

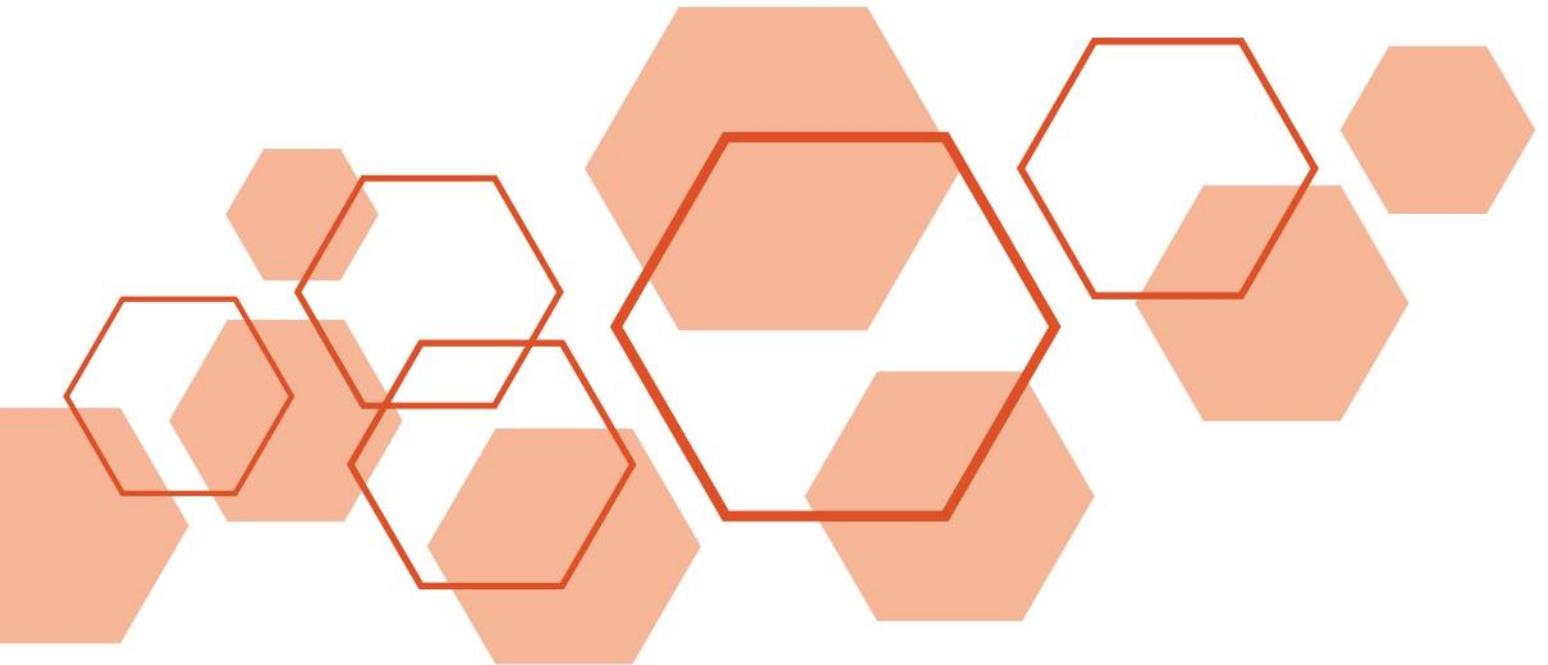
EXPOSURE DRAFT

ESRS S1

Own workforce

Basis for conclusions

May 2022



DISCLAIMER

This Basis for Conclusions accompanies but is not part of the Exposure Draft ESRS S1 Own Workforce. It summarises the considerations of the EFRAG PTF-ESRS and the references to other standard setting initiatives or regulations used in developing the proposed contents of the Exposure Draft.

This Basis for Conclusions has been prepared solely under the responsibility of the EFRAG PTF-ESRS. It, therefore, does not reflect the EFRAG SRB's position at this stage, nor the position of the European Union or 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.

Table of contents

Objective	5
Context and reference table	5
<i>General, strategy, governance and materiality assessment</i>	20
Own workers specific Basis for Conclusions on ESRS 2 Disclosure Requirement SBM 2 and ESRS S1 AG 2 – 4 on the views, interests, rights and expectations of stakeholders	20
Own workers specific Basis for Conclusion on ESRS 1 Disclosure Requirement SBM 3 and ESRS S1 AG 5 on the interaction between material impacts and the strategy and business models and SBM 4 and ESRS S1 AG 6 – 7 on the interaction between material risks and opportunities and the strategy and business model	21
Own workers specific Basis for Conclusion on ESRS 2 Disclosure Requirements IRO 2 and 3 and ESRS S1 AG 8-10 on the outcome of the assessment of material sustainability impacts, risks and opportunities	22
<i>Policies, targets, action plans and resources</i>	24
Disclosure Requirement S1-1 – Policies related to own workforce	24
Disclosure Requirement S1-2 – Processes for engaging with own workers and workers' representatives about impacts	26
Disclosure Requirement S1-3 – Channels for own workers and workers' representatives to raise concerns	27
Disclosure Requirement S1-4 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	28
Disclosure Requirement S1-5 – Taking action on material impacts on own workforce and effectiveness of those actions	29
Disclosure Requirement S1-6 – Approaches to mitigating material risks and pursuing material opportunities related to own workforce	31
<i>Performance measures</i>	31
Disclosure Requirement S1-7 – Characteristics of the Undertaking's Employees	31
Disclosure Requirement S1-8 – Characteristics of non-employee workers in the undertaking's own workforce	32
<i>Working conditions</i>	33
Working conditions specific Basis for Conclusion on ESRS 2 Disclosure Requirements GOV 2 AG 105-107 on information of administrative, management and supervisory bodies about sustainability matters	33
Disclosure Requirement S1-9 – Training and Skills Development indicators	33
Disclosure Requirement S1-10 – Coverage of the health and safety management system	34
Disclosure Requirement S1-11 – Performance of the health and safety management system	34
Optional Disclosure - Disclosure Requirement S1-12 – Working Hours	35
Disclosure Requirement S1-13 – Work-Life Balance indicators	37
Disclosure Requirement S1-14 – Fair remuneration	38
Disclosure Requirement S1-15 – Social security eligibility coverage	39

Equal opportunities	40
Disclosure Requirement S1-16 – Pay gap between women and men	40
Disclosure Requirement S1-17 – Annual total compensation ratio	41
Disclosure Requirement S1-18 – Discrimination incidents related to equal opportunities	41
Disclosure Requirement S1-19 – Employment of persons with disabilities	42
Disclosure Requirement S1-20 – Differences in the provision of benefits to employees with different employment contract types	42
Other work-related rights	43
Disclosure Requirement S1-21 – Grievances and complaints related to other work-related rights	43
Disclosure Requirement S1-22 – Collective bargaining coverage	43
Disclosure Requirement S1-23 – Work stoppages	44
Disclosure Requirement S1-24 – Social dialogue	44
Disclosure Requirement S1-25 – Identified cases of severe human rights issues and incidents	45
Disclosure Requirement S1-26 – Privacy at work	47

Objective

- BC1. The objective of this [draft] Standard is to set disclosure requirements that cover the information required by undertakings across all sectors (subject to the rebuttable presumption in ESRS 1 paragraph 57) in order to report under a double materiality perspective. It covers in particular:
- (a) the impacts on own workforce;
 - (b) the actions taken to address impacts on own workforce and the results of those actions;
 - (c) the material risks and opportunities arising from the undertaking's impacts and dependencies. Such risks and opportunities are sources of financial effects; and
 - (d) the effects of risks and opportunities on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value (financial effects).

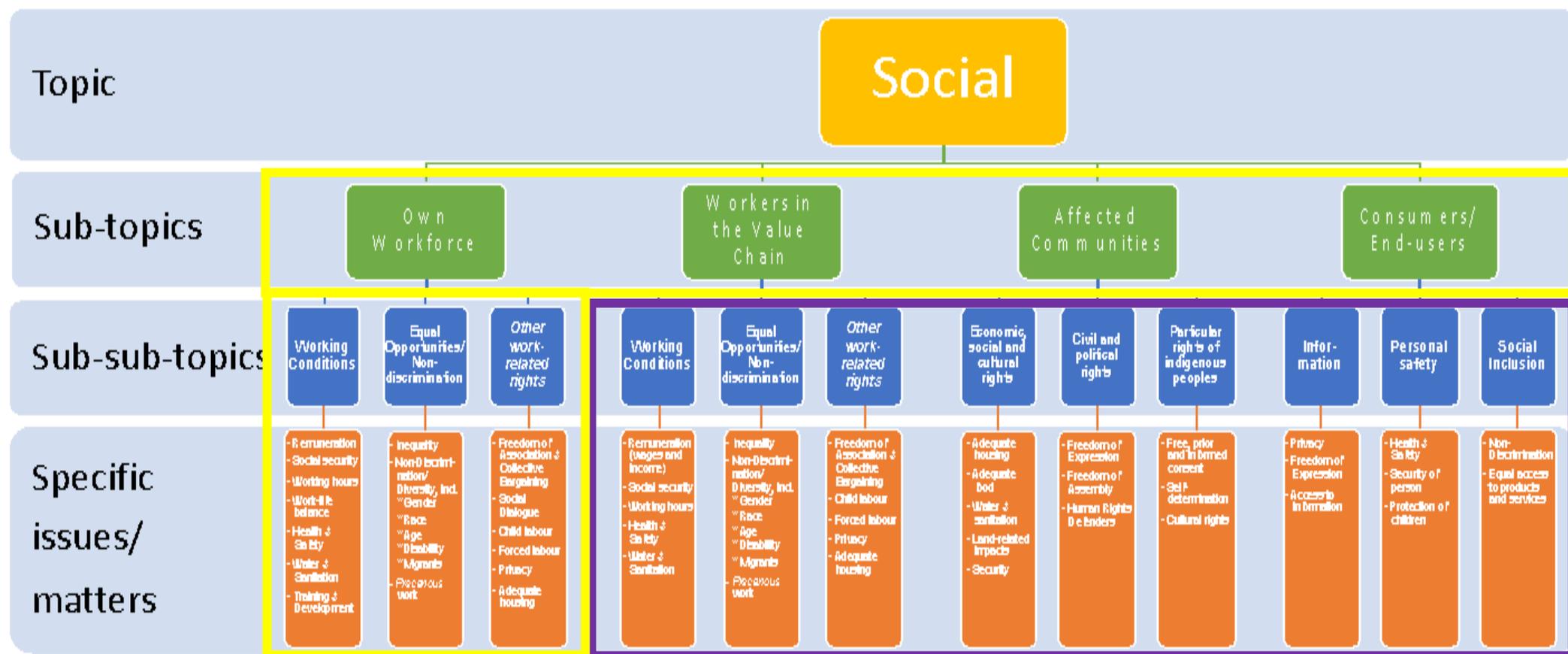
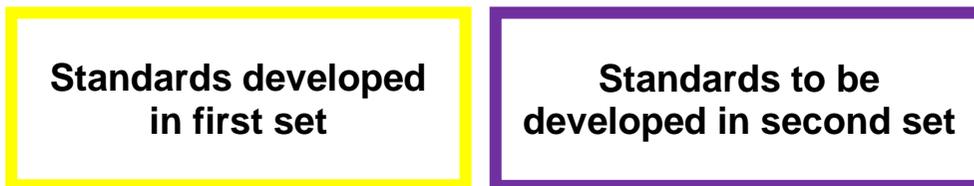
Context and reference table

- BC2. The proposal for a Corporate Sustainability Reporting Directive (CSRD) and its predecessor, the Non-Financial Reporting Directive (NFRD), as well as the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation (EU Taxonomy) are the central components of the sustainability reporting requirements that both underpin and will advance the objectives of the EU's sustainable finance strategy. These all recognize the importance of respect for human rights, as enshrined in the Charter of Fundamental Rights of the European Union, and international instruments such as the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) and the Organisation for Economic Co-Operation and Development Guidelines for Multinational Enterprises (OECD Guidelines).
- BC3. Specifically, the [draft] CSRD aims to improve the relevance, faithfulness, reliability and comparability of information about social sustainability topics. Article 19b requires disclosure on:
- (a) equal opportunities for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;
 - (b) working conditions, including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment; and
 - (c) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.
- BC4. In line with this [draft] CSRD requirement, the [draft] Standard, along with the other social standards, was drafted with the understanding that social topics are, in their essence, about people, as individuals, groups and societies. Based on the approach of double materiality, this includes both the perspective of undertakings' impacts on people and the perspective of business risks and opportunities that result from undertakings' impacts and dependencies on people. The key

categories of people or affected 'stakeholders' – addressed in the ESRS are the undertaking's own workforce (ESRS S1), workers in the value chain (ESRS S2), affected communities (ESRS S3), and consumers and end-users (ESRS S4).

