action on material impacts shall contain the information requirements defined in ESRS 1 related to the Disclosure Principle 3 – On actions, action plans and resources in relation to policies and targets.
42. The undertaking shall describe its approaches to:
 - (a) identifying what action is needed and appropriate in response to a particular actual or potential material negative impact;
 - (b) taking action in relation to specific material impacts on its own workers; and
 - (c) ensuring that processes to provide or enable remedy in the event of negative impacts are available and effective in their implementation and outcomes.
43. The undertaking shall describe the approaches and processes through which it tracks the effectiveness of the actions it takes to address impacts. Where it has in place a target in relation to a material impact, as disclosed under ESRS S1 Disclosure Requirement 4, it shall explain how these efforts to track the effectiveness of its actions, including any indicators it uses, relate to the target and help the undertaking evaluate its progress.
44. The undertaking shall also describe whether it has additional initiatives or processes in place whose primary purpose is to deliver positive impacts for its own workers.

Disclosure Requirement S1-6 – Approaches to mitigating material risks and pursuing material opportunities related to own workforce

45. **The undertaking shall explain:**
 - (a) what action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workers; and
 - (b) what action is planned or underway to pursue material opportunities for the undertaking in relation to own workers.
46. The principle to be followed under this Disclosure Requirement is to provide an understanding of the ways in which the undertaking is addressing material risks and pursuing material opportunities related to its own workforce.
47. The undertaking shall explain how the actions it has planned or is implementing in response to material risks arising from its impacts and dependencies on its own workforce are expected to mitigate those risks, and how it tracks their effectiveness in practice, including any evidence to date of their success.
48. The undertaking shall explain how the actions it has planned or is implementing to pursue material opportunities for the undertaking arising from its impacts and dependencies on its own workforce are expected to achieve the opportunities, and how it tracks their effectiveness in practice, including any evidence to date of their success.

Performance measures

Disclosure Requirement S1-7 – Characteristics of the Undertaking's Employees

49. **The undertaking shall describe key characteristics of employees in its own workforce.**
50. The principle to be followed under this Disclosure Requirement is, in conjunction with ESRS S1 Disclosure Requirement 8, to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard, in particular on Working Conditions, Equal Opportunities and Other Work-Related Rights.
51. The disclosure required by paragraph 49 shall include:
 - (a) a report of the total number of:
 - i. employees, and a breakdown by country for countries in which the undertaking has 50 or more employees;
 - ii. permanent employees, and a breakdown by gender;
 - iii. temporary employees, and a breakdown by gender;
 - iv. non-guaranteed hours employees, and a breakdown by gender;
 - v. full-time employees, and a breakdown by gender;
 - vi. part-time employees, and a breakdown by gender;

For each of the items required by (a) ii. to (a) vi. the undertaking shall also provide a breakdown by country for those countries in which 10% or more of the undertaking's employees are located.

- (b) a description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:
 - i. in headcount, full-time equivalent (FTE), or using another methodology; and
 - ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.
- (c) the provision of contextual information necessary to understand the data;
- (d) a description of significant fluctuations in the number of employees during the reporting period and between the current and the previous reporting period;
- (e) a cross-reference of the information reported under (a) i. above and the average number of employees to the most representative number in the financial statements.

Disclosure Requirement S1-8 – Characteristics of non-employee workers in the undertaking's own workforce

- 52. **The undertaking shall describe key characteristics of non-employee workers in its own workforce.**
- 53. The principle to be followed under this Disclosure Requirement is, in conjunction with ESRS S1 Disclosure Requirement 7, to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard, in particular on Working Conditions, Equal Opportunities and Other Work-Related Rights.
- 54. The disclosure required by paragraph 52 shall include:
 - (a) a report of the total number of non-employee workers in own workforce, i.e. either individuals with contracts with the undertaking to supply labour ("self-employed workers") or workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78), including a description of:
 - i. the most common types of workers and their relationship with the undertaking;
 - ii. the type of work they perform;
 - (b) an explanation of the methodologies and assumptions used to compile the data, including whether the number of in own workforce is reported:
 - i. in headcount, full-time equivalent (FTE), or using another methodology;
 - ii. at the end of the reporting period, as an average across the reporting period, or using another methodology;
 - (c) a description of significant fluctuations in the number of non-employee workers in the undertaking's own workforce during the reporting period and between the current and the previous reporting period;

- (d) where data is not available for detailed information, the undertaking shall approximate the number and state that it has done so. When the undertaking approximates data that is not available, it has to describe the basis of preparation of this approximation.

Working conditions

Disclosure Requirement S1-9 – Training and Skills Development indicators

55. **The undertaking shall disclose the extent to which training, and development is provided to its own workforce.**
56. The principle to be followed under this Disclosure Requirement is to provide an understanding of the training and skills development-related activities that have been offered to own workers, within the context of continuous professional growth, to upgrade own workers' skills and facilitate continued employability.
57. The disclosures detailed below shall be provided for employees and non-employees separately. For employees, the information shall be disaggregated at the level of granularity required by datapoints described below for (a) - (c) and, for non-employees, no further disaggregation shall be required. The information to be disclosed shall include:
- (a) the percentage of own workers that participated in regular performance and career development reviews for each employee category;
 - (b) the average number of training hours per person in own workforce by employee category and gender; and
 - (c) average expenses on training per full-time equivalent (FTE) for the reporting year. In addition, the undertaking shall reconcile the total expenses included in the numerator of this ratio with the most representative amount recorded in the financial statements.

Disclosure Requirement S1-10 – Coverage of the health and safety management system

58. **The undertaking shall disclose information on the extent to which its own employees are covered by its health and safety management system.**
59. The principle to be followed under this Disclosure Requirement is to provide an understanding of the coverage of the undertaking's management system to prevent harm and promote health amongst the undertaking's employees.
60. The information required by this Disclosure Requirement shall include:
- (a) a description of the management systems, standards or guidelines that have been implemented by the undertaking, including a statement as to whether these are derived from recognised frameworks, standards or guidelines. If the undertaking excludes non-employee workers from the health and safety management system, this information shall be disclosed. The undertaking may cross-reference to the section on Policies, Targets, Action plans and resources of this Standard where this information may be reported; and
 - (b) the percentage of own employees who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines.
61. The undertaking may include the following additional information on the health and safety coverage:

- (a) the percentage of own employees who are covered by the undertaking's health and safety management system, based on legal requirements and/or recognised standards or guidelines, that has been internally audited; and
- (b) the percentage of own employees who are covered by the undertaking's health and safety management system, based on legal requirements and/or recognised standards or guidelines, that has been audited or certified by an external party.

Disclosure Requirement S1-11 – Performance of the health and safety management system

- 62. **The undertaking shall disclose the number of incidents associated with work-related injuries, ill health and fatalities of its own workers.**
- 63. The principle to be followed under this Disclosure Requirement is to provide an understanding of the quality and performance of the established health and safety management system to prevent work-related incidents. The undertaking shall provide the following information to comply with this Disclosure Requirement:
 - (a) the number of fatalities as a result of work-related injuries and work-related ill health;
 - (b) the number and rate⁴ of recordable work-related injuries;
 - (c) the number of cases of recordable work-related ill health; and
 - (d) the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health⁵.

Optional Disclosure - Disclosure Requirement S1-12 – Working Hours

- 64. **The undertaking shall disclose the percentage of its own workers that exceed 48 hours of work per week over the applicable reference period.**
- 65. The principle to be followed under this Disclosure Requirement is to provide an understanding of whether the undertaking respects the thresholds established by the EU and ILO standards on weekly working hours (48 hours per week over a reference period) to protect own workers' physical and mental health and their safety and work-life balance.
- 66. The disclosure required shall include the percentage of own workers (as full-time equivalents) working more than 48 hours per week, including overtime.

Disclosure Requirement S1-13 – Work-Life Balance indicators

- 67. **The undertaking shall disclose to which extent the employees are entitled to and make use of family-related leaves.**

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Rate of accidents").

⁵ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #3 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Number of days lost to injuries, accidents, fatalities or illness").

68. The principle to be followed under this Disclosure Requirement is to provide an understanding of the actual practices amongst the employees to take family-related leave in a gender equitable manner.
69. The disclosure required shall include:
 - (a) the percentage of employees entitled to take family-related leaves, disaggregated by gender;
 - (b) the percentage of entitled employees that took family-related leaves disaggregated by gender; and
 - (c) return to work and retention rates of employees that took, maternity, paternity and/or parental leave, disaggregated by gender.

Disclosure Requirement S1-14 – Fair remuneration

70. **The undertaking shall disclose information on the remuneration of its lowest-paid own workers.**
71. The principle to be followed under this Disclosure Requirement is to provide an understanding of whether all of an undertaking's own workers are earning a fair wage, and, if this is not the case, an understanding of what percentage of own workers are earning less than a fair wage.
72. The undertaking shall report the percentage of own workers whose wage is below the fair wage and the name of the countries in which the lowest wage for their own workers is below the fair wage.
73. The undertaking shall disclose its methodology for calculating the fair wage and the lowest wage.
74. If all of the undertaking's own workers are earning a fair wage, the undertaking shall report this information.

Disclosure Requirement S1-15 – Social security eligibility coverage

75. **The undertaking shall disclose the percentage of its own workers eligible for social security.**
76. The principle to be followed under this Disclosure Requirement is to understand whether there are own workers of the undertaking that are not eligible for social security and, as a result, are especially vulnerable to major social risks.
77. The disclosure required shall include the percentage of own workers that are not eligible for social security either through the undertaking or government programmes.
78. If all of the undertaking's own workers are eligible for social security coverage, the undertaking shall report this information.

Equal opportunities

Disclosure Requirement S1-16 – Pay gap between women and men

79. **The undertaking shall disclose the percentage gap in pay between women and men.**

80. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent of any gap in the pay between women and men amongst the undertaking's employees.
81. The undertaking shall disclose the following information:
 - (a) the male-female pay gap, defined as the difference between average gross hourly earnings of male paid employees and of female paid employees expressed as a percentage of average gross hourly earnings of male paid employees⁶⁶;
 - (b) actions taken by the undertaking to reduce the pay gap. The undertaking may state this information by cross-referring to the section of policies, targets, action plans and resources disclosures of this [draft] Standard; and
 - (c) any contextual information necessary to understand the data and how the data has been compiled.

Disclosure Requirement S1-17 – Annual total compensation ratio

82. **The undertaking shall disclose the ratio between the compensation of its highest paid individual and the median compensation for its employees.**
83. The principle to be followed under this Disclosure Requirement is to provide an understanding of the level of compensation inequality inside the undertaking, whether wide pay disparities exist and how such disparities have evolved over time
84. The undertaking shall disclose the following information:
 - (a) the ratio of the annual total compensation ratio of the highest paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)⁷;
 - (b) the ratio of the percentage change in annual total compensation for the undertaking's highest-paid individual to the median percentage change in annual total compensation for all employees (excluding the highest-paid individual); and
 - (c) any contextual information necessary to understand the data and how the data has been compiled.

Disclosure Requirement S1-18 – Discrimination incidents related to equal opportunities

85. **The undertaking shall disclose the number of work-related discrimination incidents, any corrective actions taken during the reporting period and any related material fines or sanctions.**
86. The principle to be followed under this Disclosure Requirement is to provide an understanding of the incidence of work-related discrimination, including sexual and non-sexual harassment, the corrective actions that the undertaking has taken for its own workforce, and any related material fines or sanctions.

⁶ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #12 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Unadjusted gender pay gap").

⁷ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #8 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Excessive CEO pay").

87. When compiling the information specified in paragraph 85, the undertaking shall include, with respect for the relevant privacy regulations, work-related incidents of discrimination on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or other relevant forms of discrimination involving internal and/or external stakeholders across operations in the reporting period. Discrimination can also include harassment.
88. The undertaking shall report the following information:
 - (a) a description of any complaint or grievance mechanism to report alleged cases of discrimination⁸. The undertaking may state this information by cross-referring to the section on Policies, Targets, Action plans and Resources of this Standard;
 - (b) the total number of incidents of discrimination, including harassment, reported in the reporting period; in addition, the number of incidents of discrimination leading to financial sanctions⁹;
 - (c) the status of the incidents and actions taken with reference to the following:
 - i. incidents reviewed by the undertaking;
 - ii. remediation plans being implemented;
 - iii. remediation plans that have been implemented, with results reviewed through routine internal management review processes; and
 - iv. incidents no longer subject to action.
 - (d) how the undertaking assesses the extent to which own workers and workers' representatives are informed, enabled and protected with regard to the raising of complaints or grievances about discrimination, including harassment; and
 - (e) any contextual information necessary to understand the data and how such data has been compiled.
89. The undertaking shall also disclose the following information if material:
 - (a) the total amount of fines, penalties, and compensation for damages as a result of violations regarding own workers' equal opportunities rights as specified under the objectives section.
 - (b) if no such material penalties have been suffered, the undertaking may also state this.
90. The undertaking shall reconcile the monetary amounts disclosed with the most relevant amount presented in the financial statements.

⁸ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #5 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Lack of grievance/complaints handling mechanism related to employee matters").

⁹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #7 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Incidents of discrimination").

Disclosure Requirement S1-19 – Employment of persons with disabilities

91. **The undertaking shall disclose the percentage of persons with disabilities amongst its own workforce.**
92. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which persons with disabilities are included in an undertaking's workforce, and its composition by gender.
93. The undertaking shall disclose:
 - (a) the percentage of persons with disabilities amongst its own workforce;
 - (b) the total number of own workers with disabilities broken down by gender; and
 - (c) any contextual information necessary to understand the data and how the data has been compiled.

Disclosure Requirement S1-20 – Differences in the provision of benefits to employees with different employment contract types

94. **The undertaking shall disclose information on benefits which are standard for full-time permanent employees but are not provided to employees with temporary, part-time and non-guaranteed hour contracts.**
95. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which certain employees (those with temporary, part-time and/or non-guaranteed hour contracts) do not receive the same benefits as full-time, permanent employees.
96. The benefits to be considered when reporting on differences between standard benefits for full-time permanent employees and employees with temporary, part-time and/or non-guaranteed-hour contracts as required by paragraph 94 shall cover the following:
 - (a) life insurance;
 - (b) health care;
 - (c) disability and invalidity coverage;
 - (d) family-related leave;
 - (e) retirement provision;
 - (f) stock ownership;
 - (g) training and skills development; and
 - (h) other benefits.
97. The information required by paragraph 94 shall be reported for each country in which the undertaking has significant employment and there are differences in benefits between full-time permanent employees and employees with temporary, part time and/or non-guaranteed-hour contracts. If all employees in a country receive the same benefits independently of the type of contract, as full-time, permanent employees, the undertaking may disclose this information.

Other work-related rights

Disclosure Requirement S1-21 – Grievances and complaints related to other work-related rights

98. **The undertaking shall state the number of grievances and complaints received and resolved relating to workers' other work-related rights.**
99. The principle to be followed under this Disclosure Requirement is to provide an understanding of the undertaking's grievance mechanism or channel. This is the mechanism or channel through which those workers whose other work-related rights are impacted by the undertaking are able to lodge a concern or complaint, and that can provide access to remedy by resolving those complaints. Furthermore, it is to provide an understanding of the number of complaints raised and resolved at National Contact Points for OECD Multinationals.
100. The disclosure required by paragraph 98 shall include:
 - (a) a statement as to whether the undertaking lacks a grievance/complaints handling mechanism related to employee matters;
 - (b) per each of the rights described under the objective in paragraph 2:
 - i. the number of complaints filed through operational-level grievance mechanisms;
 - ii. the number of complaints raised through internal grievance mechanisms that are found to be substantiated by the undertaking;
 - iii. the number of complaints resolved through remediation;
 - iv. the number of complaints raised to National Contact Points for the OECD Multinational Enterprises; and
 - v. the number of complaints resolved through National Contact Points for the OECD Multinational Enterprises.

Disclosure Requirement S1-22 – Collective bargaining coverage

101. **The undertaking shall disclose information on the extent to which the working conditions and terms of employment of its own workforce are determined or influenced by collective bargaining agreements.**
102. The principle to be followed under this Disclosure Requirement is to provide an understanding of the importance of collective bargaining agreements for its own workforce.
103. The disclosure required by paragraph 101 shall include:
 - (a) the percentage of total employees covered by collective bargaining agreements;
 - (b) for employees not covered by collective bargaining agreements, a description of whether the organisation determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organisations; and

- (c) a description of the extent to which the working conditions and terms of employment of non-employee workers in their own workforce are determined or influenced by collective bargaining agreements.
104. The disclosure required by paragraph 101 shall include a breakdown of the collective bargaining coverage rate for employees for each country in which the undertaking has significant employment.

Disclosure Requirement S1-23 – Work stoppages

- 105. **The undertaking shall disclose the extent of major work stoppages (including both strikes and lockouts) because of disputes between the undertaking and its own workforce.**
- 106. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent of worker disputes and their impact on the undertaking's operations.
- 107. The disclosure required by paragraph 105 shall include a description of:
 - (a) the number of major work stoppages;
 - (b) for each major work stoppage:
 - i. the number of workers involved;
 - ii. the length in days of each stoppage; and
 - iii. a description of the reasons for each major work stoppage and the steps taken to resolve each dispute.
 - (c) a calculation of the total number of idle person-days FTE due to major work stoppages.

Disclosure Requirement S1-24 – Social dialogue

- 108. **The undertaking shall disclose the extent and functioning of social dialogue with workers' representatives of its own workforce.**
- 109. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the institutional prerequisites for social dialogue in the undertaking exist and the extent to which rights to social dialogue are respected in the undertaking's operations, particularly for those which are located in the European Economic Area (EEA).
- 110. The disclosure required by paragraph 108 shall include:
 - (a) the percentage of own workforce represented at the establishment level by workers' representatives, for each EEA country in which the undertaking has significant employment;
 - (b) the existence of any agreement with its workforce for representation by a European Works Council (EWC), an Societas Europaea (SE) Works Council, or an Societas Cooperativa Europaea (SCE) Works Council;
 - (c) if any workers' representatives are included in the undertaking's administrative, management and supervisory bodies, and if so, a description of the rights, selection process and number of workers' representatives in the bodies;

- (d) whether significant reorganisation events which trigger information and consultation rights for workers in the EU labour law acquis and/or national legislation took place and, if so, how these information and consultation rights were respected in each case. Such events which trigger information and consultation rights in the EU include:
- i. cross-border mergers, takeovers and conversions;
 - ii. changes in ownership, including takeovers and transfers of undertakings;
 - iii. significant decreases in employment, including site closures;
 - iv. insolvencies; and
 - v. if an EWC, SE or SCE works council exists, a description of transnational issues including transfer of production across borders.
- (e) For operations outside of EEA countries, the undertaking shall report the:
- i. minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them; and
 - ii. for undertakings with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.

Disclosure Requirement S1-25 – Identified cases of severe human rights issues and incidents

111. **The undertaking shall disclose the number of severe human rights issues and incidents connected to own workforce which occurred in the reporting year.**
112. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which severe human rights issues (e.g. forced labour, human trafficking or child labour) and incidents affecting the undertaking's own workforce through its activities or business relationships occurred in the reporting year.
113. The disclosure required by paragraph 111 shall include a report of:
 - (a) the number of severe human rights issues and incidents connected to the undertaking's own workforce in the reporting period, including an indication of how many of these are violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises¹⁰;
 - (b) the number of severe human rights incidents where the undertaking has played a role in securing remedy for those affected; and
 - (c) if no such incidents or issues have occurred, the undertaking shall also state this.
114. The undertaking shall also disclose the following information if material:

¹⁰ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table 1 of Annex 1 and by indicator #14 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Violations of UNGC principles and OECD" and "Number of identified cases of severe human rights issues and incidents").

- (a) the total amount of fines, penalties, and compensation for damages as a result of violations regarding own workers' equal opportunities rights as specified under the objectives section; and
 - (b) if no such material penalties have been suffered, the undertaking may also state this.
115. The undertaking shall reconcile the monetary amounts disclosed with the most relevant amount presented in the financial statements.

Disclosure Requirement S1-26 – Privacy at work

- 116. **The undertaking shall disclose the right to privacy at work for its own workforce.**
- 117. The principle underlying this Disclosure Requirement is to provide an understanding of an undertaking's measures on personal data protection concerning its workforce and the nature and extent of worker surveillance that is conducted.
- 118. The disclosure required by paragraph 116 shall include:
 - (a) a description of the Information Security System utilised with respect to the protection of personal data of workers;
 - (b) the number of data breaches involving worker data. If no such data breaches have been detected, the undertaking shall also state this; and
 - (c) a description of the types of workforce surveillance used and the percentage of workers subject to each form of surveillance.

Appendix A: Defined terms

This appendix is an integral part of the [draft] ESRS S1 Own workforce.

Annual total compensation	Annual total compensation includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and nonqualified deferred compensation earnings provided over the course of a year.
Child labour	<p>Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that:</p> <ul style="list-style-type: none">i. is mentally, physically, socially or morally dangerous and harmful to children; and/orii. interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work. <p>For the purpose of this definition, a child refers to a person under the age of 15 years, or under the age of completion of compulsory schooling, whichever is higher. Exceptions can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years applies.</p> <p>These countries of exception are specified by the International Labour Organisation (ILO) in response to a special application by the country concerned and in consultation with representative organisations of employers and workers.</p>
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for:

	<ul style="list-style-type: none"> i. determining working conditions and terms of employment; and/or ii. regulating relations between employers and workers; and/or iii. regulating relations between employers or their organisations and a workers' organisation or workers' organisations.
Confirmed incident	Incident of child or forced labour or human trafficking that has been found to be substantiated. Confirmed incidents do not include incidents of child or forced labour or human trafficking that are still under investigation in the reporting period.
Development	For the aim of this Standard, development is defined as those initiatives put in place by the undertaking aimed at personal and career advancement of its workers.
Discrimination	Discrimination can occur directly or indirectly - Direct discrimination will have occurred when an individual is treated less favourably by comparison to how others, who are in a similar situation, have been or would be treated, and the reason for this is a particular characteristic they hold, which falls under a "protected ground". Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics. It must be shown that a group is disadvantaged by a decision when compared to a comparator group.
Employee	An employee is an individual who is in an employment relationship with the undertaking according to national law or practice.
Equal opportunities	Equal opportunities refer to an equal and non-discriminatory access to, among individuals, of opportunities for education, training, employment, career development and the exercise of power without their being disadvantaged on the basis of criteria such as gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation.
Equal treatment	The principle of equal treatment is a general principle of European law which presupposes that comparable situations or parties in comparable situations are treated in the same way. There shall be no direct or indirect

	discrimination based on criteria such as gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation. In the context of the present standard, own workforce has the same rights to receive the same treatment and not to be discriminated either directly or indirectly against on the basis of protected grounds such as gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation.
Fair wage	A wage that provides for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions (EPSR Principle 6). Widely used benchmarks for a fair wage are 60% of the gross median wage and 50% of gross average wage.
Forced labour	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily. The term encompasses all situations in which persons are coerced by any means to perform work and includes both traditional “slave-like” practices and contemporary forms of coercion where labour exploitation is involved, which may include human trafficking and modern slavery.
Grievance mechanisms	Grievance mechanisms refer to any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsman offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the organisation, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil

	<p>society organisations, or multi-stakeholder groups.</p> <p>Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly affected.</p> <p>According to UN Guiding Principle 31 [14], effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.</p>
Harassment	<p>Harassment is defined as a course of comments or actions that are unwelcome or should reasonably be known to be unwelcome, to the person towards whom they are addressed. Harassment occurs when one or more employees are deliberately abused, threatened and/or humiliated in circumstances relating to work. Harassment may be carried out by one or more employees, with the purpose or effect of violating the employees' dignity, affecting [their] health and/or creating a hostile work environment.</p>
Incident	<p>A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.</p>
Non-employee workers in own workforce	<p>Non-employee workers in an undertaking's own workforce include both individual contractors supplying labour to the undertaking ("self-employed workers") and workers provided by</p>

	undertakings primarily engaged in “employment activities” (NACE Code N78).
Own workforce/own workers	‘Own workforce’ includes workers who are in an employment relationship with the undertaking ('employees') and non-employee workers who are either individual contractors supplying labour to the undertaking ('self-employed workers') or workers provided by undertakings primarily engaged in “employment activities” (NACE Code N78).
Pay	Gross hourly earnings, which are the wages and salaries earned by full-time and part-time employees, per hour paid, before any tax and social security contributions are deducted. Wages and salaries include any overtime pay, shift premiums, allowances, bonuses, and commissions.
Persons with disabilities	Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others. Disability is the umbrella term for impairments, activity limitations and participation restrictions, referring to the negative aspects of the interaction between an individual (with a health condition) and that individual's contextual factors (environmental and personal factors)
Remedy / remediation	Means to counteract or make good a negative impact or provision of remedy. Examples: apologies, financial or non-financial compensation, prevention of harm through injunctions or guarantees of non-repetition, punitive sanctions (whether criminal or administrative, such as fines), restitution, restoration, rehabilitation.
Social dialogue	All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers, their organisations and workers' representatives, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between workers' representatives

	and management (or trade unions and employers' organisations).
Social security	Social security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner.
Overtime	Overtime hours are the number of hours actually worked by a worker in excess of his or her contractual hours of work.
Training	For the aim of this Standard, training is defined as those initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online training.
Wage	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed.
Work-related hazards	Work-related hazards (sources or situations with the potential to cause injury or ill health) can be: <ul style="list-style-type: none"> i. physical (e.g., radiation, temperature extremes, constant loud noise, spills on floors or tripping hazards, unguarded machinery, faulty electrical equipment); ii. ergonomic (e.g., improperly adjusted workstations and chairs, awkward movements, vibration); iii. chemical (e.g., exposure to solvents, carbon monoxide, flammable materials, or pesticides); iv. biological (e.g., exposure to blood and bodily fluids, fungi, bacteria, viruses, or insect bites); v. psychosocial (e.g., verbal abuse, harassment, bullying); vi. related to work-organisation (e.g., excessive workload demands, shift work, long hours, night work, workplace violence).
Work-related incident	Occurrence arising out of or in the course of work that could or does result in injury or ill health.

	<p>Incidents might be due to, for example, electrical problems, explosion, fire; overflow, overturning, leakage, flow; breakage, bursting, splitting; loss of control, slipping, stumbling and falling; body movement without stress; body movement under/with stress; shock, fright; workplace violence or harassment (e.g., sexual harassment).</p> <p>An incident that results in injury or ill health is often referred to as an "accident". An incident that has the potential to result in injury or ill health but where none occurs is often referred to as a "close call", "near-miss", or "near-hit".</p>
Work-life balance	Satisfactory state of equilibrium between an individual's work and private life. Work-life balance encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.
Workers' representatives	<p>Workers' representatives' means:</p> <ul style="list-style-type: none">i. trade union representatives, namely, representatives designated or elected by trade unions or by members of such unions in accordance with national legislation and practice;ii. duly elected representatives, namely, representatives who are freely elected by the workers of the organisation, not under the domination or control of the employer in accordance with provisions of national laws or regulations or of collective agreements and whose functions do not include activities which are the exclusive prerogative of trade unions in the country concerned and which existence is not used to undermine the position of the trade unions concerned or their representatives.

Appendix B: Application Guidance

This appendix is an integral part of the [draft] ESRS S1 Own workforce. It describes the application of the requirements set for in paragraphs 12-118 and has the same authority as the other parts of this [draft] Standard.

Objective

- AG 1. The undertaking may also highlight special issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of own workers during a pandemic.

General, Strategy, Governance and Materiality Assessment

Own workforce-related specific application guidance on ESRS 2 Disclosure Requirement SBM 2 (paragraphs 38 (a) and (b)) on the views, interests, rights and expectations of stakeholders

- AG 2. The Section on ESRS 2 Disclosure Requirements SBM 1, 2, 3 and 4 requires the undertaking to provide an understanding of if, and how, it considers whether its business model and strategy play a role in creating, exacerbating or (conversely) mitigating significant material impacts on own workforce, and whether and how the business model and strategy are adapted to address such material impacts.
- AG 3. When responding to ESRS 2 Disclosure Requirement SBM 2 paragraphs 38 (a) and (b), the undertaking shall explain how the views, interests, rights and expectations of (actual or potential) materially affected its own workers, including respect for their human (including labour) rights, inform its strategy and business model. Its own workers are a key group of affected stakeholders.
- AG 4. While the undertaking's own workers will often not be engaging with an undertaking at the level of its strategy or business model, their views shall inform the undertaking's assessment of its strategy and business model. Where possible, the undertaking shall also seek the views of the (actual or potential) materially affected own workers' legitimate representatives (trade unions or works councils) or, if these are not present, those of credible proxies that have insight into their situation.

Own workforce-related specific application guidance on ESRS 2 Disclosure Requirement SBM 3 (paragraphs 41 (a) to (c)) on the interaction between material impacts and the strategy and business models

- AG 5. When responding to ESRS 2 Disclosure Requirement SBM 3 paragraphs 41 (a) to (c), the undertaking shall explain whether, and how, actual and potential impacts on its own workers as identified in ESRS 2 Disclosure Requirements IRO 1, 2 and 3:
- (a) originate from or are connected to, and
 - (b) inform and contribute to adapting, the undertaking's strategy and business model(s). Impacts on its own workers can originate in an undertaking's business model or strategy in a number of different ways. For example, impacts may relate to the undertaking's value proposition (e.g., providing lowest cost products or services, or high-speed delivery, in ways that put pressure on labour rights in its own operations), or its cost structure and the revenue model (e.g., shifting inventory risk to suppliers, with knock-on effects on the labour rights of their own workers).

Own workforce-related specific application guidance on ESRS 2 Disclosure Requirement SBM 4 (paragraphs 47 (a) to (d)) on the interaction between material risks and opportunities and the strategy and business models

- AG 6. When responding to ESRS 2 Disclosure Requirement SBM 4 paragraphs 47 (a) to (d), the undertaking shall provide an understanding of the relationship between its material risks and opportunities arising from impacts and dependencies on its own workers and its strategy and business model.
- AG 7. Impacts on its own workers that originate in the business model or strategy can also bring material risks to an undertaking. For example, in the context of a pandemic or other severe health crisis, undertakings that rely on contingent labour with little to no access to sick care and health benefits may face severe operational and business continuity risks as workers have no choice but to keep working while sick, further exacerbating the spread of the disease and causing major supply chain breakdowns. Reputational and business opportunity risks linked to the exploitation of low-skilled, low-paid workers in sourcing geographies with minimal protections for them are also increasing with media backlash and consumer preferences moving to more ethically sourced or sustainable goods.

Own workforce-related specific application guidance on ESRS 2 Disclosure Requirements IRO 2 and 3 on the outcome of the assessment of material sustainability impacts, risks and opportunities

- AG 8. The undertaking shall ensure that all its own workers who can be significantly impacted through the undertaking's own operations are included in the scope of its reporting under ESRS 2 disclosure requirements. When responding to ESRS 2 Disclosure Requirement IRO 2 paragraph 77 (a), the undertaking shall provide the following information:
- (a) a brief description of the types of workers subject to material impacts by its operations, and specify whether they are workers whose work and/or workplace is controlled by the undertaking but who are not employees, individual contractors, i.e. self-employed workers, or workers provided by third party undertakings primarily engaged in employment activities;
 - (b) in the case of negative impacts, whether they are widespread or systemic in contexts where the undertaking operates (e.g., child labour or forced or compulsory labour in specific countries or regions), or whether they are related to individual incidents (e.g., an industrial accident or an oil spill)¹¹;
 - (c) in the case of positive impacts, a brief description of the activities that result in the positive impacts and the types of its own workers that are positively affected or could be positively affected, including their geographic location;
 - (d) any material risks and opportunities for the undertaking arising from impacts and dependencies on its own workers;
 - (e) any impacts on its own workforce that may arise from the transition to a climate-neutral economy, in particular, unemployment linked to the decommissioning of stranded assets (e.g. shut down of production of power plants);
 - (f) operations at significant risk of incidents of forced or compulsory labour either in terms of:

¹¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting additional indicators related to principal adverse impacts as set out by indicators #12 and #13 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments (respectively "Operations and suppliers at significant risk of incidents of child labour" and "Operations and suppliers at significant risk of incidents of forced or compulsory labour").

- i. type of operation (such as manufacturing plant);
 - ii. countries or geographic areas with operations considered at risk;
- (g) operations at significant risk of incidents of child labour either in terms of:
- i. type of operation (such as manufacturing plant);
 - ii. countries or geographic areas with operations considered at risk.
- AG 9. In describing the main types of own workers negatively affected following the process set out in ESRS 2 Disclosure Requirement IRO 1, the undertaking shall explain how it has developed an understanding of how workers with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm. For example, this may be because workers are young and may be more susceptible to impacts on their physical and mental development, or they are women workers in a context where women are routinely discriminated against in the terms and conditions of work, or they are migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on “zero hours” contracts).
- In describing the material risks and opportunities for the undertaking arising from impacts and dependencies on own workers, the undertaking shall explain which, if any, of those material risks and opportunities arise from its material positive or negative impacts on its own workers. This could be because a material impact on its own workers could affect the undertaking’s future cash flows, for example, if some workers in the undertaking are at risk of forced labour, and the undertaking is importing products into countries where the law allows for the confiscation of imported goods that are suspected of being made with forced labour.
- AG 10. The business risks could also arise because of the undertaking’s dependency on its own workers where low-likelihood but high-impact events may affect the undertaking’s future cash flows, for example, where a global pandemic leads to severe health impacts on workers resulting in major disruptions to production and distribution. Other examples of business risk related to the undertaking’s dependency on workers include a shortage in skilled workers or political decisions or legislation affecting its own operations and own workforce.

Disclosure Requirement S1-1 – Policies related to own workforce

- AG 11. This disclosure requires the undertaking to provide a summary of the policies or commitments the undertaking has developed that are relevant to managing the undertaking’s material impacts on its own workforce and/or to the management of related risks and opportunities identified under ESRS 2 Disclosure Requirements IRO 1, 2 and 3.
- AG 12. The undertaking shall relate the policies described to the social matters disclosed within Own workforce which relate to:
- (a) working conditions:
 - i. training and development;
 - ii. health and safety;
 - iii. access to water and sanitation;

- iv. working time, including overtime;
- v. flexible working time arrangements, i.e. the possibility for workers to adjust their working patterns, including through the use of remote working arrangements, flexible working schedules or reduced working hours;
- vi. childcare;
- vii. paternal leave;
- viii. minimum wage, including consideration of any benchmarking to a “fair” or “living” wage; and
- ix. access to social security.

(b) equal opportunities:

- i. discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation;
- ii. equality in pay;
- iii. access to secure employment, including limitations on temporary and non-guaranteed-hour contracts;
- iv. equal treatment regarding working conditions, access to social protection and training; and
- v. inclusion of persons with disabilities.

(c) other work-related rights:

- i. freedom of association and collective bargaining;
- ii. social dialogue;
- iii. child labour;
- iv. forced labour;
- v. privacy at work; and
- vi. adequate housing, including for migrant and mobile workers.

AG 13. The summary shall also include the most relevant (if any) external-facing codes of conduct or similar documents that set out the undertaking’s expectations of conduct, for example, for employees or non-employee workers. With regard to codes of conduct that the undertaking may have, the summary shall indicate whether they include provisions addressing the safety of workers, including precarious workers (for example, use of workers on short-term or limited hours contracts), human trafficking, the use of forced labour or child labour, and whether such provisions are fully in line with applicable ILO standards.

AG 14. The summary shall also include which position or function within the undertaking has ultimate accountability and organisational responsibility for the implementation of the policy, unless this information is already provided under ESRS 2 as part of the Governance section, in which case a cross-reference will fulfil this Disclosure Requirement.