BC5. The social standards, taken together, are designed to address these four categories of stakeholders. The standards include respective overarching application guidance (AG2-AG10; AG105-107) related to ESRS 2 - covering general, strategy, governance and materiality assessment - for each stakeholder group (ESRS S1, S2, S3 and S4) that reflects the general due diligence process defined in international guidelines and recommendations, but they do not include disclosure requirements on Policies, targets, action plans and resources nor Performance measures at this stage. This overarching application guidance included in the first set of EU Sustainability Reporting Standards, together with topical standards' disclosure requirements on Policies, targets, action plans and resources and with disclosure requirements on Performance measures and performance measures on own workforce in [draft] ESRS S1 embed human rights due diligence.

BC6. The structure of the Standards (social topic; sub-topics; sub-sub-topics) is set out below, with the reporting requirements standards published in this first set highlighted in yellow and second set in purple.



- BC7. The [draft] CSRD highlights the particular importance of sustainability reporting standards being aligned with the UN Guiding Principles and the OECD Guidelines, including their chapters on human rights and employment and industrial relations.
- BC8. Human rights (which include labour rights) address the full range of types of negative impacts on people that can occur: economic, social, cultural, civil and political. They include the commonly understood social issues of health and safety (in the workplace and beyond), privacy (of data and other), non-discrimination (often addressed in organizational settings through diversity and inclusion programs), and are today understood to include impacts on people resulting from climate change and broader environmental harm.
- BC9. Human rights represent a threshold: they are about impacts on people that are sufficiently acute that they undermine the basic dignity and equality of individuals. As such, human rights impacts – and in particular severe impacts on human rights – are likely to be material in terms of the impacts themselves. And these material impacts on people are in turn among the most likely to also raise material risks to the business in the short, medium or long term. This [draft] Standard focuses on the reporting of these material impacts and/or material risks.
- BC10. Additional social issues include the advancement of skills, knowledge and job satisfaction, which are commonly included in the concept of ‘human capital’, defined by the Capitals Coalition as ‘the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being.’
- BC11. The [draft] CSRD also makes clear that the content of reporting on due diligence should be fully aligned with the UN Guiding Principles and OECD Guidelines as per its recital 27.
- BC12. In addition to referencing international and European human rights instruments, the [draft] CSRD also references the European Pillar of Social Rights (EPSR), which is a key European initiative containing 20 principles intended to serve as a “[...] beacon guiding us towards a strong social Europe that is fair, inclusive and full of opportunity”¹. The accompanying Action Plan is a set of concrete initiatives to deliver on the European Pillar of Social Rights the expectations of the Action Plan for the [draft] CSRD is that “[b]etter public reporting by companies about social issues [...] should facilitate investment flows towards economic activities with positive social outcomes (European Pillar of Social Rights Action Plan, Section 4).
- BC13. The disclosures in this [draft] Standard therefore align with the elements of due diligence as set out in the UN Guiding Principles and OECD Guidelines, and which are summarized in ESRS 2, as well as with the principles of the European Pillar of Social Rights and the legislation and initiatives it references.
- BC14. The disclosures aim to reach a fair balance between the need for meaningful information regarding an undertaking’s impact, risks and opportunities in relation to own workers, and the need to ensure that reporting requirements are reasonable and feasible for undertakings themselves, recognising the time and resources it can take to gather and interpret the data required. Any additional requirement on undertakings flowing from the disclosures should lead to more

¹ European Commission: The European pillar of Social rights in 20 principles. https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

relevant and comparable reporting, whereby resources are allocated efficiently and in a targeted manner that directly serves the objectives of the [draft] CSRD and complementary EU and international instruments.

- BC15. The [draft] Standard addresses undertakings' impacts and dependencies on own workers. General disclosures for "workers in the value chain" are covered in ESRS S2.
- BC16. Based on the relevant provisions from the [draft] CSRD as illustrated in Table 1 below, and other EU legislation, as well as the global standard of the UNGPs and relevant chapters of the OECD Guidelines, this [draft] Standard on Own Workforce aims to ensure that stakeholders of the reporting undertaking obtain information that enables them to understand:
- How its own workers can be impacted in both positive and negative ways;
 - The due diligence approaches taken to identify, prevent, mitigate or remediate negative impacts and assess the effectiveness of these actions;
 - How the voices and perspectives of own workers are integrated into these due diligence processes and through remedy channels and processes;
 - How undertakings contribute positively to improved social outcomes for own workers;
 - The nature, type and extent of the material risks or opportunities for the business which arise from the impacts described above or from their dependencies on own workers; and,
 - The approaches taken to mitigating these risks and pursuing these opportunities.
- BC17. Under the EU Taxonomy, undertakings have to meet the minimum safeguards stipulated in Article 18, according to which investments must align with the OECD Guidelines and the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
- BC18. Under the SFDR, the European Supervisory Authorities (ESAs) have developed Regulatory Technical Standards (RTS) that are designed to align with the minimum safeguards requirements of the EU Taxonomy Regulation, as well as its Do No Significant Harm principle. The RTS contain templates for pre-contractual and periodic product disclosures that include information on whether the sustainable investment is aligned with the OECD Guidelines and UN Guiding Principles as well as the principles and rights set out in the eight core ILO conventions and the International Bill of Human Rights.
- BC19. In drafting the Standards, it was endeavoured to make sure that all SFDR Principal Adverse Impact (PAI) indicators would be covered by the proposed disclosure requirements. The approach taken was to directly implement the indicators wherever possible or, when not possible, to make sure that the information needed by the financial market participants would be easily identified and found in the Standards. In doing so, it was noted that in the preparation of the necessary information by preparers to enable financial market participants to meet their SFDR-related reporting obligations, questions of application and interpretation may emerge for a subset of the indicators. This [draft] Standard does not provide guidelines to overcome those possible application and interpretation issues.

- BC20. The Universal Declaration of Human Rights (UDHR) addresses a range of human rights that are further elaborated in the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. Taken together, these instruments constitute the International Bill of Human Rights. Human rights in the UDHR that are specifically relevant to own workers include the human rights to non-discrimination, freedom from slavery or servitude, just and favorable conditions of work, equal pay for equal work, just and favorable remuneration for work, an adequate standard of living, rest and leisure, and the right to form and join trade unions.
- BC21. The International Covenant on Economic, Social and Cultural Rights further elaborates on the rights to non-discrimination, fair wages, equal remuneration for work of equal value, safe and healthy working conditions, rest and leisure; the right to form and join trade unions, the rights of trade unions and the right to strike; the right to family life and protection against child labour; the right to an adequate standard of living, including adequate food, clothing and housing; the right to the enjoyment of the highest attainable standard of health.
- BC22. The ILO core conventions address: Freedom of Association and Collective Bargaining (Nos. 87 and 98), Forced Labour (Nos. 29 and 105), Child Labour (Nos. 138 and 182), and non-discrimination (Nos. 100 and 111).
- BC23. As per the text of the [draft] CSRD, the reporting standards are to address the principles of the EPSR in their disclosures. The mapping between the EPSR and the [draft] CSRD can be seen in the correspondence table below whereby the subtopics listed under [draft] CSRD Article 19b 2 (b) (i) and Article 19b 2 (b) (ii) and specific principles in the EPSR are described. Table 1 illustrates the correspondence between the EPSR principles and the [draft] CSRD social sub-topics:

Table 1: Correspondence between the [draft] CSRD social sub-topics and EPSR Principles

Social matters - sub-topics	EPSR Number	EPSR Principle
<i>Equal opportunities for all</i>	3	Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered.
- Gender equality	2a	Equality of treatment and opportunities between women and men must be ensured and fostered in all areas, including regarding participation in the labour market, terms and conditions of employment and career progression.
- Equal pay for equal work	2b	Women and men have the right to equal pay for work of equal value.
- Training and skills development	1	Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market.
- Employment and inclusion of people with disabilities	17	People with disabilities have the right to income support that ensures living in dignity, services that enable them to participate in the labour market and in society, and a work environment adapted to their needs.
<i>Working conditions</i>		
- Secure and adaptable employment	5	a. Regardless of the type and duration of the employment relationship, workers have the right to fair and equal treatment regarding working conditions, access to social protection and training. The transition towards open-ended forms of employment shall be fostered. b. In accordance with legislation and collective agreements, the necessary flexibility for employers to adapt swiftly to changes in the economic context shall be ensured. c. Innovative forms of work that ensure quality working conditions shall be fostered. Entrepreneurship and self-employment shall be encouraged.

		Occupational mobility shall be facilitated. d. Employment relationships that lead to precarious working conditions shall be prevented, including by prohibiting abuse of atypical contracts. Any probation period should be of reasonable duration.
- Wages	6	a. Workers have the right to fair wages that provide for a decent standard of living. b. Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his/her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented. c. All wages shall be set in a transparent and predictable way according to national practices and respecting the autonomy of the social partners.
- Social dialogue	8	a. The social partners shall be consulted on the design and implementation of economic, employment and social policies according to national practices. They shall be encouraged to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action. Where appropriate, agreements concluded between the social partners shall be implemented at the level of the Union and its Member States. b. Workers or their representatives have the right to be informed and consulted in good time on matters relevant to them, in particular on the transfer, restructuring and merger of undertakings and on collective redundancies. c. Support for increased capacity of social partners to promote social dialogue shall be encouraged.
- Collective bargaining and the involvement of workers	8	a. The social partners shall be consulted on the design and implementation of economic, employment and social policies according to national practices. They shall be encouraged to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action. Where appropriate, agreements concluded between the social partners shall be implemented at the level of the Union and its Member States. b. Workers or their representatives have the right to be informed and consulted in good time on matters relevant to them, in particular on the transfer, restructuring and merger of undertakings and on collective redundancies. c. Support for increased capacity of social partners to promote social dialogue shall be encouraged.
- Work-life balance	9	Parents and people with caring responsibilities have the right to suitable leave, flexible working arrangements and access to care services. Women and men shall have equal access to special leaves of absence in order to fulfil their caring responsibilities and be encouraged to use them in a balanced way.
- Healthy, safe and well adapted work environment	10	a. Workers have the right to a high level of protection of their health and safety at work. b. Workers have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market. c. Workers have the right to have their personal data protected in the employment context.