- AG 15. The policy may take the form of a stand-alone policy regarding own workers or be included in a broader document such as a code of ethics or a general sustainability policy.
- AG 16. The summary shall include the key information necessary to ensure a faithful representation of the policies in relation to own workers, including an explanation of significant changes to the policies adopted during the reporting period (for example, a new approach to skills development plans, extension in the types of workers receiving training, or new or additional approaches to due diligence and remedy).
- AG 17. The summary shall explain whether the undertaking's policy covers all own workers that could be affected by material impacts identified under ERS 2 General, Strategy, Governance and Materiality Assessment Disclosure Requirements IRO 2 and 3, or whether they only cover specific groups of workers, and if so, why.
- AG 18. The summary shall state if any material impacts are not covered by or addressed in any relevant policy and explain any plans it has to address the gap.
- AG 19. The undertaking shall disclose whether the relevant policies are mandatory or are only recommendatory in nature for those who are expected to follow or implement them. If they are mandatory, the undertaking shall explain how it ensures adherence by employees and non-employee workers, as relevant.
- AG 20. The undertaking shall disclose the extent of the alignment of its policies with internationally recognised standards relevant to own workers, including the standards set out in Universal Declaration of Human Rights and the two Covenants that implement it, as well as the International Labour Organisation's Declaration on Fundamental Rights and Principles at Work, the fundamental conventions that underpin it, other International Labour Organisation's relevant conventions, and the European Social Charter (revised), the European Convention on Human Rights and the Charter of Fundamental Rights of the European Union.
- AG 21. Where the undertaking through its policy commitment is explicitly referring to alignment with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights, it shall state so, if it has not disclosed this as part of the disclosures under ESRS 2.
- AG 22. The undertaking shall explain how its policies are communicated to those individuals or entities for whom they are relevant, whether because they are expected to implement them (for example, third parties supplying workers to the undertaking's own workers), or because they have a direct interest in their implementation (for example, self-employed workers in own workforce). The undertaking shall explain if and how it tailors dissemination to different audiences to help ensure that the policy is accessible and that they understand its implications. Elements may include communication tools and channels (e.g., flyers, newsletters, dedicated websites, social media, face to face interactions, and/or through workers' representatives) or identification and removal of potential barriers for dissemination, such as through translation into relevant languages or the use of graphic depictions.

Working conditions

- AG 23. An undertaking's disclosure on workforce training and development policies shall indicate if it has set up an internal job opportunity marketplace and has formalised the skill requirements for the various job positions. It shall also disclose if and how transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment are provided. If this is not in place, an undertaking shall describe the alternative actions to facilitate continued employability and the timeframe to implement them.

- AG 24. Working time is defined as any period during which the worker is working, at the employer's disposal and carrying out their activity or duties, in accordance with national laws and/or practice. An undertaking's disclosure on working time policies shall describe whether its strategy to meet production targets in demand for products or services relies on overtime or alternatively it increases workforce or puts in place other measures.
- AG 25. An undertaking's disclosure on working time policies shall include whether its policies respect applicable European and / or internationally recognised standards on working hours and, in particular, it shall disclose if policies establish the maximum limit of 48 hours per week, including overtime, over the applicable statutory reference period or if they go beyond 48 hours per week. If weekly working time exceeds 48 hours per week, including overtime, it may disclose if it has any plans to adjust its policies to reduce weekly working hours. If overtime is performed frequently, the undertaking may disclose if it has any plans to reduce the frequency of overtime.
- AG 26. An undertaking's disclosure on working time policies shall specify whether the undertaking has in place procedures for all entities included in its accounting consolidation boundary in place related to recording, monitoring, evaluating, and ensuring appropriate working hours for employees and non-employee workers as well as a system to monitor compliance.
- AG 27. An undertaking's disclosure on working time policies may describe, where applicable, in which countries its policies regarding paid annual leave exceed statutory requirements and if their applicability depends on the type of employment contract and length of services.
- AG 28. An undertaking's disclosure on working time policies shall specify if its policies respect applicable European and / or internationally recognized standards on overtime and specify which of these standards are applied.
- AG 29. An undertaking's disclosure on its work-life balance policies shall describe its policies regarding family-related leaves and flexible work arrangements for caring purposes, detailing:
- (a) their content;
 - (b) whether they incentivise the equal sharing of caring responsibilities;
 - (c) in the case of family related leaves, whether they promote the return to work and retention rate of employees after having taken parental leave; and
 - (d) their perimeter with regards to type of employment contracts and length of services.

If there is not a policy in place applicable to all the employees, the undertaking shall describe the different policies in place that cover a total of at least 80% of the employees.

- AG 30. An undertaking shall describe its policies regarding childcare support and flexible work arrangements, detailing: (a) their content; and (b) their perimeter with regards to the type of employment contracts and length of services. If there is not a globally applicable policy in place, the undertaking may describe the various policies in place that cover at least 80% of the employees.

Other work-related rights

- AG 31. The undertaking shall state if any of the following commitments related to other work-related rights of own workers are included in the implemented policy/policies:
- (a) a commitment to respect the rights to freedom of association and collective bargaining:
 - i. non-interference in the formation of trade unions and member recruitment (including trade union access to undertakings);

- ii. recognition of workers' representatives and bargaining in good faith;
 - iii. adequate time off for duties and facilities for workers' representatives;
 - iv. dismissal protection for workers' representatives; and
 - v. no discrimination of trade union members and workers' representatives.
- (b) a commitment to conduct social dialogue:
- i. regular information and consultation with workers' representatives in the undertaking on employment-related issues; and
 - ii. significant issues consulted on before a final decision is made by management.
- (c) a commitment to prohibiting, identifying and preventing forced labour:
- i. prohibiting the practice of forced labour;
 - ii. identifying where forced labour does occur;
 - iii. preventing risk of forced labour for workers; and
 - iv. providing adequate remedy where there are instances of forced labour.
- (d) a commitment to prohibiting, identifying and preventing child labour:
- i. identifying where child labour does occur;
 - ii. preventing risk of child labour; and
 - iii. providing adequate remedy where there are instances of child labour.
- (e) a commitment to prohibiting, identifying and preventing young workers (these are defined as persons above the applicable minimum working age and younger than 18 years of age) from being exposed to hazardous work:
- i. prohibiting the practice of young workers from being exposed to hazardous work;
 - ii. identifying where exposure of young workers to hazardous work occurs;
 - iii. preventing risk of exposure of young workers to hazardous work; and
 - iv. providing adequate remedy where there are instances of young workers from being exposed to hazardous work.
- (f) a commitment to respecting workers' right to privacy, including the following specific commitments:
- i. personal data shall be processed lawfully and fairly, and only for reasons directly relevant to the employment of the worker;
 - ii. personal data shall, in principle, be used only for the purposes for which they were originally collected; data processing practices will be assessed (a) to reduce as far as possible the kind and amount of personal data collected; and (b) to improve ways of protecting the privacy of workers;

- iii. workers and workers' representatives shall be kept informed of any data collection process, the rules that govern that process, and their rights;
- iv. if workers are monitored, they shall be informed in advance of the reasons for monitoring, the time schedule, the methods and techniques used and the data to be collected, and the employer must minimise the intrusion on the privacy of workers;
- v. personal data shall be protected by such security safeguards that are reasonable in the circumstances to guard against loss and unauthorised access, use, modification or disclosure;
- vi. personal data shall be stored only for so long as it is justified by the specific purposes for which they have been collected unless: (a) a worker wishes to be on a list of potential job candidates for a specific period; (b) the personal data are required to be kept by national legislation; or (c) the personal data are required by an employer or a worker for any legal proceedings to prove any matter to do with an existing or former employment relationship;
- vii. personal data shall not be communicated to third parties without the worker's explicit consent unless the communication is: (a) necessary to prevent serious and imminent threat to life or health; (b) required or authorised by law; (c) necessary for the conduct of the employment relationship; (d) required for the enforcement of criminal law;
- viii. workers shall have the right to be regularly notified of the personal data held about them and the processing of that personal data;
- ix. the workers' right to know about the processing of their personal data shall include the right to examine and obtain a copy of any records to the extent that the data contained in the record includes that worker's personal data;
- x. workers' representatives, where they exist, and in conformity with national law and practice, shall be informed and consulted: (a) concerning the introduction or modification of automated systems that process worker's personal data; (b) before the introduction of any electronic monitoring of workers' behaviour in the workplace; and (c) about the purpose, contents and the manner of administering and interpreting any questionnaires and tests concerning the personal data of the workers;
- xi. any employment agency used shall process personal data consistently with the undertaking's commitment; and
- xii. for own workers engaged outside of the European Economic Area (EEA) this disclosure may be based on local privacy regulations.

Disclosure Requirement S2- 2 – Processes for engaging with own workers and workers' representatives about impacts

- AG 32. This Disclosure Requirement focuses on how the undertaking gains insights into the perspectives of workers and workers' representatives regarding impacts that do or may affect them, and how the undertaking takes these perspectives into account in its activities or decisions.
- AG 33. The undertaking shall disclose whether engagement occurs directly with its own workers and workers' representatives.

- AG 34. The undertaking shall explain any steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, or workers with disabilities).
- AG 35. The undertaking shall disclose the due diligence stage(s) at which engagement with its own workers and workers' representatives occur, for example in assessing impacts, taking action on them or evaluating the effectiveness of the undertaking's approach. It shall explain whether engagement occurs on a regular basis, at certain points in a project or business process, in response to legal requirements and/or in response to stakeholder requests, and whether the result of the engagement is being integrated into the undertaking's decision-making processes. For certain undertakings (quite often larger undertakings), this can mean different engagement processes with different groups of own workers in different business units or country operations.
- AG 36. The undertaking shall describe how inputs from own workers and workers' representatives are considered in the identification of material impacts.
- AG 37. The undertaking shall state what position or function has operational responsibility for such engagement and/or ultimate accountability, and whether it requires certain skills of, or provides training or capacity-building for, relevant workers to undertake engagement. The undertaking shall disclose whether this is a dedicated role or function or part of a broader role or function. If it cannot identify such a position or function, it shall explain why not. This requirement could also be fulfilled with reference to the Standard on ESRS 2 Disclosure Requirement GOV 1.
- AG 38. Where the undertaking has agreements with national, European or international trade unions or works councils related to the rights of its own workers it shall state this and explain how the agreement enables the undertaking to gain insight into those workers' perspectives.
- AG 39. Wherever possible, the undertaking shall provide examples from the reporting period to illustrate how the perspectives of its own workers and workers' representatives have informed specific decisions or activities of the undertaking.
- AG 40. An undertaking shall disclose information on its engagement with internal (employees dedicated to providing training/responsible for training) and/or kinds of external actors, such as academia, and consultants to provide employees with training and development.
- AG 41. The undertaking shall explain:
 - (a) the type of worker engagement (e.g., information, consultation or participation) and its frequency (e.g., ongoing, quarterly, annually);
 - (b) how worker feedback is recorded and integrated into decision-making, and how workers are informed about the way in which their feedback has influenced decisions;
 - (c) whether worker engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from worker engagement activities is centralised; and
 - (d) the resources (e.g., financial or human resources) allocated to worker engagement.
- AG 42. The undertaking may also explain:
 - (a) how it engages with at-risk or vulnerable groups (e.g. whether it takes specific approaches and gives special attention to potential barriers);

- (b) how it takes into account potential barriers to worker engagement (e.g. language and cultural differences, gender and power imbalances, divisions within a community or group);
 - (c) how it provides workers with information that is understandable and accessible through appropriate communication channels;
 - (d) any conflicting interests that have arisen among different workers and how the undertaking has resolved these conflicting interests; and
 - (e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.
- AG 43. The undertaking shall also report information about the effectiveness of processes for engaging with workers from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track the effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking. The undertaking shall state what process was used to track effectiveness, and what the outcome was.
- Disclosure Requirement S1- 3 – Channels for own workers and workers' representatives to raise concerns***
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- AG 44. This Disclosure Requirement focuses on information about channels for workers and workers' representatives to proactively raise concerns about actual or potential impacts on its own workforce and have them addressed. This shall be disclosed in addition to any other mechanisms an undertaking may use to gain insight into the management of impacts on workers, such as compliance audits.
- AG 45. The undertaking shall explain whether it operates the channels itself or participates in any third-party grievance mechanisms. Third party mechanisms could include those operated by the government, NGOs, industry associations and other collaborative initiatives. The undertaking shall explain whether these mechanisms are accessible to all workers who may be potentially or actually materially impacted by the undertaking (or workers' representatives or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), through which its own workforce (or workers' representatives or, in their absence, individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), can raise complaints or concerns related to the undertaking's own activities.
- AG 46. The undertaking shall explain whether and how own workers that may be affected and their workers' representatives are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where workers are unionised) or works councils, or other grievance mechanisms operated by the relevant undertaking or by a third party.
- AG 47. The undertaking may explain whether these various mechanisms treat grievances confidentially and with respect to the rights of privacy and data protection and whether they allow for workers to use them anonymously (for example, through representation by a third party).
- AG 48. In explaining whether and how the undertaking knows that own workers and workers' representatives are aware of and trust any of these channels, it shall include relevant and reliable data it may have about the effectiveness of these channels from the perspective of own workers and workers' representatives themselves. Examples of sources of information

are surveys of workers that have used such channels and their levels of satisfaction with the process and outcomes.