BC24. An analysis of the linkage between these rights, relevant EU legislation and the subtopics listed in the draft CSRD confirms the determination of materiality of these subtopics from a public interest standpoint. Table 2 shows an overview of these linkages.

Table 2: Correspondence between the [draft] CSRD social sub-topics, Human Rights instruments and EU legislation and initiatives

Subtopics and Sub-subtopics	ESRS	International and European Human Rights instruments	Key European legislation and other initiatives
Working conditions			
- Workforce training and development	1	European Social Charter (revised) 9+10	New Skills Agenda, Pact for Skills, Council Lifelong Learning recommendations
- Health and safety (including access to water and sanitation)	10a+b	UDHR 23(1), Social Charter (rev) 3	EU OSH Framework Dir. and 20+ related pieces of legislation, including on personal protective equipment, exposure to chemical agents and chemical safety, exposure to physical hazards, exposure to biological agents, workload, and ergonomical and psychosocial risks
- Working hours	10	UDHR 24 UN ICESCR 7 EU Chart of FR, 31 European Social Charter (Revised) 2	Working Time Directive
- Work-life balance	9	UDHR 25(1), EU Chart of FR 33 UN ICESCR - Article 10 European Social Charter (Revised) 8	EU Work-life Balance Directive EU Commission Gender Equality Strategy 2020-2025 Directive 92/85, art. 8
Wages/remuneration	2b+6	UDHR 23(3), CoE Conv on HR 4	Minimum wage directive, pay transparency
- Social security	12	EU Charter of FR 34, Social Charter (revised) 12-14	Council Recommendation on access to social protection, European Social Security Pass
Equal opportunities			
- Discrimination	3	UDHR 2+7, ILO Co. 111, EU Chart 21, UNGC Pr. 6, SDG 5, UNCTAD	Framework employment Directive against discrimination at work, Equal Treatment in Employment and Occupation, Amsterdam Treaty 13, Strategy for the rights of persons with disabilities
- Equality in pay	2b	UDHR 23 (2), ILO Co. 100	Pay Transparency Directive
- Secure employment	5	EU Chart of FR 33, UDHR 23(1)	Transparent + Predictable Working Conditions Directive
- Equal treatment regarding working conditions	5a		Transparent + Predictable Working Conditions Directive
Other work-related rights			
- Freedom of association and collective bargaining	8	UDHR 20+23(4), ILO Co.87+97, etc	EU labour law acquis including minimum wage directive
- Social dialogue	8	EU Charter of Fundamental Rights 27, European Social Charter (revised) 21	EU labour law acquis including Information and Consultation Directive, European Works Councils Directive, SE and SCE legislation, Takeover Bids Directive, Cross-border conversions, mergers and divisions, Transfer of undertakings Directive, Collective Redundancies Directive

- Child Labour		ILO C138, ILO C182, UN Convention on the Rights of the Child, CRBP United Nations (UN) Children's Rights and Business Principles, SDG 8.7, SDG 16.2	EU Strategy on the Rights of the Child, Directive on the protection of young people at work
- Forced Labour		UNGC LA.2.A. Forced and compulsory labour, ILO C029 - Forced Labour Convention, 1930 (No. 29), ILO P029 - Protocol of 2014 to the Forced Labour Convention, 1933, C105 - Abolition of Forced Labour Convention, 1957 (No. 105), UN International Covenant on Civil and Political Rights	EU Strategy on Combatting Trafficking in human beings
- Privacy	10c	UDHR 12, EU Chart of FR 7+8	General Data Protection Regulation (GDPR)
- Adequate housing		European Social Charter (revised) 31	Posting of workers Directive

BC25. The choice of subtopics and sub-subtopics for ESRS S1 was guided by an analysis of the social matters listed in [draft] CSRD in Art 19b 2 (b) (i) and (ii) and the specific human rights contained in the international and European human rights instruments referenced in Art 19b 2 (b) (iii). A survey of relevant EU legislation provided additional insights which underscored the public interest materiality of these subtopics and sub-subtopics and guided the choice of disclosure requirements. On the basis of these analyses the following subtopics and sub-subtopics are included in this [draft] Standard:

- (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:
 - (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;
 - (iv) equal treatment regarding working conditions, access to social protection and training; and
 - (v) 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.

- BC26. The disclosure requirements of this [draft] Standard on Own Workers are in line with relevant provisions of these international instruments specified in the [draft] CSRD. They also take account of the RTS developed by the ESAs that are relevant to impacts, risks and opportunities related to own workers. The disclosures aim to provide the information necessary to meet the letter of those RTS disclosures. Through their alignment with the UN Guiding Principles and the OECD Guidelines more generally, they also provide context that can assist investors (and other users of sustainability reporting) in appropriately interpreting those disclosures.
- BC27. Following the architecture outlined in paragraph BC4 herein, the [draft] Standard defines how to report impacts on the undertaking's own workers. The [draft] Standard is aligned with ESRS S2 while reflecting distinctions in the relationship between a reporting undertaking and its own workforce, whose work it controls, and the undertaking's relationship with workers in its value chain, whose work it does not control (but may directly or indirectly affect).
- BC28. The design of the [draft] Standard has been guided by the four following considerations:
- (a) Determining disclosures that can reasonably apply to all reporting undertakings (that is, sector-agnostic disclosures);
 - (b) Complying with the requirements of the [draft] CSRD, the existing EU regulation, reporting requirements and agreed initiatives in the field of sustainable finance, together with the SFDR and the EU Taxonomy Regulation;
 - (c) The need for disclosures to build on existing reporting standards and frameworks wherever appropriate, while ensuring that disclosures meet the quality of information guidelines, reflect lessons drawn from experience in the application of social indicators and disclosures, and provide relevant contextual information; and,
 - (d) The importance of disclosures being reasonable and feasible for reporting undertakings at this point in time, while also helping preparers respond to the increasing demand for sustainability information by providing a coherent system of disclosures that reduces the potential for multiple requests for information in different formats.
- BC29. The [draft] CSRD aims to build on and contribute to international sustainability reporting initiatives. The reporting frameworks and standards of the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board (CDSB), the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC) and the UN Guiding Principles Reporting Framework are reflected, as relevant, in the [draft] Standard.
- BC30. The following table cross-references requirements of the [draft] Standard and the requirements of the [draft] CSRD, the UN Guiding Principles and OECD Guidelines together with the Sustainable Finance legislation, in particular the Taxonomy Regulation, other International and European instruments, legislation and initiatives and, finally, international reporting frameworks.
- BC31. Table 3 Cross-reference of requirements of the [draft] Standard and the requirements of the [draft] CSRD, the provided disclosure requirements of the Sustainable Finance Package, in particular the Taxonomy Regulation and related (draft) delegated acts, the UN Guiding Principles, the OECD Guidelines and other International and European instruments, EU legislation and initiatives and other reporting frameworks.

[Draft] ESRS S1 Own workforce

[Draft] ESRS Disclosure requirements	Required by CSRD	Required by SFDR Principal Adverse impacts	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
ESRS 2, SBM, 2, 3 and 4	Art. 19a 2 (a) (iv)		UNGP 18 OECD II.A-14		GRI 2-22 / 2-29 CDSB Reporting Requirement 1 and 2 UNGP RF A2 and C2
ESRS 2, IRO 2 and 3	Art. 19a 2 (e) (ii)	Additional indicator #12 in Table 3 of Annex 1 Additional indicator #13 in Table 3 of Annex 1	OECD IV.45 / UNGP 18, 21 and 24		GRI 3-3 and 3-2/ UNGP RF B1 IR 4.25 / CDSB 3 / SASB CG-AA-430b.3 and CG-AA-440a.1
ESRS 2, GOV 2	Art. 19b, 2 b) ii				GRI 403-1, 2, 4
DR S1-1	Art. 19a 2(d)	Mandatory indicator #10 in Table 1 of Annex 1 Mandatory indicator #11 in Table 1 of Annex 1 Additional indicator #1 in Table 3 of Annex 1 Additional indicator #9 in Table 3 of Annex 1 Additional indicator #11 in Table 3 of Annex 1 Additional indicator #14 in Table 3 of Annex 1	OECD IV.4 and Commentary IV para. 44 / UNGP 15 and 16		GRI 2-23 and 3-3 / UNGP RF A1, A1.3
DR S1-2	Art. 19a 2 (e) (i)	Additional indicator # 4 in Table 3 of Annex 1	OECD II.A-14 / UNGP 18		GRI 2-29 / GRI 3-3 (f) / UNGP RF C2 / CDSB 2 and 3
DR S1-3	Art. 19a 2 (e) (iii)	Additional indicator # 6 in Table 3 of Annex 1	OECD IV.6 / UNGP 29, 30 and 31		GRI 2-25 / UNGP RF C6.2
DR S1-4	Art 19a 2 (b)		UNGP 20		GRI 3-3-e and 3-3-f / CDSB 2

[Draft] ESRS S1 Own workforce

[Draft] ESRS Disclosure requirements	Required by CSRD	Required by SFDR Principal Adverse impacts	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
DR S1-5	Art. 19a 2 (e) (iii)		OECD II.A and IV OECD DD Guidance II 3.1 UNGP 19, 20 and 22 / UNGP Interpretive Guide III B OECD II.A-1		GRI 3-3-d and 2-25 CDSB Environmental and social policies and strategies / UNGP RF C4.3, C5 and C6.5 GRI 3-3 (a) UNGC/GRI 3.1
DR S1-6	Art 19a 2 (f)		OECD MNE Guidelines Section III.1-2		SASB EM-MM-210b.1
DR S1-7	Art 19b 2 (b)				GRI 2-7
DR S1-8	Art 19b 2 (b)				GRI 2-8
DR S1-9	Art. 19b, 2 b) i Art. 19b, 2 b) iii			EFFAS Key Performance Indicators for Environmental, Social and Governance Issues S02-02.	GRI 404-1; GRI 404-3
DR S1-10	Art. 19b, 2 b) ii Art. 19b, 2 b) iii		OECD GL (2011) Ch. V ILO C161		GRI 403-1
DR S1-11	Art. 19b, 2 b) ii Art. 19b, 2 b) iii	Indicator #2 and #3 in Table 3 of Annex 1	ILO CoP		GRI 403-8, -9, -10, SASB WEF
Optional DR S1-12	Art. 19b, 2 b) ii Art. 19b, 2 b) iii		ILO Hours of Work (Industry) Convention n. ° 1 (1919), art. ILO Hours of Work (Commerce and Offices) Convention n. ° 30 (1930) SDG 8UN Handbook on Measuring Quality of Employment (statistical framework), 3a2	EPSR, art. 10 Working Time Directive, art 6, 16, 18 and 19 Eurostat Quality-of-life indicators (statistical framework), 2.2.5	UN Global Compact-Oxfam Poverty Footprint PF – 3.2
DR S1-13	Art. 19b, 2 b) ii Art. 19b, 2 b) iii			EPSR, art. 9 Work-life Balance Directive, art 4, 5, 6 and 9 (and the Work-life Balance	