AG 49. In describing the effectiveness of channels for own workers and workers' representatives to raise concerns, the undertaking may be guided by the following questions, based on the "effectiveness criteria for non-judicial grievance mechanisms", as laid out in the UN Guiding Principles on Business and Human Rights. The considerations below may be applied to individual channels or to a collective system of channels:

- (a) do the channels have legitimacy by providing appropriate accountability for their fair conduct and building stakeholder trust?
- (b) are the channels known and accessible to stakeholders?
- (c) do the channels have clear and known procedures, with indicative timeframes?
- (d) do the channels ensure reasonable access for stakeholders to sources of information, advice and expertise?
- (e) do the channels offer transparency by providing sufficient information both to complainants and, where applicable, to meet any public interest?
- (f) do outcomes achieved through the channels accord with internationally recognised human rights?
- (g) does the undertaking identify insights from the channels that support continuous learning in both improving the channels and preventing future impacts?
- (h) does the undertaking focus on dialogue with complainants as the means to reach agreed solutions, rather than seeking to unilaterally determine the outcome?

For more information, see Principle 31 of the UN Guiding Principles on Business and Human Rights.

AG 50. The undertaking shall describe:

- (a) the intended purpose and users of the program and / or processes mentioned (i.e., whether they are intended for a particular worker category, topic, or region). For example, that the undertaking has set up a separate hotline for workers to raise concerns about issues affecting their human rights, including restrictions on their rights to Freedom of Association;
- (b) how the mechanisms operate and who administers them (the undertaking or another party); whether operational-level grievance mechanisms are administered at the organisational level or whether they are administered at a lower level (at the site or project level) and, in such a case, how information from these mechanisms is centralised;
- (c) how the mechanisms have been designed and on which principles and guidelines they are based, including whether they are designed to meet the effectiveness criteria set out in UN Guiding Principle 31;
- (d) the process through which grievances are investigated;
- (e) whether grievances are communicated to the highest governance body;
- (f) whether grievances are treated confidentially; and
- (g) whether the mechanisms can be used by stakeholders anonymously through representation by a third party;

AG 51. The undertaking may report:

- (a) whether and how the intended users are trained to use the grievance mechanisms and remediation processes;
- (b) the accessibility of the grievance mechanisms and remediation processes, such as the number of hours per day or days per week they are accessible, and their availability in different languages;
- (c) how the undertaking seeks to ensure it respects users' human rights and protects them against reprisals (i.e., non-retaliation for raising complaints or concerns);
- (d) how satisfied users are with the grievance mechanisms and remediation processes, and with the resulting outcomes, as well as how the undertaking assesses user satisfaction;
- (e) the number and types of grievances filed during the reporting period, and the percentage of grievances that were addressed and resolved, including the percentage that were resolved through remediation; and
- (f) the number of grievances filed during the reporting period that are repeated or recurring; changes made to the grievance mechanisms and remediation processes in response to lessons learned about their effectiveness.

Disclosure Requirement S1-4 – Targets related to managing material impacts, advancing positive impacts, as well as to risks and opportunities

AG 52. This Disclosure Requirement is set to capture targets related to specific material impacts on own workers, as well as topic-specific targets in relation to each material impact, and/or targets related to risks and opportunities associated with own workers. Any targets reported related to impacts shall clearly relate to the intended outcomes to be achieved in the lives of own workers (for example, the undertaking aims to improve the lives of a certain number of own workers).

AG 53. For its own workforce, the undertaking may have some overarching targets that may be supported by a number of topic-specific targets, such as:

- (a) for targets related to working conditions:
 - i. increasing the amount of workforce training;
 - ii. increasing the proportion of own workers participating in skills development plans;
 - iii. reducing the frequency of workplace accidents;
 - iv. reducing occupational illnesses which lead to absenteeism;
 - v. improving access to water and sanitation;
 - vi. reducing overtime and split shifts;
 - vii. increasing access to childcare;
 - viii. increasing flexible working time in support of care-giving responsibilities;
 - ix. paying all own workers at least a fair wage;
 - x. ensuring access to social security.
- (b) for targets related to access to equal opportunities:

- i. increasing the proportion of under-represented groups in the workforce, including persons with disabilities;
- ii. reducing the male-female wage gap;
- iii. reducing the proportion of the workforce with temporary or non-guaranteed-hour contracts.

(c) for targets related to workers' other work-related rights:

- i. removing barriers to freedom of association and collective bargaining;
- ii. increasing the frequency and quality of social dialogue;
- iii. expanding due diligence and preventative measures on child labour and forced labour;
- iv. improving privacy at work;
- v. providing adequate housing to all its own workers (including migrant workers and mobile workers).

- AG 54. Targets related to risks and opportunities may be the same as or distinct from targets tied to impacts. Therefore, no distinction is to be made per se, but what the target is aiming at shall be disclosed (i.e. impact and/or risks and opportunities). For example, a target to provide fair wage for its own workers could both reduce impacts on those workers and reduce employee turnaround and skills gaps for the undertaking. Alternatively, a risk-based target might focus on achieving a certain level of fair wage rather than the underlying factors that affect it.
- AG 55. The undertaking shall also state any topic-specific targets it has set in relation to each material impact and explain how it arrived at those targets. Where the undertaking does not have any such targets it shall state this and explain any plans it has to address the gap.
- AG 56. The undertaking may also distinguish between short, medium and longer-term targets covering the same policy commitment. For example, an undertaking may have as a main objective to reduce the prevalence of workers with non-guaranteed-hour contracts, with the long-term goal of having it abolished in 2025, and with the short-term objective of showing improvement every year up and until 2025.
- AG 57. In general, when disclosing targets in relation to its own workers, the undertaking shall disclose whether and the extent to which targets are defined in terms of the intended outcomes to be achieved for workers and that they are measurable/verifiable, and stable over time in terms of definitions and methodologies to allow for continuity in the data points derived from the targets. Any standards or commitments on which the targets are based shall also be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).
- AG 58. In relation to both overarching and topic-specific targets, the undertaking shall explain whether and how own workers and workers' representatives were, or are, involved in the process of defining the target(s), tracking performance against it/them and/or identifying lessons related to implementation.
- AG 59. Where an undertaking has changed or replaced a target in the reporting period, this shall be explained, for instance by linking it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived.

Disclosure Requirement S1-5 – Taking action on material impacts on own workforce and effectiveness of those actions

- AG 60. This Disclosure Requirement focuses on what measures the undertaking has in place to respond to material negative impacts on its own workforce as well as those measures aimed at achieving additional positive impacts. The undertaking shall disclose whether, and to what extent, its measures have the ultimate aim of delivering improved outcomes in the lives of affected workers but start from the standpoint of the negative impact that they aim to prevent, mitigate or remedy. The Disclosure Requirement also enables an undertaking to disclose additional initiatives or processes through which it aims to deliver positive impacts, and which are not part of an effort to address negative impacts.
- AG 61. It takes time to understand negative impacts and how the undertaking may be involved, as well as to identify appropriate responses and put them into practice. It is therefore unlikely that an undertaking will be able to show that all challenges have been addressed. Therefore, the undertaking shall explain:
- (a) its general and specific approaches to addressing material negative impacts;
 - (b) its initiatives aimed at contributing to additional material positive impacts;
 - (c) how far it has progressed in its efforts during the reporting period; and
 - (d) its aims for continued improvement.
- AG 62. In relation to each material impact, the undertaking shall explain which internal functions are involved in managing the impact and what types of action they take to address negative and advance positive impacts. Appropriate action will vary according to whether the undertaking causes or contributes to a material impact, or whether it is involved because the impact is directly linked to its operations, products or services by a business relationship. Refer to ESRS 1, Appendix C for further guidance on “cause, contribute and directly linked”.
- AG 63. The undertaking shall explain whether and how it ensures that its own practices do not cause or contribute to material negative impacts on its own workers. This may include explaining what approach is taken when tensions arise between the prevention or mitigation of material negative impacts and other business pressures.
- AG 64. The undertaking shall explain what resources are allocated to the management of its material impacts with a level of specificity and detail that allows readers to gain a thorough understanding of how the impacts are managed.
- AG 65. Where the undertaking has caused or contributed to actual material negative impacts on its own workforce during the reporting period, it shall explain whether and how it has provided or enabled remedy (to the extent of its contribution).
- AG 66. The undertaking shall explain how it tracks the effectiveness of its actions to manage material impacts during the reporting period and any lessons learned from the previous and current reporting periods. Processes used to track the effectiveness of actions can include internal or external auditing or verification, court proceedings and/or related court decisions, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking. Where there is a relationship with a target under ESRS S1-4, the undertaking shall explain the connection.
- AG 67. In reporting on effectiveness, the undertaking shall enable the understanding of the links between the actions it has taken and the effective management of impacts.
- AG 68. With regards to initiatives or processes whose primary aim is to deliver positive impacts for the undertaking's own workforce, the undertaking shall describe any initiatives or processes

it has in place that are based on affected workers' needs and their level of implementation. This description shall include:

- (a) information about whether and how own workers and workers' representatives play a role in decisions regarding the design and implementation of these programmes or processes; and
- (b) information about the intended or achieved positive outcomes for the undertaking's own workforce of these programmes or processes.

AG 69. The undertaking may explain whether any such initiatives are designed also to support the achievement of one or more Sustainable Development Goals. For example, an undertaking committing to SDG 8 to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" may be actively working towards eliminating forced or compulsory labour or supporting higher levels of productivity on activities in developing countries through technological upgrades and training of local labour, which can benefit both the specific own workers targeted by the actions, but also their local communities.

AG 70. The undertaking shall state the intended positive outcomes of its actions for its own workforce and disclose any evidence of achievement of these outcomes. The undertaking shall be careful to distinguish evidence of certain activities having occurred (e.g., that x number of workers have received financial literacy training) from evidence of actual outcomes for workers (e.g., that x workers report that they are able to better manage their household budgets so as to meet their savings goals).

AG 71. The undertaking may explain whether these initiatives or processes also play a role in mitigating material negative impacts disclosed under ESRS 2 Disclosure Requirements IRO 2 and 3; for example, where a programme that aims to advance female workers', financial literacy has resulted in more women being promoted as well as in reports of reduced sexual harassment in the workplace.

AG 72. The undertaking may report how it integrates the findings from its identification and assessment of impacts across relevant internal functions and processes, including:

- (a) the level and function within the undertaking that has been assigned responsibility for managing the impacts; and
- (b) the internal decision-making, budget allocation, and oversight processes (e.g., internal audit) to enable effective actions to manage the impacts.

AG 73. The undertaking may report:

- (a) how the undertaking applies the precautionary principle, including: how the undertaking proactively informs its workers about potential negative impacts to workers' other work-related rights, and how it deals with related questions and complaints; and
- (b) the undertaking's participation in collaborative efforts to share knowledge and to prevent negative impacts on its workers' other work-related rights.

Other work-related rights

AG 74. With reference to forced labour, the undertaking shall explain the steps the undertaking has taken to identify and eliminate forced labour, including, for example:

- (a) ensuring workers have freely consented to employment, without threat of penalty;
- (b) ensuring that all workers have a contract (either directly with the undertaking, or with an employment agency when used) that is in a language the worker understands and

- that clearly indicates the rights and responsibilities of workers with regard to wages, working hours, valid grounds for termination and other issues related to forced labour;
- (c) ensuring that they have the freedom to terminate employment at any point, including that workers' identity documents are not withheld, that they face no financial penalties for terminating employment, and that wages will not be delayed or withheld in the event of the termination of their employment;
 - (d) ensuring that disciplinary sanctions do not require or result in an obligation to work;
 - (e) ensuring that overtime is freely consented to;
 - (f) ensuring that workers' freedom of movement is not curtailed, and workers are not physically confined to the workplace or employer-operated accommodation;
 - (g) ensuring that migrant workers are treated fairly and benefit from conditions of work equal to those of locally recruited workers; and
 - (h) monitoring employment agencies and certifying that all of the agencies used are licensed or certified by the competent national authority, that workers contracted through employment agencies do not pay a recruitment fee to the agency. Where prison labour is used, methods used to ensure prison labourers freely consented to perform work without being threatened or subject to a penalty.

AG 75. With reference to child labour, the undertaking shall explain the steps the undertaking has taken to identify and eliminate child labour, including, for example:

- (a) age verification measures that have been introduced by the undertaking or its suppliers;
- (b) any partnerships the undertaking has established to identify and eliminate child labour, including with clients, peer undertakings and/or NGOs;
- (c) any measures to protect children affected by child labour, for example through education or remediation programmes; and
- (d) any measures specifically tackling the worst forms of child labour. Article 3 of C182 - Worst Forms of Child Labour Convention, 1999 (No. 182) identifies the worst forms of child labour as:
 - i. all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;
 - ii. the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
 - iii. the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties; and
 - iv. work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

AG 76. With reference to worker privacy and surveillance, the undertaking shall explain the steps the undertaking has taken to identify and eliminate actual and potential violations of the workers' right to privacy in their own workforce, including, for example;

- (a) the procedures in place to secure and monitor data privacy rules followed by 3rd party service providers with respect to employee and contractor data;

- (b) the number of employees handling sensitive personal data of employees and the number of such employees having received specific training on personal data security;
- (c) whether a Data Protection Manager, Information Security Manager or equivalent exists including a description of the role and responsibilities relative to personal data of employees and contractors;
- (d) the average response time to inquiries by the data subject (e.g., requests for information, deletion, correction);
- (e) how workers and workers' representatives were consulted in the use of workforce surveillance;
- (f) whether monitoring is focused on specific groups of staff, and what the justification for this is;
- (g) how the undertaking is transparent with workers about their use of surveillance, including how the undertaking informs workers that they are being monitored, what is being monitored, how they are being monitored, what monitoring data is used for, and who has access to this data;
- (h) whether worker consent is required before surveillance methods are implemented;
- (i) the criteria used to determine whether workforce surveillance is necessary and proportionate; and
- (j) remediation in the wake of confirmed cases of data breaches.

Working conditions

AG 77. With reference to training, the undertaking shall disclose identified material skills gaps and training needs of its workforce and the training plans developed to address the gaps and training needs. The aim is to provide an understanding of how the undertaking provides appropriate training programmes to ensure that own workforce talent develops to meet the strategic objectives of the undertaking, which is also an indicator of the level of opportunities provided to own workers to develop in their working environment. The disclosure shall include:

- (a) the identified material skills gaps and training needs;
- (b) training programmes or action plans that have been developed to address the gaps and training needs; and
- (c) how consulting with own workers and/or workers' representatives informs the design and the implementation of the training programmes.

AG 78. To meet this Disclosure Requirement, an undertaking may additionally disclose:

- (a) the management levels / groups involved in the identification exercise including workers' representatives;
- (b) the channels through which skills gaps and training needs are identified (questionnaires, performance reviews, etc.) and the frequency of such assessments (yearly, etc.);
- (c) the instances raised by own workers and workers' representatives in terms of skills gaps and training needs vis-à-vis their tasks and duties on the job to be performed; and
- (d) the activities put in place by the undertaking to respond to the instances raised and the timeframe to do so.

AG 79. With reference to health and safety undertakings shall describe the undertaking's process to identify health and safety hazards at work and the risk assessment process. In doing so, an undertaking shall state:

- (a) whether any commonly recognized standards or guidelines were used, and if so, which, and to what extent external support of specialists, on the one hand, and the engagement, participation, consultation, and suggestions of workers, on the other hand, were sought in these processes; and
- (b) the frequency of revisiting and re-evaluating the hazard identification and risk assessment for each major type of hazard, as well as the current focus areas for health and safety improvements.

AG 80. In describing how the undertaking manages occupational health and safety, the description shall include the following information for each major type of hazard:

- (a) the key preventive and protective measures – safety installations, equipment, gear, as well as specific programs, training etc. - to prevent harm to its own workforce and to educate workers and raise awareness of safety matters;
- (b) how management's commitment to health and safety is promoted. This includes:
 - i. communication to its own workers of policies, targets and regulations specific to the workplace;
 - ii. particular responsibilities of individuals for health and safety measures; and
 - iii. engagement of and consultation with workers, regular surveys soliciting workers' evaluation and suggestions for improvement

AG 81. In the case of impacts on own workforce that arise from the transition to a climate-neutral economy, the undertaking shall include information on any measures taken to mitigate negative impacts, such as training and reskilling, employment guarantees, and in the case of downscaling or mass dismissal, measures such as job counselling, coaching, intra-company placements and early retirement plans.

Disclosure Requirement S1-6 – Approaches to mitigating material risks and pursuing material opportunities related to own workforce

AG 82. This Disclosure Requirement assumes that the undertaking has determined its material sustainability-related business risks and opportunities following the process set out in ESRS 2 Disclosure Requirement IRO 1.

AG 83. This Disclosure Requirement focuses on how the undertaking seeks to monitor, manage and mitigate business risks, and pursue business opportunities, related to its impacts or dependencies on its own workers or due to external developments impacting its own workforce. As an illustration, the undertaking may consider the following:

- (a) business risks related to an undertaking's impacts on its own workers might include the reputational or legal exposure where workers are found to be subject to forced or child labour;
- (b) business risks related to an undertaking's dependencies on its own workers might include the loss of business continuity where significant employee turnaround or lack of skills/training development threaten the undertaking's business; and
- (c) business opportunities related to an undertaking's impacts on its own workers might include market differentiation and greater customer appeal from guaranteeing decent pay and conditions for its gig workers;

- AG 84. The undertaking shall highlight present and/or expected external developments that influence whether dependencies turn into risks.
- AG 85. The undertaking shall disclose policies, targets, action plans and resources related to the management of material risks and opportunities. Where the risks or opportunities arise from a material impact, the undertaking may cross-reference the information provided in its disclosures on policies, targets, action plans and resources in relation to that impact.
- AG 86. The undertaking shall explain the extent to which and how it processes material risks related to its own workers. It shall also explain the extent to which and how these material risks are integrated into its existing management processes for business risks.

Disclosure Requirement S1-7 – Characteristics of the Undertaking's Employees

- AG 87. This Disclosure Requirement covers all employees who perform work for any of the undertaking's entities included in its sustainability reporting. An employee is an individual who is in an employment relationship with the undertaking according to national law or practice.
- AG 88. Providing a breakdown of employees by country gives insight into the distribution of activity across countries. The number of employees in each country is also a key trigger for many information, consultation and participation rights for workers and workers' representatives, both in the EU labour law acquis (e.g. the European Works Councils Directive and the Information and Consultation Directive) and in national law (e.g. rights to establish a works council or to have board level employee representation).
- AG 89. If the undertaking has less than 50 employees in a specific country, it may aggregate this information by region with data from other countries where the undertaking has less than 50 employees.
- AG 90. Providing a breakdown of employees by gender and type of employment relationship gives insight into gender representation across the undertaking. Additionally, providing a breakdown of employees by region gives insight into regional variations. A region can refer to a country or other geographic locations, such as a city or a world region.
- AG 91. The undertaking shall disclose the requested disclosures in the following tabular format:

Table 1. Example template for presenting information on employees by gender

[Reporting period]				
FEMALE	MALE	OTHER*	NOT DISCLOSED	TOTAL
Number of employees (head count / FTE)				
Number of permanent employees (head count / FTE)				
Number of temporary employees (head count / FTE)				
Number of non-guaranteed hours employees (head count / FTE)				
Number of full-time employees (head count / FTE)				
Number of part-time employees (head count / FTE)				

* Gender as specified by the employees themselves.

Table 2. Example template for presenting information on employees by Country

[Reporting period]		
Country A	Country B	TOTAL
Number of employees (head count / FTE)		
Number of permanent employees (head count / FTE)		
Number of temporary employees (head count / FTE)		
Number of non-guaranteed hours employees (head count / FTE)		
Number of full-time employees (head count / FTE)		
Number of part-time employees (head count / FTE)		

- AG 92. The definitions of permanent, temporary, non-guaranteed hours, full-time, and part-time employees differ between countries. If the undertaking has employees in more than one country, it shall use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. The country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions. Non-guaranteed hours employees are employed by the undertaking without a guarantee of a minimum or fixed number of working hours. The employee may need to make themselves available for work as required, but the undertaking is not contractually obligated to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.
- AG 93. The undertaking may report the total number of employees and the number of permanent, temporary, non-guaranteed hours, full-time, and part-time employees in head count or full-time equivalent (FTE). Reporting these numbers in head count gives insight into the number of individual employees, whether full-time or part-time employed. Reporting these numbers in FTE gives insight into the hours worked.
- AG 94. Reporting the number of employees at the end of the reporting period provides information for that point in time, without capturing fluctuations during the reporting period. Reporting these numbers in averages across the reporting period takes into account fluctuations during the reporting period.
- AG 95. Quantitative data, such as the number of temporary or part-time employees, is unlikely to be sufficient on its own. For example, a high proportion of temporary or part-time employees could indicate a lack of employment security for employees, but it could equally signal workplace flexibility when offered as a voluntary choice. For this reason, the undertaking is required to report contextual information to help information users interpret the data. The undertaking can explain the reasons for temporary employment. An example of such a reason is the recruitment of employees to undertake work on a temporary or seasonal project or event. Another example is the standard practice to offer a temporary contract (e.g., six months) to new employees before an offer of permanent employment is made. The undertaking may also explain the reasons for non-guaranteed hours employment.
- AG 96. The undertaking shall explain how it defines full-time employment. If the undertaking has employees in more than one country, it may report the definitions of full-time employment it uses for the regions that cover these countries. The undertaking may also explain the reasons for part-time employment. Examples of such reasons are to accommodate

employees' requests to work reduced hours, or because the undertaking is unable to provide full-time employment to all employees. If there are differences in permanent, temporary, non-guaranteed hours, full-time, and part-time employment between genders or between regions, the undertaking may explain the reasons for these differences.

- AG 97. Where data is not available for detailed information, the undertaking shall provide an approximation of the number, in accordance with ESRS 1, and state that it has done so.

Disclosure Requirement S1-8 – Characteristics of non-employee workers in the undertaking's own workforce

AG 98. This Disclosure Requirement provides an understanding of how much the undertaking relies on workers who are not employees to perform its work, in comparison to employees. This information is important for understanding how many workers in total perform work for the undertaking's business, because workers who are not employees are not represented in employment figures reported under ESRS S1 Disclosure Requirement ESRS 7.

AG 99. This Disclosure Requirement, together with ESRS S1 Disclosure Requirement 7, provides insight into the undertaking's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures. This disclosure covers both individual contractors supplying labour to the undertaking ("self-employed workers") and workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78). If all the workers performing work for the undertaking are employees and the undertaking does not have any workers who are not employees, a brief statement of this fact is sufficient to comply with the requirements under this disclosure.

AG 100. If the undertaking cannot report exact figures, it shall report approximations of the number of workers who are not employees to the nearest ten or, where the number of workers who are not employees is greater than 1,000, to the nearest 100, and explain this.