[Draft] ESRS S1 Own workforce

[Draft] ESRS Disclosure requirements	Required by CSRD	Required by SFDR Principal Adverse impacts	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
				Indicator Framework) Directive 92/85, art. 8 EU Commission Gender Equality Strategy 2020-2025 Eurostat Quality-of-life indicators (statistical framework), 2.2.5	
DR S1-14	Art. 19b, 2 b) ii Art. 19b, 2 b) iii		UDHR Article 23(3) European Social Charter (revised) Article 4	EPSR Principle 6 Draft Minimum Wage Directive	GRI 202-1
DR S1-15	Art. 19b, 2 b) ii Art. 19b, 2 b) iii		UN UDHR Article 22 EU Charter of Fundamental Rights (Article 34) European Social Charter (revised) (Articles 12-14) ILO Convention 102	EPSR 12 Council 2019 Recommendation on Access to Social Protection	GRI 401-2
DR S1-16	Art. 19b, 2 b) i Art. 19b, 2 b) iii	Indicator #12 in Table 1 of Annex 1	UN UDHR Article 23 (2) ILO Co. 100	EPSR 2 Draft Pay Transparency Directive	GRI 405-2
DR S1-17	Art. 19b, 2 b) i Art. 19b, 2 b) iii	Indicator #8 in Table 3 of Annex 1	UDHR 23 (2) SDG 10	Shareholder Rights Directive II	GRI 2-21
DR S1-18	Art. 19b, 2 b) i Art. 19b, 2 b) iii	Indicator #5 and #7 in Table 3 of Annex 1	UN UDHR 2 and 7 Charter of Fundamental Rights of the EU Chapter 3 SDG 5	EPSR 3 Directive 2000/78/EC against discrimination at work Directive 2006/54/EC on equal treatment for men and women in matters of employment and occupation	GRI 406-1
DR S1-19	Art. 19b, 2 b) i Art. 19b, 2 b) iii		UN Convention on the Rights of Persons with	EPSR 17	GRI 405

[Draft] ESRS S1 Own workforce

[Draft] ESRS Disclosure requirements	Required by CSRD	Required by SFDR Principal Adverse impacts	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
			Disabilities Article 27 SDG 8		
DR S1-20	Art. 19b, 2 b) i Art. 19b, 2 b) iii		SDG 8	EPSR 5 + 12	GRI 401-2
DR S1-21	Article 19a, Art. 19b, 2 b) ii Art. 19b, 2 b) iii		UN UDHR ILO Declaration on Fundamental Principles and Rights at Work ILO fundamental conventions EU Charter of Fundamental Rights SDG 8.8	EU labour law acquis GDPR	GRI 102-17, ISO 30414 4.7.2
DR S1-22	Article 19a, Art. 19b, 2 b) ii Art. 19b, 2 b) iii Article 19b, , c. iv		UN UDHR23 ILO Co.87+97, EU Charter of Fundamental Rights Article 12	Draft Minimum Wage Directive	GRI 2-30; SASB TR-AU-310a.1
DR S1-23	Article 19a, Art. 19b, 2 b) ii Art. 19b, 2 b) iii		UDHR 23 ILO Co.87+97		SASB TR-AU-310a.2
DR S1-24	Art. 19b, 2 b) ii Art. 19b, 2 b) iii Article 19b c. iv		EU Charter of Fundamental Rights 27, European Social Charter (revised) 21 TFEU 151	EU Labour Law Acquis	GRI 402-1
DR S1-25	Article 19a 2 f, Art. 19b, 2 b) ii Art. 19b, 2 b) iii Article 19b. c. v	Indicator #10 in Table 1 of Annex 1 Indicator #14 in Table 3 of Annex 1	UNGC LA.2.A. Forced and compulsory labour, ILO C029 - Forced Labour Convention, 1930 (No. 29), ILO P029 - Protocol of 2014 to the Forced Labour		GRI 409-1, Workforce Disclosure Initiative 2021 13. Workforce Disclosure Initiative 2021 2.10 CHRB A.1.2, CHRB D.1.4, CHRB D.2.4,

[Draft] ESRS Disclosure requirements	Required by CSRD	Required by SFDR Principal Adverse impacts	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
			<p>Convention, 1933,</p> <p>C105 - Abolition of Forced Labour Convention, 1957 (No. 105)</p> <p>UN International Covenant on Civil and Political Rights ILO C138, ILO C182</p> <p>UN Convention on the Rights of the Child</p> <p>CRBP United Nations (UN) Children's Rights and Business Principles</p> <p>SDG 8.7, SDG 16.2</p>		
DR S1-26	<p>Article 19a 2 f</p> <p>Art. 19b, 2 b) ii</p> <p>Art. 19b, 2 b) iii</p> <p>Article 19b c. v</p>		<p>ILO 13.1 code of practice on protection of workers' personal data</p> <p>Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (ETS No. 108)</p>	<p>EU GDPR Art 88. Para 2,</p> <p>Article 1. Regulation (EU) 2016/679. 27 April 2016.</p> <p>Art 2. Directive (EU) 2016/1148/ 6 July 2016.</p> <p>Article 286 1, Treaty Establishing the EU</p>	<p>Workforce Disclosure Initiative 2021 2.12,</p> <p>ISO27001, ISO27701</p>

BC32. The Basis for Conclusions includes the following information, as applicable, for each disclosure requirement:

- Relevant EU-legislation that has been referenced (e.g., [draft] CSRD, SFDR/RTS, EU Taxonomy, EU labour law acquis, etc.);
- Reference to the leading international instruments as they are relevant to the standard, including the UN Guiding Principles and the OECD Guidelines, and their provisions that underpin the rationale for the specific disclosure requirements;
- Relevant reporting frameworks and standards that provide for disclosures that are relevant or similar to the disclosure requirements (e.g., GRI, UN Guiding Principles Reporting Framework, SASB, CDSB); and
- Additional explanation of the elements is included in each disclosure requirement.

BC33. [draft] ESRS S1 addresses sub-sub topics and related issues/matters assimilar to [draft] ESRS S2, focussing however on but for own workers, a different affected stakeholder groups. The references to international and EU instruments for these related legal international and EU references to international and EU instruments for these related issues/matters are therefore similar to the ones listed in the Basis for Conclusion of [draft] ESRS S2.

General, strategy, governance and materiality assessment

Own workers specific Basis for Conclusions on ESRS 2 Disclosure Requirement SBM 2 and ESRS S1 AG 2 – 4 on the views, interests, rights and expectations of stakeholders

BC34. The [draft] CSRD requires undertakings to report on “*how the undertaking’s business model and strategy take account of the interests of the undertaking’s stakeholders and of the impacts of the undertaking on sustainability matters*” (Article 19 a 2 (a.iv)). This is aligned with the UN Guiding Principles and the OECD Guidelines, both clarifying the need for undertakings to inform their due diligence processes throughout by engagement with relevant stakeholders, especially those who may be adversely impacted.

BC35. The UN Guiding Principles refer to the importance of meaningful stakeholder engagement in the conduct of human rights due diligence. For example, the commentary to UN Guiding Principles 18 states that, to enable undertakings to assess their human rights impacts accurately, they should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement. It further states that in situations where such consultation is not possible, undertakings should consider reasonable alternatives such as consulting credible, independent expert resources, including human rights defenders and others from civil society. The UN Interpretive Guide to the Corporate Responsibility to Respect Human Rights defines stakeholder engagement as an ongoing process of interaction and dialogue between an enterprise and its potentially affected stakeholders that enables the enterprise to hear, understand and respond to their interests and concerns, including through collaborative approaches.

BC36. Section II.A-14 of the OECD Guidelines similarly provides that undertakings should engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making that may significantly impact them. The related Commentary adds that stakeholder engagement involves interactive processes of engagement (e.g., meetings, hearings or consultation proceedings) and that effective stakeholder engagement is characterised by two-way communication and depends on the good faith of the participants on both sides.

BC37. GRI 2-29 requires undertakings to describe their approach to engaging with stakeholders, including the categories of stakeholders they engage with, and how they are identified; the purpose of the stakeholder engagement; and how the undertaking seeks to ensure meaningful engagement with stakeholders. GRI 3-3 (f) requires undertakings to describe how engagement with stakeholders has informed the actions taken to address material impacts and how it has informed whether the actions have been effective

BC38. The UN Guiding Principles Reporting Framework (C2) guides undertakings to disclose how the undertaking identifies which stakeholders to engage with in

relation to each of its salient (material) issues; which stakeholders it has engaged with regarding each salient issue in the reporting period, and why; and how the views of stakeholders have influenced the undertaking's understanding of each salient issue and/or its approach to addressing it.

- BC39. Requirement 2 of CDSB's Reporting Framework states that information about environmental and social policies and strategies should include confirmation of whether and to what extent policies and strategies take account of the undertaking's key stakeholder relationships and perspectives including details about engagement with key stakeholder relationships and perspectives along the value chain. Requirement 3 states that information related to the identification, assessment and prioritisation of risks and opportunities is useful where it explains whether and how the processes include engagement with affected stakeholders, their legitimate representatives or subject matter experts, and the types of stakeholders engaged and the engagement methods used.

Own workers specific Basis for Conclusion on ESRS 1 Disclosure Requirement SBM 3 and ESRS S1 AG 5 on the interaction between material impacts and the strategy and business models and SBM 4 and ESRS S1 AG 6 – 7 on the interaction between material risks and opportunities and the strategy and business model

- BC40. As stated in Article 19a 2 (a) (iv) of the [draft] CSRD, undertakings should briefly describe 'how the business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters'. While undertakings are increasingly focused on connections between business models and climate change, the features of business models that can be a source of impacts on people, including on value chain workers, should also be considered, when material. Research has shown the various ways in which such connections between business model, strategy and material impacts can arise.² Examples can be observed in cases where typical mitigation strategies may be ineffective at the operational level, given that impacts are part of how the business is designed to operate, and therefore require engagement of senior leaders and governance bodies to address them effectively. This application guidance is aimed at describing such interactions with the undertaking's strategy and business model and capturing the specificities of how the business is designed to operate.
- BC41. Guidance to GRI 2-22 states that undertakings should describe how their purpose, business strategy, and business model aim to prevent negative impacts and achieve positive impacts on the economy, environment, and people.
- BC42. CDSB Reporting Requirement 1 states that disclosures shall describe the governance of environmental and social policies, strategies and information, and that this Disclosure Requirement will be satisfied when disclosures, inter alia, explain whether and how the board considers how the undertaking's business model and strategy may contribute to material environmental and social risks.
- BC43. Question A2 of the UN Guiding Principles Reporting Framework guides undertakings to report on how they demonstrate the importance they attach to the implementation of their human rights commitment, including how the business model reflects, or has been adapted to enable, respect for human rights, as well

² Shift, 'Business Model Red Flags', New York, 2021, <https://shiftproject.org/resource/business-model-red-flags/red-flags-about/>

as how any risks to human rights associated with the business model (e.g., offering lowest-cost products) are understood among the senior leadership and the Board.

Own workers specific Basis for Conclusion on ESRS 2 Disclosure Requirements IRO 2 and 3 and ESRS S1 AG 8-10 on the outcome of the assessment of material sustainability impacts, risks and opportunities

- BC44. Article 19a 1 of the [draft] CSRD, requires undertakings to include information “*necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position*” in its management report (concept of double materiality). Article 19a 2 (e) (ii) of the [draft] CSRD requires a description of the “*principal actual or potential adverse impacts connected with the undertaking’s value chain, including its own operations, its products and services, its business relationships and its supply chain*” (impact materiality).
- BC45. According to UN Guiding Principle 18 and OECD Guidelines IV-45, the initial step in conducting human rights due diligence is to identify and assess any actual or potential adverse human rights impacts with which undertakings may be involved either through their own activities or as a result of their business relationships. The purpose is to understand the specific impacts on specific people, given a specific context.
- BC46. UN Guiding Principle 24 states that where it is necessary to prioritise actions to address actual and potential impacts, undertakings should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable. The UN’s Interpretive Guide to the Corporate Responsibility to Respect Human Rights under the UN Guiding Principles refers to these as ‘salient’ human rights, while the OECD Guidelines refer to them as the most significant. These steps within the due diligence process are further set out in ESRS1.
- BC47. The UN Guiding Principles Reporting Framework B1 and GRI 3 set out how this same prioritisation process leads to the identification of the material impacts of the undertaking by determining the threshold above which the most salient/significant impacts are understood to be material. This is reflected in the guidance on determining impact materiality, as part of double materiality, under ESRS 2.
- BC48. GRI 3-3 requires undertakings to describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights. Further, the undertaking should describe whether it is involved with the negative impacts through its activities or as a result of its business relationships and describe these activities or business relationships.
- BC49. In addition to disclosing material impacts on own workers, AG9 of the [draft] Standard requires disclosure on the main types of workers that are affected by those impacts (e.g., migrant workers, women workers, children, etc.). The disclosure on the affected types of workers provides context for understanding the nature and potential consequences of the impacts, and for assessing the potential actions that could be appropriate in response. UN Guiding Principle 21 requires that, in their external communications, undertakings should “*provide information that is sufficient to evaluate the adequacy of an enterprise’s response to the particular human rights impact involved*”.
- BC50. ESRS 2 Disclosure Requirements IRO 2 and 3, build on both the current EU NFRD as well as the [draft] CSRD. Article 19a 1 of the [draft] CSRD requires undertakings to include in the management report information “*necessary to understand how*

sustainability matters affect the undertaking's development, performance and position". Article 19a 2 (f) of the [draft] CSRD requires "a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks" and Article 19a 2 (a) (ii) refers to "the opportunities for the undertaking related to sustainability matters". Under Article 19a 1 (d) of the NFRD undertakings are required to report on the principal risks related to sustainability matters and how the undertaking manages those risks.

- BC51. The Integrated Reporting Framework (4.25) highlights that an integrated report should identify the key risks and opportunities that are specific to the undertaking, including those that relate to the undertaking's effects on, and the continued availability, quality and affordability of, relevant capitals in the short-, medium- and long-term. This includes both human capital and social and relationship capital, both of which could be relevant with regard to own workers.
- BC52. Requirement 3 of the CDSB Reporting Framework for reporting environmental and social information states that disclosures shall explain the material current and anticipated environmental and social risks and opportunities affecting the undertaking and the processes used to identify, assess and prioritise these risks and opportunities. The Framework defines human and social capital dependencies, which may be a source of risks or opportunities, as the human and social resources and relations that undertakings need in order to create and sustain value.
- BC53. Requirement 3 of the CDSB Reporting Framework further states that information will be useful where it explains whether and how the undertaking's processes to identify, assess and prioritise risks and opportunities include an assessment of whether business risks may result, in the short, medium, and long term, from actual or potential negative environmental and social impacts that the undertaking itself may cause or contribute to or which may be linked to its operations, products or services through its business relationships; and when it explains any additional causes and sources of the material business risks and opportunities the undertaking has identified, such as risks to the availability of any of the undertaking's natural, social, or human capital dependencies
- BC54. SASB Industry Standards evaluate sustainability issues for inclusion in the Standards by assessing whether a given topic is reasonably likely to materially affect the financial condition, operating performance, or risk profile of a typical undertaking within an industry. With regard to ownworkers, for example, standards for a number of industries require undertakings to disclose the total recordable incident rate (TRIR), fatality rate and near miss and to disclose the total amount of monetary losses as a result of legal proceedings associated with labour law violations or employment law.
- BC55. Section AG 8 (b) of ESRS S1 supports the information needs of financial market participants related to the above indicators. It was considered that, instead of these indicators being reported in isolation by financial market participants, the provision of contextual information would support the preparation of better information. These indicators should, therefore, be considered in combination with additional information. In particular, financial market participants may gain greater insight by looking for reporting on how the undertaking is using its leverage, including through collaboration with others, to address child, forced and compulsory labour, and whether it is taking a role in incentivising or enabling remedy when cases of child, forced or compulsory labour are found.

BC56. The application guidance AG 8 also addresses the need for users for information on 'just transitions' by requiring information on the impacts on own workforce caused by the undertaking's plans and actions to reduce carbon emissions in line with international agreements.

Policies, targets, action plans and resources

Disclosure Requirement S1-1 – Policies related to own workforce

BC57. As stated in Article 19a 1 (b) of the NFRD amending Directive 2013/34/EU and its non-binding guidelines, as well as Article 19a 2 (d) of the [draft] CSRD, undertakings should provide “ and “a description of the undertaking's policies in relation to sustainability matters”. A policy demonstrates the nature of the commitment made by the undertaking regarding impacts, risks and opportunities related to own workers.

BC58. According to both UN Guiding Principle 15 and the OECD Guidelines (IV-4), undertakings should have in place policies and processes appropriate to their size and circumstances, including a policy commitment to meet their responsibility to respect human rights. UN Guiding Principle 16 states that such a policy should stipulate the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services; and that it should be publicly available and communicated internally and externally to all personnel, business partners and other relevant parties. Expanding on section IV para. 4, the OECD Guidelines' Commentary on Human Rights specifies that undertakings should “*express their commitment to respect human rights through a statement of policy that: (i) is approved at the most senior level of the enterprise; (ii) is informed by relevant internal and/or external expertise; (iii) stipulates the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services; (iv) is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties; (v) is reflected in operational policies and procedures necessary to embed it throughout the enterprise*”.

BC59. GRI 2-23 requires the undertaking to describe policy commitments for responsible business conduct, including the specific policy commitment to respect human rights, the internationally recognised human rights that the commitment covers, and the categories of stakeholders, including at-risk or vulnerable groups, that the undertaking gives particular attention to in the commitment. It requires undertakings to provide links to the policy commitments if publicly available. GRI 3-3 also requires the undertaking to describe its policies or commitments regarding material topics (i.e., specific material impacts). This entails describing the policies or commitments the undertaking has developed specifically for the topic, in addition to the policy commitments reported under Disclosure 2-23.

The UN Guiding Principles Reporting Framework guides undertakings to report on their public commitment to respect human rights (A1) for which relevant information would include whether the public commitment covers all individuals and groups who may be impacted by the undertaking's activities or through its business relationships, and whether there are any groups to which the undertaking pays particular attention, and why. It guides undertakings to report any more specific policies they may have that address their salient (material) human rights issues. It indicates that relevant information would include clarification of whose human

rights the policy or policies relate to, such as own workers. Its supporting guidance explains that specific policies may be addressed through a single provision or section within a broader document, for instance, policies of non-discrimination or freedom of association.

- BC60. Disclosure Requirement S1-1 requires undertakings to summarise how the relevant policies are communicated to own workers. In line with UN Guiding Principle 16d and OECD Guidelines (IV-44), GRI 2-23 requires undertakings to describe how their policy commitments – including with regard to respect for human rights – are communicated to workers. In addition, the guidance to GRI 2-23 (f) suggests disclosing how the undertaking identifies and removes potential barriers to the communication or dissemination of the policy commitments, e.g., by making them accessible and available in relevant languages.
- BC61. The UN Guiding Principles Reporting Framework A-1.3 guides undertakings to report how their public commitment to respect human rights is disseminated and indicates that relevant information would include whether and how the public commitment is disseminated in an accessible form to external stakeholders, in particular potentially affected stakeholders and the undertaking's employees and contract workers.
- BC62. The SFDR includes the following amongst the indicators financial market participants are expected to disclose:
- (a) “Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises” (indicator 11 in Table 1 of Annex 1 of the related Delegated Regulation).
 - (b) The associated metric reads: “Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD MNE Guidelines or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD MNE”.

As read above, the metric speaks to policies and grievance mechanisms, for which disclosures are found in a number of Standards, in particular, ESRS S1 and ESRS S2. With regards to [draft] ESRS S1, relevant information will be disclosed in the context of Disclosure Requirement S1-1. Further relevant information will also be found in the context of Disclosure Requirement S1-3, focused on channels for own workers and workers' representatives to raise concerns.

The indicator itself speaks to processes and mechanisms to monitor compliance, which further brings in elements of reporting under Disclosure Requirement S1-5. In particular, insights will be strengthened by looking for information under Disclosure Requirement S1-5 on how the undertaking assesses the effectiveness of its own efforts to prevent, mitigate or remedy impacts.

- BC63. Disclosure Requirement S1-1, and specifically paragraph 18, supports the information needs of financial market participants of further SFDR PAI indicators, that is:
- (a) “Lack of a human rights policy” (indicator 9 in Table 3 of Annex 1 of the related Delegated Regulation).
 - (b) “Lack of processes and measures for preventing trafficking in human beings” (indicator 11 in Table 3 of Annex 1 of the related Delegated Regulation).

In addition to the information made available through undertakings' responses to paragraph 18 of ESRS S1, it is important to highlight that insights will be

strengthened by attention to some of the accompanying disclosures under Disclosure Requirement S1-1, beyond the existence of the policy alone.

With regards to processes and measures for preventing trafficking in human beings, undertakings will support the provision of relevant insights for financial market participants by disclosing, in particular, whether they have any processes or measures in place to address human trafficking and providing a summary thereof.

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

- BC64. The [draft] CSRD requires undertakings to provide “a description of the due diligence process implemented with regard to sustainability matters”. In line with the UN Guiding Principles and the OECD Guidelines, this due diligence process should throughout be informed by engagement with relevant stakeholders, especially those who may be adversely impacted.
- BC65. The UN Guiding Principles refer to the importance of meaningful stakeholder engagement in the conduct of human rights due diligence. For example, the commentary to UN Guiding Principles 18 states that, to enable undertakings to assess their human rights impacts accurately, they should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement. It further states that in situations where such consultation is not possible, undertakings should consider reasonable alternatives such as consulting credible, independent expert resources, including human rights defenders and others from civil society. The UN Interpretive Guide to the Corporate Responsibility to Respect Human Rights defines stakeholder engagement as an ongoing process of interaction and dialogue between an enterprise and its potentially affected stakeholders that enables the enterprise to hear, understand and respond to their interests and concerns, including through collaborative approaches.
- BC66. Section II.A-14 of the OECD Guidelines similarly provides that undertakings should engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making that may significantly impact them. The related Commentary adds that stakeholder engagement involves interactive processes of engagement (e.g., meetings, hearings or consultation proceedings) and that effective stakeholder engagement is characterised by two-way communication and depends on the good faith of the participants on both sides.
- BC67. GRI 2-29 requires undertakings to describe their approach to engaging with stakeholders, including the categories of stakeholders they engage with, and how they are identified; the purpose of the stakeholder engagement; and how the undertaking seeks to ensure meaningful engagement with stakeholders. GRI 3-3 (f) requires undertakings to describe how engagement with stakeholders has informed the actions taken to address material impacts and how it has informed whether the actions have been effective.
- BC68. The UN Guiding Principles Reporting Framework C2 guides undertakings to disclose how the undertaking identifies which stakeholders to engage with in relation to each of its salient (material) issues; which stakeholders it has engaged with regarding each salient issue in the reporting period, and why; and how the views of stakeholders have influenced the undertaking’s understanding of each salient issue and/or its approach to addressing it.