AG 101. When reporting its contractual relationship with the most common types of workers in own workforce, the undertaking shall report whether it engages them directly (as self-employed contractors) or indirectly through a third party. It is sufficient that the undertaking provides a general description. The undertaking is not required to report the type of worker, contractual relationship, and work performed for every worker who is not an employee.

AG 102. The undertaking can report the number of workers who are not employees in own workforce in headcount or full time equivalent (FTE). The head count gives insight into the number of individual workers, whether on a full-time or part-time basis, or not. The FTE gives insight into the hours worked. The undertaking can use another methodology for reporting this number.

AG 103. Reporting the number of workers in own workforce who are not employees at the end of the reporting period provides information for that point in time without capturing fluctuations during the reporting period. Reporting this number as an average across the reporting period considers fluctuations during the reporting period.

AG 104. The information disclosed by the undertaking allows stakeholders to understand how the number of non-employee workers in its own workforce varies during the reporting period or compared to the previous reporting period (i.e., whether the numbers have increased or decreased). It may also include the reasons for the fluctuations. For example, an increase in the number of non-employee workers in its own workforce during the reporting period could be due to a seasonal event. Conversely, a decrease in the number of non-employee workers in its own workforce compared to the previous reporting period could be due to the completion of a temporary project. It is up to the undertaking to determine which fluctuations in the number of workers it considers significant to report. The undertaking shall report its

threshold for determining significant fluctuations. If there are no significant fluctuations in the number of non-employee workers in its own workforce during the reporting period or between the current and previous reporting period, a brief statement of this fact is sufficient to comply with the Disclosure Requirement.

Working conditions

General, Strategy, Governance and Materiality assessment

Working conditions-related specific application guidance on ESRS 2 Disclosure Requirement GOV 2 on Information of administrative, management and supervisory bodies about sustainability matters

AG 105.The undertaking shall state how its administrative, management and supervisory bodies are informed about the overall health and safety management of its own workforce and how this responsibility is further operationalized at management level.

AG 106.The disclosure shall include a description of the workers' and workers' representatives participation in informing the process and improving the effectiveness of the health and safety management.

AG 107.Undertakings may further disclose:

- (a) the frequency of internal reporting on health and safety topics, including the level of management and/or administrative, management and supervisory bodies to whom such reporting is addressed;
- (b) the internal process for setting, and monitoring, health and safety targets and measures; and
- (c) the relevant internal performance measures, which may encompass additional indicators to than those required by this Standard.

Disclosure Requirement S1-9 – Training and Skills Development indicators

AG 108.A regular performance review is defined as a review based on criteria known to the worker and his or her superior undertaken with the knowledge of the worker at least once per year. The review can include an evaluation by the worker's direct superior, peers, or a wider range of employees. The review can also involve the human resources department. In order to disclose the information required by paragraph 57 (a), the undertaking shall calculate the:

- (a) number/proportion of performance reviews per employee; and
- (b) number of reviews in proportion to the agreed number of reviews by the management.

AG 109.To disclose the average required per paragraph 57 (b), the undertaking shall perform the following calculation: total number of training hours offered to and completed by employees divided by the total number of employees.

AG 110.Expenses on training required by paragraph 57 (c) include both those incurred for internal training activities as well as those incurred for external training activities (e.g. master courses paid to employees, etc.). For the purposes of financial connectivity, the reconciliation shall be performed for external training activities which shall be clearly identifiable.

AG 111. Employee categories are a breakdown of employees by level (such as senior management, middle management) and function (such as technical, administrative, production). This information is derived from the undertaking's own human resources system. In categorising the workforce, the undertaking shall define reasonable and meaningful employee categories which enable users of the information to understand different performance measures between the categories. At a minimum, undertakings shall present a category for executive and non-executive employees.

Disclosure Requirement S1-10 – Coverage of the health and safety management system

AG 112. In relation to paragraph 60 (b), the number and percentage of its own workers who are covered by the undertaking's health and safety management system shall be disclosed on a per capita basis rather than a full-time equivalent basis.

AG 113. With regard to paragraph 61, when the undertaking's health and safety management system, or certain parts thereof, has been subject to an internal audit or external certification, the undertaking may state this fact, or absence thereof, and the underlying standards for such audits/certifications, as applicable.

Disclosure Requirement S1-11 – Performance of the health and safety management system

AG 114. The undertaking shall disclose information associated with work-related injuries, work-related ill health and work-related fatalities of its own workers.

AG 115. Fatalities may be reported separately for those resulting from work-related injuries and those resulting from work-related ill health.

Guidance on “work-related” (paragraph 63)

AG 116. Work-related injuries and work-related ill health arise from exposure to hazards at work. Notwithstanding, other types of incidents can occur that are not connected with the work itself. For example, the following incidents are not considered to be work related:

- (a) a worker suffers a heart attack while at work that it is not connected with work;
- (b) a worker driving to or from work is injured in a car accident (when driving is not part of the work and where the transport has not been organised by the undertaking); and
- (c) a worker with epilepsy has a seizure at work that it is not connected with work.

AG 117. With regard to travelling for work purposes, injuries and ill health that occur while a worker is travelling are work related if, at the time of the injury or ill health, the worker was engaged in work activities “in the interest of the employer”. Examples of such activities include travelling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote business (at the direction of the employer). If the undertaking is responsible for the transport commuting, incidents occurred while commuting are considered to be work-related. Nonetheless, incidents which arise during travel, outside of the undertaking's responsibility (i.e. regular commuting to and from work), may be reported separately provided that the undertaking has such data available across the undertaking.

AG 118. With regard to working from home, injuries and ill health that occur when working from home are work related, if the injury or ill health occurs while the worker is performing work from home; and the injury or ill health is directly related to the performance of work rather than the general home environment or setting.

AG 119. With regard to mental illness, it is considered to be work related, if it has been notified voluntarily by the worker and it is supported by an opinion from a licensed healthcare professional with appropriate training and experience; and if such opinion states that the illness is work related.

AG 120. Health issues resulting, for example, from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors unrelated to work are not considered work-related.

AG 121. Occupational diseases are not considered work-related injuries but are covered under work-related ill health.

Guidance on computing the rate (paragraph 63 (b))

AG 122. In computing the rate of work-related injuries, the undertaking shall divide the respective number of cases by the number of total hours worked by own workers and multiplied by 1,000,000. Thereby, these rates represent the number of respective cases per one million hours worked. A rate based on 1,000,000 hours worked indicates the number of work-related injuries per 500 full time workers over a one-year timeframe. For comparability purposes a rate of 1,000,000 hours worked should be used also for undertakings with less than 500 workers.

AG 123. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (e.g., paid vacations, paid sick leave, public holidays) and explain this in its disclosures.

AG 124. An undertaking shall include fatalities as a result of work-related injury in the calculation of the number and rate of recordable work-related injuries.

Guidance on recordable work-related ill health (paragraph 63 (c))

AG 125. Work-related ill health can include acute, recurring, and chronic health problems caused or aggravated by work conditions or practices. These include musculoskeletal disorders, skin and respiratory diseases, malignant cancers, diseases caused by physical agents (e.g., noise induced hearing loss, vibration-caused diseases), and mental illnesses (e.g., anxiety, posttraumatic stress disorder). For the purpose of the required disclosures, the undertaking shall, at a minimum, include in its disclosure those cases outlined in the ILO List of Occupational Diseases.

AG 126. In the context of this Standard, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).

AG 127. The incidents to be disclosed in paragraph 63 relate to cases of work-related ill health notified to the undertaking or identified by the undertaking through medical surveillance, during the reporting period. The undertaking might be notified of cases of work-related ill health through reports by affected workers, compensation agencies, or healthcare professionals. The disclosure may include cases of work-related ill health that were detected during the reporting period among former workers.

Guidance on the number of days lost (paragraph 63 (d))

AG 128. The undertaking shall count the number of days lost as such that the first full day and last day of absence should be included. Days on which the affected individual is not scheduled for work (e.g. weekends, public holidays) do not count as lost days.

Optional Disclosure - Disclosure Requirement S1-12 – Working hours

AG 129.An undertaking shall use the following formula to calculate the percentage of FTEs working more than 48 hours per week:

$$\frac{\text{Total number of FTEs working more than 48 hours per week over a reference period}}{\text{Total number of FTEs}} \times 100$$

AG 130.To determine the total number of FTEs working more than 48 hours per week, an undertaking shall calculate the average working hours for each seven-day period, including overtime, worked per FTE over the applicable statutory reference period, according to the following guidelines:

- (a) the applicable statutory reference period is established by the applicable national legislation and / or collective agreement. If it exceeds four months, the undertaking shall specify the reference period used for calculation purposes and with which national law or collective agreement it is aligned;
- (b) the periods of paid annual leave and the periods during which the employment or work relationship is suspended due for instance, to sick leave or temporary lay-off, shall not be included or shall be neutral in the calculation of the average working hours;
- (c) working hours shall be calculated based on 60 minutes per hour and considering hours actually worked;
- (d) for FTEs below 1 (i.e. workers that do not work full time) the 48 hours shall be reduced accordingly in the calculations; and
- (e) hours actually worked is defined as the time persons spent in the performance of activities that contribute to the production of goods and services during a specified reference period. This includes:
 - i. hours actually worked during normal periods of work;
 - ii. time worked in addition to hours worked during normal periods of work, and generally paid at higher rates than normal rates (overtime);
 - iii. time spent at the place of work on work such as the preparation of the workplace, repairs and maintenance, preparation and cleaning of tools, and the preparation of receipts, time sheets and reports;
 - iv. time spent at the place of work waiting or standing by for such reasons as lack of supply of work, breakdown of machinery or accidents, or time spent at the place of work during which no work is done but for which payment is made under a guaranteed employment contract;
 - v. time corresponding to short rest periods at the workplace, including tea and coffee breaks.

It excludes:

- i. hours paid for but not worked, such as paid annual leave, paid public holidays, paid sick leave, maternity / paternity leave;

- ii. meal breaks;
- iii. time spent on travel from home to work and vice versa.

AG 131. An undertaking shall use the total number of FTEs during the reporting period.

AG 132. Where applicable, an undertaking shall describe significant changes in data or calculation methodology compared to the previous year's submission. For a given change, the undertaking should explain if the data disclosed deviated from the unit or format requested.

Disclosure Requirement S1-13 – Work-life balance indicators

AG 133. The undertaking shall disclose information associated with family-related leaves.

AG 134. Family-related leaves include maternity leave, paternity leave, parental leave, and carers' leave. No further breakdown by gender shall be provided with regard to for maternity and paternity leave. For the purpose of this [draft] Standard, these concepts are defined as:

- (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);
- (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth of a child for the purposes of providing care;
- (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child;
- (d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.

AG 135. With regard to paragraph 69 (a), workers entitled to family-related leave are those workers that are covered by regulations, organisational policies, agreements or contracts that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.

AG 136. With regard to paragraph 69 (c), the undertaking shall use the following formulas to calculate the return to work and retention rates of workers that took parental leave:

Return to work rate:

$$\frac{\text{Total number of workers that did return to work after parental leave}}{\text{Total number of workers due to return to work after taking parental leave}} \times 100$$

Total number of workers due to return to work after taking parental leave

Retention rate:

$$\frac{\text{Total number of workers retained 12 months after returning to work following a period of parental leave}}{\text{Total number of workers retained 12 months after returning to work following a period of parental leave}} \times 100$$

Total number of workers returning from parental leave in the prior reporting period(s)

AG 137.In order to determine which workers returned to work after parental leave ended, and were still employed 12 months later, an undertaking can consult records from the prior reporting periods.

AG 138.An undertaking shall disclose whether it has considered the average number of workers in the reporting period, the total number of workers during the reporting period or the total number of workers at year-end. Also, the undertaking shall disclose whether it has used FTE or Headcounts for the calculation.

Disclosure Requirement S1-14 – Fair Remuneration

AG 139.The undertaking shall disclose information on the remuneration of its lowest paid own workers.

AG 140.The lowest wage shall be calculated as the full-time equivalent in the lowest pay category, excluding interns and apprentices. This is to be based on the full time equivalent basic wage plus any fixed additional payments that are guaranteed to all own workers. The lowest wage shall be considered separately for each country in which the undertaking has operations.