BC69. Requirement 2 of CDSB's Reporting Framework states that information about environmental and social policies and strategies should include confirmation of whether and to what extent policies and strategies take account of the undertaking's key stakeholder relationships and perspectives including details about engagement with key stakeholder relationships and perspectives along the value chain. Requirement 3 states that information related to the identification, assessment and prioritisation of risks and opportunities is useful where it explains whether and how the processes include engagement with affected stakeholders, their legitimate representatives or subject matter experts, and the types of stakeholders engaged and the engagement methods used.

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

BC70. UN Guiding Principle 29 states that, to make it possible for grievances to be addressed early and remediated directly, undertakings should establish or participate in effective operational-level grievance mechanisms for individuals as well as communities who may be adversely impacted. The commentary explains that operational-level grievance mechanisms are accessible directly to individuals and communities who may be adversely impacted by an undertaking; are typically administered by enterprises, alone or in collaboration with others, including relevant stakeholders; may also be provided through recourse to a mutually acceptable external expert or body; do not require that those bringing a complaint first access other means of recourse; engage the undertaking directly in assessing the issues and seeking remediation of any harm. It states that such mechanisms need not require that a complaint or grievance amount to an alleged human rights abuse before it can be raised, but specifically aim to identify any legitimate concerns of those who may be adversely impacted.

BC71. In addition, UN Guiding Principle 30 addresses the importance of industry, multi-stakeholder and other collaborative initiatives that are based on respect for human rights-related standards ensuring the availability of grievance mechanisms.

BC72. The OECD Guidelines IV-6 also recommend that when undertakings identify through their human rights due diligence process or other means that they have caused or contributed to an adverse impact, they should have processes in place to enable remediation. The Guidelines note that some situations require cooperation with judicial or State-based non-judicial mechanisms.

BC73. Both UN Guiding Principle 29 and the OECD Guidelines IV-6 underline that operational-level grievance mechanisms should not be used to undermine the role of trade unions in addressing labour-related disputes, and should not preclude access to judicial or non-judicial grievance mechanisms.

BC74. GRI 2-25 specifically requires disclosing the grievance mechanisms that the undertaking has established or participates in, as well as a description of how the stakeholders who are intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms.

BC75. This disclosure requires undertakings to explain whether and how they know that their own workers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed. This aligns with UN Guiding Principle 31, which states that grievance mechanisms should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning and based on engagement and dialogue. The OECD Guidelines similarly state that operational-level grievance mechanisms can be an

effective means of providing for remediation when they meet the core criteria of: legitimacy, accessibility, predictability, equitability, compatibility with the Guidelines and transparency, and are based on dialogue and engagement with a view to seeking agreed solutions.

- BC76. The UN Guiding Principles Reporting Framework (C6.2) specifically guides undertakings to disclose how they know if people feel able and empowered to raise complaints or concerns, with relevant information including evidence that they are used by the intended individual or groups and feedback from those who have and have not used the channels regarding their confidence in them.

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

- BC77. Art.19a 2 (b) of the [draft] CSRD mandates undertakings to provide a description of sustainability targets and the progress made towards achieving those targets. It contains specific disclosure requirements on targets related to sustainability matters, which include rights relevant to own workers.
- BC78. The setting of targets provides a goal against which progress can be tracked. The Commentary to UN Guiding Principle 20 states that undertakings should make particular efforts to track the effectiveness of their responses to impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalisation. The OECD Guidelines VI-1 also recommend that undertakings regularly monitor and verify progress toward environmental, health, and safety objectives or targets.
- BC79. With regard to tracking the effectiveness of actions taken, GRI 3-3 (e) requires undertakings to report the processes used to track the effectiveness of the actions; any goals, targets, and indicators used to evaluate progress; the effectiveness of the actions, including progress toward the goals and targets; lessons learned and how these have been incorporated into the undertaking's operational policies and procedures. Its guidance further states that reporting on goals and targets should include how the targets are set. GRI 3-3 (f) also requires undertakings to describe how engagement with stakeholders has informed the actions taken [to address impacts] and how it has informed whether the actions have been effective.
- BC80. Requirement 2 of the CDSB Reporting Framework states that disclosures shall report management's environmental and social policies, strategies, and targets, including the indicators, plans and timelines used to assess performance. It further specifies that to meet this requirement undertakings will need to describe their targets, timelines, and key performance indicators against which delivery of environmental and social strategies and policies is measured and resourced. Information on a social target should include whether it is a direct measure of outcomes for people or a measure of systemic changes aimed at improving outcomes for people. Information on targets should further include whether and how they are informed by engagement with affected stakeholders, their legitimate representatives and/or subject matter experts; and key performance indicators used to assess progress against targets.

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

- BC81. Addressing the identified material impacts, as required by DR S1-5, is part of the human rights due diligence process and in line with Art 19a 2 (e) (iii) of the [draft] CSRD which calls for a description of “any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts”.
- BC82. UN Guiding Principle 19 states that undertakings should take appropriate action in order to prevent and mitigate negative human rights impacts and that, to facilitate this, responsibility for addressing such impacts should be assigned to the appropriate level and function within the business enterprise; and Internal decision-making, budget allocations and oversight processes should enable effective responses. The commentary to UN Guiding Principle 19 elaborates that an undertaking should take the necessary steps to cease or prevent any impacts it causes, may cause or to which it contributes, and should use its leverage to mitigate, to the greatest extent possible, impacts it has not contributed to, but where that impact is nevertheless directly linked to its operations, products or services by its business relationship with another undertaking. It states that if an undertaking lacks leverage there may be ways for it to increase it, for example, offering capacity-building or other incentives to the related undertaking, or collaborating with other actors.
- BC83. The OECD Guidelines II.A and IV) similarly set out the different steps on how to address actual and potential adverse impacts. The UN’s Interpretive Guide on the Corporate Responsibility to Respect Human Rights (III B) and the OECD’s related Due Diligence Guidance for Responsible Business Conduct (II, 3.1) set out in more detail what this entails.
- BC84. The UN Guiding Principles and the OECD Guidelines also address the need for action in response to actual impacts to include steps to provide remedy. This is more general than the requirement to provide an effective grievance mechanism, while such mechanisms can provide one means through which action may be taken. UN Guiding Principle 22 states that where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes. The commentary notes that operational-level grievance mechanisms can be one effective means of enabling remediation when they meet effectiveness criteria.
- BC85. GRI3-3 (d) requires undertakings to disclose information on actions taken to manage material topics and related impacts, including actions to prevent or mitigate potential negative impacts; actions to address actual negative impacts, including actions to provide for or cooperate in their remediation; and actions to manage actual and potential positive impacts. GRI 2-25 requires undertakings to describe the processes for remediation of negative impacts and how the effectiveness of these processes is tracked.
- BC86. The CDSB Reporting Framework states that information on the undertaking’s environmental and social policies and strategies should include information about whether the undertaking’s environmental and social policies and strategies involve working with entities in the value chain (upstream and downstream) and other third parties (e.g., joint venture partners, franchisees) to facilitate their management of environmental and social impacts; and information relating to actions to mitigate or remediate environmental and social impacts.
- BC87. The UN Guiding Principles Reporting Framework (C4.3) guides undertakings to report what action they have taken in the reporting period to prevent or mitigate

potential impacts related to each salient (material) issue and (C6.5) whether the undertaking provided or enabled remedy for any actual impacts related to a salient (material) issue.

- BC88. UN Guiding Principle 20 states that tracking is necessary in order for undertakings to know whether their policies are being implemented optimally, whether they responded effectively to the identified impacts, and to drive continuous improvement. It further requires that tracking should be based on appropriate qualitative and quantitative indicators and draw on feedback from both internal and external sources, including affected stakeholders. Section VI 1 (c) of the OECD Guidelines also recommends that undertakings regularly monitor and verify progress toward environmental, health, and safety objectives or targets.
- BC89. GRI 3-3 (e) requires undertakings to report the processes used to track the effectiveness of the actions; goals, targets, and indicators used to evaluate progress; the effectiveness of the actions, including progress toward the goals and targets; and lessons learned and how these have been incorporated into the undertaking's operational policies and procedures.
- BC90. The UN Guiding Principles Reporting Framework (C5) guides undertakings to disclose how they know if their efforts to address salient (material) issues are effective in practice. It indicates that relevant information would include internal review processes, internal audit, supplier audits, surveys of employees or other workers, surveys of external stakeholders, other processes for affected stakeholders to provide feedback, including stakeholder engagement processes and grievance mechanisms, databases that track outcomes when actual impacts or complaints arise). Relevant information is also indicated as including qualitative and/or quantitative indicators used to assess how effectively each salient issue is being managed (e.g., indicators developed by the reporting undertaking or by a relevant industry association, multi-stakeholder initiative or in a more general reporting framework).
- BC91. The non-binding guidelines of the NFRD state in their key principles that the impact of an undertaking's activity is a relevant consideration when making non-financial disclosures and that impacts may be positive or adverse (3.1).
- BC92. The OECD Guidelines II.A-1 state that enterprises should contribute to economic, environmental and social progress with a view to achieving sustainable development.
- BC93. The explanatory memorandum of the [draft] CSRD puts the UN Sustainable Development Goals (SDGs) at the centre of the [draft] CSRD's objective as an EU policy. The preamble to the [draft] CSRD also highlights that the Commission has linked the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both in and beyond the Union, take those SDGs on board at the outset.
- BC94. Step 3.1 of the UN Global Compact/GRI Practical Guide to Integrating the SDGs into Corporate Reporting guides undertakings to report on their strategy, including objectives (goals) and measurement (indicators) for contributing to their priority SDG targets, recognising that positive contributions can result from both tackling risks and providing beneficial products or services. It states that this may include providing a description of relevant company policies, systems and processes, including their engagement with stakeholders; and data that demonstrate how the undertaking is progressing towards its objectives for contributing to its priority SDG targets and any setbacks it has encountered.

BC95. GRI 3-3 (a) guidance indicates in relation to reporting on positive impacts, that an undertaking may describe whether the positive impacts are actual or potential, the timeframe of the positive impacts (i.e. whether the positive effects are short-term or long-term and when they are likely to arise); the activities that result in the positive impact; and the stakeholders (without identifying specific individuals) that are positively affected or could be positively affected, including their geographic location.

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

BC96. Article 19a 2 (f) of the [draft] CSRD requires a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks.

BC97. According to the OECD Guidelines III-1 and III-2 undertakings should ensure the disclosure of timely and accurate information on all material matters regarding their activities, structure, financial situation, performance, ownership and governance.

BC98. Requirement 2 of the CDSB Reporting Framework states that information about undertakings' environmental and social policies and strategies should include the rationale for and nature of those policies and strategies, for example, to respond to the particular business risks and opportunities identified, or to contribute to national or international environmental and social ambitions (e.g., the Paris Agreement or SDGs). Under this requirement, information should also include details of social policies and strategies, for example, whether they involve investing resources in the prevention, mitigation, and remediation of particular negative human rights impacts, the advancement of human capital, the development of beneficial products and services, etc.; information relating to actions to mitigate or remediate environmental and social impacts. The requirement also calls for a description of the resources that are allocated to managing and delivering the policies, strategies, and targets, including investment and capital expenditure plans.

Performance measures

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

BC99. Disclosure Requirement S1-7, along with Disclosure Requirement S1-8, requires the disclosure of information which is key for understanding the size and characteristics of the workforce and for providing the basis for calculating ratios and other information required by other disclosure requirements in ESRS S1.

BC100. Disclosure Requirement S1-7 is based on GRI disclosure 2-7, which is part of the GRI Universal Standards and thus is mandatory for all reporting undertakings. This requires a breakdown of employees by type of employment relationship, namely whether the employee has a permanent or temporary contract, and on whether the contract is full-time, part-time, or non-guaranteed hours. This disclosure provides stakeholders with insight into the undertaking's alignment with the EPSR's Principle 5a on Secure and Adaptable Employment. A further breakdown of these categories by gender provides stakeholders with insight into the undertaking's alignment with EPSR's Principle 2 on Gender Equality and Principle 3 on Equal Opportunities.

BC101. GRI's disclosure 2-7 also requires a geographical breakdown (e.g. country, city or a world region) by employee type, as the characteristics of employees in the workforce can vary significantly across geographical units. Disclosure Requirement S1-7 specifies that the geographical unit for this breakdown is the country. This level of granularity is needed by stakeholders to understand key issues such as whether employment thresholds are reached for the exercise of information and consultation rights, e.g. for the formation of a European Works Council or the application of the Information and Consultation Directive. This breakdown for total employees is to be provided for each the country in which it has 50 or more employees. This threshold is chosen because it is a significant threshold for application of the EU Information and Consultation Directive. With regards to the employee characteristic breakdowns the country reporting threshold is 10% or more of total employment; such threshold is aimed at providing the information of those countries where a significant portion of its employees work.

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

BC102. As non-employee workers play a significant role in many undertakings' own workforce, GRI disclosure 2-8 requires undertakings to report the number of non-employee workers, defined as workers who have a contract with the undertaking as individuals to provide labour services ("self-employed contractors") and workers who are provided by undertakings primarily engaged in "employment activities" (NACE Code N78). The work of both categories of workers will be directed by the undertaking, and in many cases the workplace as well, thus this definition of "non-employee workers in own workforce" captures part but not all of GRI's definition of "workers who are not employees whose work or workplace are controlled by the [undertaking]." For example, workers for sub-contracting companies working on one of the undertaking's sites (e.g. in construction) are not included in this category and thus not covered by S1 disclosure requirements (exception: health and safety disclosure requirements which apply to all persons working on the undertaking's sites). The principle underlying the development of disclosure requirements in S1 which include "non-employee workers in own workforce" is that the undertaking should have direct access to the necessary data. In the case of self-employed workers, the undertaking is a contracting party to working conditions and should be able to calculate whether a fair wage is being paid, what working hours are, etc. In the case of contracting with firms engaged in employment activities, the reporting undertaking can be expected to require the necessary data from the employment activity firm providing the labour services (e.g. whether a fair wage is being paid).

BC103. Disclosure Requirement S1-8 is based on GRI's disclosure 2-8, however, it has been modified in line with the workforce definition used in the ESRS for "non-employee workers in own workforce". This approach is aligned with the definition of workforce used in the S2 Standard on Value Chain Workers. Disclosure Requirement S1-8 provides an understanding of the overall importance of this type of worker in the undertaking's operations, and assists understanding other issues such as understanding the undertaking's alignment with the EPSR Principle 5 on Secure and Adaptable Employment.

BC104. Disclosure Requirement S1-8 also requires a description of the most common type of non-employee worker in their own workforce and their relationship with the undertaking, as well as the provision of information on fluctuation in the

number of non-employee workers in own workforce. This information further assists an understanding of the undertaking's alignment with EPSR Principle 5 on Secure and Adaptable Employment. In order to provide flexibility, the preparer may disclose the information in headcount, full time equivalent or using another methodology where the expectation is that it is consistent with the basis used for the related financial statements disclosures, in line with GRI 2-8.

Working conditions

Working conditions specific Basis for Conclusion on ESRS 2 Disclosure Requirements GOV 2 AG 105-107 on information of administrative, management and supervisory bodies about sustainability matters

BC105. This disclosure supports Article 19b 2 b) ii and it relates to the governance and communication of the management of health and safety matters with the administrative, management and supervisory bodies. It is partly inspired by GRI 403-1, 403-2 and 403-4, as well as IS 45001 given that the requirement pursues to describe the management approach to health and safety, on the one hand. And, on the other hand, on a voluntarily basis, to explain the internal reporting (ie targets, monitoring and performance measures).

Disclosure Requirement S1-9 – Training and Skills Development indicators

BC106. Article 19b 2 b) i of the [draft] CSRD requires that disclosures on social factors of the undertaking are to include training and skills development. Education, training and life-long training is defined in Principle 1 of the European Pillar of Social Rights. In addition, these disclosures provide insight into the human capital of the undertaking.

BC107. The disclosure required by paragraph 57 (a) is based on GRI's disclosure 404-3 and aligned with WICI KPI on 'Number of training hours per employee'. However, the level of granularity has been modified with respect to GRI, and Disclosure Requirement S1-9 requires the breakdown by employee category and not by gender for employees. For non-employees, it requires the total number of workers but no breakdown by either employee category or gender is required.

BC108. The disclosure required by paragraph 57 (c) is derived from the EFFAS Key Performance Indicators for Environmental, Social and Governance Issues S02-023 and WICI's 'Human Resource Development expenditure per employee'. This indicator complements those data points required by Disclosure Requirement S1-9 to the extent that it provides a monetary amount that can be easily compared to other undertakings and benchmarked against its sector. The ambition for this disclosure is to obtain the external costs of training and development from the undertakings rather than proposing a methodology that would assimilate and consider internal costs devoted to training at par level with external costs. To the extent that contextual information and further descriptions of training choices made by the undertaking are considered relevant for the users of the sustainability statements, the recommendation is to include such information.

³ EFFAS The European Federation of Financial Analysts Societies: KPIs for ESG, A Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation. Version 1.2 , 8 April 2009.

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

- BC109. The Disclosure Requirement S1-10 is based on the requirements set forth in Article 19a b) ii of the [draft] CSRD and GRI 403, together with the the ILO Convention and OECD GL. Healthy, safe and well-adapted work environment and data protection is Principle 20 of the European Pillar of Social Rights. These reporting sources require that an undertaking discloses policies on health and safety and also how it has embedded a health and safety management system in its operations.
- BC110. There is extensive guidance on occupational health and safety reporting. The requirements in this [draft] Standard have been carefully selected with the purpose of providing useful insights into:
- (a) the importance that the reporting undertaking attributes to the topic of health and safety;
 - (b) how this topic is managed; which includes hazard assessment, specific preventive and protective measures, training and engagement of workers;
 - (c) how the undertaking performs relative to health and safety by providing commonly accepted health and safety metrics which are largely comparable among undertakings of different sizes and from different sectors and to effectively influence the undertaking's behaviour and steering in a way that supports workers' health and safety at the workplace and contributes to improving the overall working conditions.

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

- BC111. Due consideration has been given to differences between workers employed by the undertaking and freelancers, those employed by suppliers, service providers or otherwise only work temporarily under the control and supervision of the undertaking. While both groups generally enjoy the same privileges as far as their health and well-being are concerned, certain aspects of this topic are outside of the undertaking's influence and therefore entail different disclosure requirements. Examples of such differences include:
- (a) the degree of engagement and participation of employee vs. non-employee workers in the undertaking's health and safety management and respective policies, including assessment of risks and hazards, remediation plans and overall design of the workplace
 - (b) the degree of participation in health and safety trainings - other than those trainings specifically required to safely operate in the designated workplace
 - (c) the coverage by the undertaking's healthcare benefit plans
 - (d) the insurance coverage for death, injury or ill health resulting from work related incidents or occupational diseases
 - (e) the data available to the reporting undertaking relative to non-employee workers which would be required in the computation of certain performance metrics
- BC112. The performance disclosures selected are commonly used today by a number of undertakings and aligned with the principal adverse indicators derived from the SFDR; in particular those related to "rate of accidents" (indicator two in Table 3

of Annex 1) and “number of days lost to injuries, accidents, fatalities or illness” (indicator three in Table 3 of Annex 1).

BC113. In relation to those disclosure requirements that have been excluded for the first set of Standards, an example is the cost of operational health and safety measures. While such disclosures were found to be generally relevant and support the connectivity of this ESRS with financial reporting, in the light of the strength of a public mandate for such disclosures, materiality considerations, the usefulness of such information to stakeholders and degree of discretion involved in defining the scope of the disclosure, it has been concluded that the requirements would not surpass the necessary threshold for inclusion in the first set of Standards.

Optional Disclosure - Disclosure Requirement S1-12 – Working Hours

BC114. This Disclosure Requirement supports the [draft] CSRD Art. 19b, 2 b) ii and it relates to the threshold established by European and international standards of maximum 48 hours per week over a reference period which supports the work-life balance of own workforce and has been set to protect own workers' physical and mental health, together with their safety at work.

BC115. The right of workers to a limitation of maximum working hours is enshrined in key European and international human rights instruments - article 31 of the EU Charter of Fundamental Rights, article 2 of the EU Social Charter (Revised), article 24 of the UDHR⁴ and article 7 of the UN ICESCR⁵ - in connection with the right of every worker to working conditions which respect his or her health, safety, dignity, daily and weekly rest periods.

BC116. At a European level, principle 10 of the EPSR (Healthy, safe, and well-adapted work environment and data protection) acknowledges workers' right to a high level of protection of their health and safety at work, which requires the establishment of a maximum limit of working hours per week. A general standard limiting working hours to 48 hours per week, including overtime, is set by the EU Working Time Directive – which aims at guaranteeing minimum standards on the organisation of working time for all workers throughout the EU – and also by different ILO conventions such as the ILO Hours of Work (Industry) Convention n. ° 1 (1919), and the ILO Hours of Work (Commerce and Offices) Convention n. ° 30 (1930)⁶ which recognize that working excessive hours poses a danger to workers' health. For its part, SDG 8 (Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all) relates to European and international standards on working hours, particularly through target 8.8 “Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment”.

BC117. This Disclosure Requirement has been designed following considerations and to allow comparability at a European and international level, as the 48-hour

⁴ Article 24 of the Universal Declaration of Human Rights states that “Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay”.

⁵ Article 7 of the United Nations' International Covenant of Economic and Social Rights recognizes the right of everyone to the enjoyment of just and favourable conditions of work which ensure, among others, “(d) Rest, leisure and reasonable limitation of working hours and periodic holidays with pay, as well as remuneration for public holidays”.

⁶ These two conventions set the general standard of working hours at 48 regular hours of work per week, with a maximum of eight hours per day.

threshold has been adopted both by the EU Working Time Directive ⁷ and by the ILO Conventions.