AG 141.The undertaking shall report which fair wage benchmark it has used for comparison with the lowest wage in countries in which it has operations. The fair wage calculated by this benchmark shall not be less than 60% of the national median gross wage or 50% of the national average gross wage, as calculated by the OECD, Eurostat or another public or inter-governmental organisation. For countries where this data is not available, the benchmark fair wage shall not be less than the statutory minimum wage (if it exists) and not less than a recognised international fair or living wage benchmark, such as those calculated by the Wage Indicator Foundation.

AG 142.The percentage of employees earning less than the fair wage is calculated using the following formula:

$$\frac{\text{Number of FTE employees earning less than the fair wage}}{\text{Number of FTE employees}} \times 100$$

AG 143.The percentage of non-employee workers earning less than the fair wage is calculated using the following formula:

$$\frac{\text{Number of non-employee workers in their own workforce as FTEs earning less than the fair wage}}{\text{Number of non-employee workers in their own workforce as FTEs}} \times 100$$

Disclosure Requirement S1-15 – Social security eligibility coverage

AG 144.The undertaking shall disclose information related to social security. Social security is defined as guaranteed income security in cases of old age, unemployment, sickness, access to healthcare, invalidity, work injury, maternity or loss of a breadwinner.

Equal opportunities

Disclosure Requirement S1-16 – Pay gap between women and men

AG 145. When compiling the information required under paragraph 81 (a) for the gap in pay between women and men (also known as the “male-female pay gap”) the undertaking shall:

- (a) include all employees’ gross hourly earnings; and
- (b) apply the following formula to calculate the male-female pay gap:

$$\frac{(\text{Average gross hourly earnings of male employees} - \text{average gross hourly earnings of female employees})}{\text{Average gross hourly earnings of male employees}} \times 100$$

AG 146. When disclosing the information required under paragraph 81, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). Information regarding how objective factors such as type of work and country of employment influence the male-female pay gap may be reported.

AG 147. The measure of the undertaking’s male-female pay gap shall be reported for the current reporting period and, if reported in previous sustainability reports, for the previous two reporting periods.

Disclosure Requirement S1-17 – Annual total compensation ratio

AG 148. When compiling the information required by paragraph 84, the undertaking shall:

- (a) include all employees;
- (b) consider, depending on the undertaking’s remuneration policies, all of the following:
 - i. base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;
 - ii. total cash compensation, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments; and
 - iii. direct compensation, which is the sum of total cash compensation and total fair value of all annual long-term incentives (e.g., stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards).
- (c) apply the following formula for the annual total compensation ratio:

$$\frac{\text{Annual total compensation for the undertaking's highest paid individual}}{\text{Median employee annual total compensation (excluding the highest-paid individual)}}$$

(d) apply the following formula for the change in annual total compensation ratio:

% change in annual total compensation for the undertaking's highest-paid individual

median employee % change in annual total compensation
(excluding the highest paid individual)

AG 149. When disclosing the information required under paragraph 84, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). Quantitative data, such as the annual total compensation ratio, may not be sufficient on its own to understand pay disparity and its drivers. For example, pay ratios can be influenced by the size of the undertaking (e.g., revenue, number of employees), its sector, its employment strategy (e.g., reliance on outsourced workers or part-time employees, a high degree of automation), or currency volatility.

Disclosure Requirement S1-18 – Discrimination incidents related to equal opportunities

AG 150. When compiling the information required related to corrective actions, the undertaking shall consider the following:

- (a) an incident is no longer subject to action if it is resolved, the case is completed, or no further action is required by the undertaking. For example, an incident for which no further action is required can include cases that are withdrawn or where the underlying circumstances that led to the incident no longer exist;
- (b) remedial action is typically (and should be) directed toward the alleged harasser and the alleged victim. Remedial action toward the victim may include offering to pay his/her expenses for counselling sessions, offering the victim some paid time off, offering to reinstate sick/vacation days if the victim has incurred any expenses due to the harassment (such as having used sick or vacation days); and
- (c) remedial action toward the harasser may include giving the harasser a verbal and/or written warning, mandating anti-harassment counselling or sending the harasser to an appropriate seminar, harassment awareness and prevention training. A suspension without pay may also be an option. If the harasser has been disciplined earlier but his/her harassment does not cease, then more serious discipline may be required.

Disclosure Requirement S1-19 – Employment of persons with disabilities

AG 151. When disclosing the information required in paragraph 93, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). For example, information should be included on the impact of different legal definitions of persons with disabilities in the different countries in which the undertaking has operations. Similarly, the undertaking may indicate if specific barriers for the employment of persons with disabilities have been identified, how these barriers have been removed and whether any specific actions have been put in place.

Disclosure Requirement S1-20 – Differences in the provision of benefits to employees with different employment contract types

AG 152. The undertaking shall exclude in-kind benefits such as provision of sports or child day care facilities, free meals during working time, and similar general employee welfare programs.

AG 153. As standard benefits for employees may vary widely across countries in which the undertaking has operations in, the undertaking shall report this information broken down by country for those countries in which the undertaking has significant employment (which is defined as at least 50 employees) and where there are differences in the provision of benefits based on employment contract type.

Other work-related rights

Disclosure Requirement S1-21 – Grievances and complaints related to other work-related rights

AG 154. The undertaking shall disclose the information for the reporting year at an aggregate level for categories defined in paragraph 100.

Disclosure Requirement S1-22 – Collective bargaining coverage

AG 155. The undertaking shall report the percentage of employees whose working conditions and terms of employment are regulated by one or more collective bargaining agreements. The percentage shall be reported for each country in which the undertaking has significant employment (i.e. at least 50 employees).

AG 156. The percentage of employees covered by collective bargaining agreements is calculated using the following formula:

$$\frac{\text{Number of employees covered by collective bargaining agreements}}{\text{Number of employees}} \times 100$$

AG 157. The employees and non-employee workers in own workforce covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This means that if none of the employees and non-employee workers in its own workforce are covered by a collective bargaining agreement, the percentage reported is zero. An employee and non-employee worker in own workforce covered by more than one collective bargaining agreement only needs to be counted once.

AG 158. This requirement is not aimed at obtaining the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members. Alternatively, the percentage of employees covered by collective bargaining agreements can be lower than the percentage of unionised employees. This may be the case when there are no collective bargaining agreements available or when the collective bargaining agreements do not cover all unionised employees.

AG 159. The description of the importance of collective bargaining contracts for non-employee workers should include an estimate of the percentage of non-employee workers whose working conditions and terms of employment are determined or influenced by collective bargaining contracts. This information should be reported for each country in which the undertaking has a significant number of non-employee workers in its own workforce (i.e. 50 or more).

Disclosure Requirement S1-23 – Work stoppages

AG 160.The undertaking shall report if the information provided for the disclosure required in paragraph 107 (b) (i) (number of persons in own workforce involved in a major work stoppage) is an absolute number of persons or FTE persons. A major work stoppage is defined as a work stoppage involving 100 or more employees and/ or non-employee workers in own workforce.

AG 161.The information required by paragraph 107 (c) shall be the sum of the products of the number of persons in its own workforce (FTE) involved and the total duration (in workdays) of each major work stoppage.

AG 162.Where exact figures are not available, the undertaking may provide an estimate according to ESRS 1.

AG 163.The scope of this Disclosure Requirement includes work stoppages due to disputes between labour and management, including strikes and lockouts.

Disclosure Requirement S1-24 – Social dialogue

AG 164.For calculating the information required by paragraph 110 (a), the undertaking shall first identify in which European Economic Area (EEA) countries it has significant employment (i.e. at least 50 employees). For these countries it shall report the percentage of own employees in that country which are employed in establishments in which employees are represented by workers' representatives at the establishment level. For countries in which there is only one establishment the percentage reported should be either 100% or 0%.

$$\frac{\text{Number of employees working in establishments with workers' representatives}}{\text{Number of employees}} \times 100$$

AG 165.With regard to paragraph 110 (c), the undertaking shall disclose if there are any workers' representatives in its administrative, management and supervisory bodies. This should include information on whether these workers have equal rights to participating in board decisions as other board members or have observer status, and whether these workers' representatives are chosen by election by the workforce or by nomination by trade unions or works councils.

AG 166.With regard to paragraph 110 (d), the undertaking shall disclose if it experienced a restructuring or reorganisation event which should trigger obligations to inform and consult workers' representatives, and if so, how these obligations were implemented. Specific types of reorganisation events which trigger obligations to inform or consult workers under the EU labour law acquis include bids to acquire listed securities of the undertaking with voting rights (takeover bids), transfer of ownership (transfer of a business), cross-border mergers, cross-border carve-outs or de-mergers, cross-border divisions, redundancies and insolvencies. If the undertaking has a European Works Council, additional types of events trigger information and consultation rights, such as cross-border transfers of production. Additional types of reorganisation events may be triggered by national labour law.

Disclosure Requirement S1-25 – Identified cases of severe human rights issues and incidents

AG 167.Severe human rights issues and incidents include instances of lawsuits, formal complaints through the undertaking or third-party complaint mechanisms, serious allegations in public

reports or the media, where these are connected to the undertaking's own workforce, and the fact of the incidents is not disputed by the undertaking, as well as any other severe impacts of which the undertaking is aware. Human trafficking is defined as the recruitment, transportation, transfer, harbouring or receipt of people through force, fraud or deception, with the aim of exploiting them for profit. Confirmed incidents include incidents of child or forced labour or human trafficking that have been found to be substantiated. Confirmed incidents do not include incidents of child or forced labour or human trafficking that are still under investigation in the reporting period.

Disclosure Requirement S1-26 – Privacy at work

AG 168. With regard to paragraph 118 (a), the undertaking shall explain the Information Security System utilised with respect to the protection of personal data of its own workers. The undertaking shall describe:

- (a) the procedures in place to secure and monitor data privacy rules followed by third party service providers with respect to employee and contractor data;
- (b) the number of employees handling sensitive personal data of employees and the number of such employees having received specific training on personal data security;
- (c) whether a Data Protection Manager, Information Security Manager or equivalent exists including a description of the roles and responsibilities relative to personal data of employees and contractors;
- (d) the average response time to inquiries by the data subject (e.g., requests for information, deletion, correction).

AG 169. With regard to paragraph 118 (b), the undertaking shall state the number of data breaches involving worker data. The undertaking shall disclose:

- (a) the number of data breaches reported and resolved during the reporting period;
- (b) the nature of those breaches and their severity;
- (c) whether the relevant supervisory body was notified; and
- (d) whether remedy was granted, the nature of that remedy and how the affected worker was involved in establishing that remedy.

AG 170. Workforce surveillance includes any form of worker monitoring undertaken by an undertaking. This can include any of the following: keylogger software, video surveillance (on premises or working from home e.g., CCTV or through webcams), facial recognition software, screen recording, audio recording (e.g., of calls), geolocation tracking, social media monitoring, physical searches, and timing work activities. With regard to paragraph 118 (c), the undertaking shall state what types of workforce surveillance they engage in, if any;

- (a) what data is collected from this surveillance, what it is used for, who has access to it and how long it is retained;
- (b) how workers and workers' representatives were consulted in the use of workforce surveillance;
- (c) whether monitoring is focused on specific groups of workers, and what the justification for this is;
- (d) how the undertaking is transparent with workers about their use of surveillance, including how the undertaking informs workers that they are being monitored, what is being monitored, how they are being monitored, what monitoring data is used for, and who has access to this data;

- (e) whether worker consent is required before surveillance methods are implemented; and,
- (f) the criteria used to determine whether workforce surveillance is necessary and proportionate.

AG 171.The undertaking shall state what percentage of its own workers are covered by each type of surveillance utilised.

AG 172.The undertaking shall state the main types of own workers that are covered by each kind of surveillance utilised:

- (g) the undertaking's employees;
- (h) the undertaking's non-employee workers in own workforce on-site; and,
- (i) the undertaking's non-employee workers in own workforce off-site;

AG 173.The undertaking may state what percentage of each of these groups of own workers are covered by each type of surveillance utilised.



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