BC118. A lack of established indicators related to this social matter has been noted in other sustainability frameworks such as GRI and SASB where equivalent disclosures are not observed. A reporting framework that includes disclosure requirements regarding working hours performance measures is the UN Global Compact-Oxfam Poverty Footprint PF (3.2: “Average working hours per week (m/w), including overtime”). Nonetheless, statistical frameworks have been developed with the aim of measuring the quality of life and employment and use indicators designed considering work as a key factor associated to individuals’ social and economic progress but also to risks to their health and wellness, being the quality of work of great importance as it relates to personal dignity. They foresee the following performance measures:

- (a) Eurostat Quality-of-life indicators statistical framework⁸:
 - (i) average number of usual weekly hours of work
 - (ii) the percentage of employees usually working more than 48 hours a week
- (b) UN Handbook on Measuring Quality of Employment statistical framework⁹:
 - (i) mean weekly hours usually worked per employed person
 - (ii) percentage of employed persons usually working 49 hours or more per week

BC119. This Disclosure Requirement is the result of a number of debates which reflected initial different opinions. Some opinions questioned its value as a sustainability indicator as it was considered a mere compliance indicator where its application differed across national jurisdictions, specially outside the European Union, leading to complexities on its calculation. Other opinions acknowledged the relevance of including a Disclosure Requirement for a social matter core to the European Union legislation and leading the way on this aspect of sustainability reporting. Notwithstanding, it was addressed that the criticism received did not suggest that this was a sector specific indicator and, hence, it has been classified as sector agnostic.

⁷ Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time recognises the need for workers to have adequate rest periods and lays down provisions for a maximum 48-hour working week (including overtime), rest periods and breaks, and a minimum of four weeks’ paid leave per year to protect workers from adverse health and safety risks.

⁸ The Eurostat Quality-of-life indicators statistical framework includes a comprehensive framework of quality-of-life indicators encompassing, among other dimensions, the dimension of productive or other main activity. This dimension covers quality of employment and proposes indicators on working hours: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Quality_of_life_indicators_-_productive_or_main_activity#Quality_of_employment

⁹ The UN Economic Commission for Europe Handbook on Measuring Quality of Employment (https://unece.org/DAM/stats/publications/2015/ECE_CES_40.pdf) (as amended in January 2019 - https://unece.org/DAM/stats/publications/2015/MQoE_addendum1.pdf), prepared by the Expert Group on Measuring Quality of Employment, introduces a statistical framework and a list of recommended indicators for measuring quality of employment. Dimension 3 of this framework covers aspects related to working time.

BC120. Therefore, the conclusion reached was to provide optionality to undertakings for reporting this disclosure. It was noted that, following the outcome of the consultation, such a decision could be reconsidered.

Disclosure Requirement S1-13 – Work-Life Balance indicators

BC121. This Disclosure Requirement is derived from the [draft] CSRD Art. 19b, 2 b) ii. The equal uptake of family-related leave is considered by the European Union legislation as an essential axis to support work-life balance, address women's underrepresentation in the labour market and the challenges that arise from demographic changes including the effects of an ageing population.

BC122. The right to work-life balance and the equal uptake of family-related leave is enshrined in article 23 and 33 of the EU Charter of Fundamental Rights and article 8 of the EU Social Charter (Revised) in connection with the right to paid maternity leave and to parental leave following the birth or adoption of a child, to reconcile family and professional life, the right to protection from dismissal for a reason connected with maternity and the right to equality between men and women in all areas, including employment, work and pay. It is also endorsed by core human right instruments such as the UDHR (article 24)¹⁰ and the UN ICESCR (article 7).¹¹

BC123. At an European level, achieving a better work-life balance for workers has become a priority policy area for the EU in recent years and crucial to the realisation of many principles of the EPSR, particularly gender equality, adaptable employment, and work-life balance. Principle 9 of the EPSR reaffirms the principle of work-life balance and specific rights for workers in relation with it, including the right of parents and carers to suitable leave and the right of women and men to have equal access to special leaves of absence in order to fulfil their caring responsibilities in a balanced way.

BC124. The right to take family-related leaves is established in Directive 92/85, which addresses maternity leave, and the EU Work-Life balance Directive. This right is also included within the EPSR, which lays down minimum requirements to facilitate the reconciliation of work and family life designed to achieve equality between men and women with regard to labour market opportunities and treatment at work (addresses paternity, parental and carers' leave). Work-life balance also appears as a key factor to address challenges that arise from the current demographic slowdown in Europe in the European Commission's Gender Equality Strategy 2020-2025. At an international level, the ILO has recognized the challenges faced by workers to reconcile their personal and work lives and their right to work-life balance. Currently, the most relevant ILO conventions on the field of work-life balance are the ILO Workers with Family Responsibilities Convention n. ° 156 (1981) and the ILO Maternity Protection Convention n. ° 183

¹⁰ Article 24 of the Universal Declaration of Human Rights states that motherhood and childhood are entitled to special care and assistance.

¹¹ Article 10 of the United Nations' International Covenant of Economic and Social Rights recognizes that special protection should be accorded to mothers during a reasonable period before and after childbirth. During such period working mothers should be accorded paid leave or leave with adequate social security benefits.

(2000).¹² Work-life balance also relates to SDG 5 - in particular, helping achieve target 5.4 and 5.5 – and SDG 8 - helping achieve target 8.5.

- BC125. Disclosure Requirement S1-12 is based on GRI's disclosure 401-3. Notwithstanding, it has been modified to adapt its scope to the priorities set out by the EU Charter of Fundamental Rights and the European Pillar of Social Rights where focus is set on family-related rather than parental leave, a subset within family-related. In addition, it's been considered that percentage type information could enhance comparability and provide a more direct indication of the uptake of such leaves rather than the number of employees which has been the approach undertaken with GRI; the differences between these two units of measurement are not significant in terms of outcome. There are no specific SASB disclosures as regards performance measures in the area of work-life balance.
- BC126. Other existing reporting frameworks require disclosures regarding the return-to-work and retention rate of employees after parental leave such as the WEP Reporting on Progress Principle 2, this is aligned with GRI G4 Principle 2¹³; the GAP analysis tool, 6, 7, 9 (measurement); and the WBA Gender Benchmark, Workplace, 20A - Q38, 20B – Q41¹⁴.

Disclosure Requirement S1-14 – Fair remuneration

- BC127. This Disclosure Requirement is derived from the [draft] CSRD Art. 19b 2 b) ii and it requires that undertakings disclose whether they are aligned with the human rights specified in key human rights instruments to a minimum 'fair' level of remuneration. UDHR Article 23(3) states that "[...] *everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.*" Article 4 of the European Social Charter (revised) specifies that "[...] all workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families.
- BC128. On the EU level, EPSR principle 6 states that "[...] *workers have the right to fair wages that provide for a decent standard of living...in-work poverty shall be prevented*". A key action taken to implement this right is the proposed Directive on Adequate Minimum Wages in the European Union¹⁵, which references the national-level norms of 60% of the gross median wage and 50% of the gross average wage as benchmarks for adequate remuneration.

¹² These conventions cover some of the issues faced by workers to be able to successfully reconcile the conflicting demands of paid work and their personal lives. Nevertheless, ILO mentions in its webpage that the organisation is extending its research and policy work to cover a broader range of work-life balance issues, in order to develop research-based policy advice and practical information that addresses modern realities and meets the needs of 21st Century families.

¹³ The Women's Empowerment Principles (WEP) "Reporting on progress", provides guidance on measuring and reporting on progress in implementing the UN Women/UN Global Compact Women's Empowerment Principles (WEPs) making the link with the GRI: <https://d306pr3pise04h.cloudfront.net/docs/publications%2FReporting-on-Progress-%28aligned-with-GRI-G3.1%29.pdf>

¹⁴ The WBA Gender Benchmark, assesses and ranks 35 key apparel companies on their contribution to Sustainable Development Goal 5: gender equality and women's empowerment: https://assets.worldbenchmarkingalliance.org/app/uploads/2020/09/Gender-Benchmark_Questionnaire.pdf?subject=I%20would%20like%20to%20register%20for%20the%2011:00%20CET%20webinar%20on%2012th%20May

¹⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0682&from=EN>

- BC129. GRI disclosure 202-1 requires undertakings to report the ratio of the standard entry level wage to the local minimum wage by gender. However, it has been noted that minimum wages do not exist in some countries; and, in other cases, in some countries where they do exist, these are significantly below the benchmarks of 60% of median and 50% of average gross wages. Within the context of the observations described, the decision taken has been to replace the minimum wages with a reference to these benchmarks. While it is noted that an undertaking may use other fair wage measures provided, e.g. the Anker living wage methodology, as reported by the Global Living Wage Coalition¹⁶ or by the Fair Wage Network¹⁷, the fair wages calculated should not lie below the lower of the 60% of median and 50% of average gross wage benchmark.
- BC130. An undertaking is expected to provide information on its alignment with the fair remuneration principles, including both its employees and non-employee workers in its own workforce. If all of an undertaking's own workers earn at least the fair wage, the Disclosure Requirement is fulfilled by simply reporting this fact. If it is not, the Disclosure Requirement is designed to indicate the percentage of own workers earning less than the fair wage. In order to provide an understanding of the location of this gap, the undertaking is required to identify the countries in which the lowest wage is less than the fair wage. Given that the fair wage benchmarks are performed at country level and that this [draft] Standard uses country level information for disaggregation, it has been considered that the level of granularity shall be the country as it will lead to comparability between undertakings.

Disclosure Requirement S1-15 – Social security eligibility coverage

- BC131. Social security is a human right which responds to the universal need for protection against certain life risks and social needs. It is contained in key human rights instruments, including the UN UDHR (Article 22) and the EU Charter of Fundamental Rights (Article 34) and the European Social Charter (revised) (Articles 12-14). ILO Convention 102 defines nine specific branches of social security (medical care, sickness, unemployment, old age, employment injury, family, maternity, invalidity and survivors' benefits). Additional ILO Conventions cover general aspects (Conventions 118, 157 and 202) as well as specific branches of social security.
- BC132. European initiatives and legislation affirm the right to social security for all. EPSR principle 12 states that “...regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection.” Based on a proposal by the European Commission, the Council of the European Union adopted a recommendation on 8 November 2019 on access to social protection for workers and the self-employed (2019/C 387/01).
- BC133. This Disclosure Requirement draws in part on GRI 401-2 which requires information on the provision of benefits. However, GRI 401-2 addresses differences in access to benefits between types of workers, whereas Disclosure Requirement S1-15 focuses on access to basic social security for all own workers.

¹⁶ <https://globallivingwage.org/anker-living-wage-and-living-income-reference-values/>

¹⁷ <https://fair-wage.com/>

Equal opportunities

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

- BC134. This Disclosure Requirement is derived from the [draft] CSRD Art. 19b, 2 b) ii, Principle 2 Gender Equality of the European Pillar of Social Rights and the SFDR in its mandatory indicator 12 in Table 1 of Appendix 1 “Unadjusted gender pay gap”. It requires undertakings to disclose the size of any gap in pay received by its female and male employees. As this gap may be caused by factors correlated with gender (e.g. type of employment contract, occupation, etc.), it also requires undertakings to provide contextual information and the methodology used to calculate the gap, which can help understand the size of the gap. Finally, DR S1-16 requires undertakings to disclose any actions they may be taking to address this gap.
- BC135. The rights to gender equality and equal pay for equal work or work of equal value are included in key international and European human rights instruments. In addition to general anti-discrimination rights included in the UN UDHR, EU Charter of Fundamental Rights, European Convention on Human Rights, and ILO Convention 111, there are articles specifically related to remuneration. Article 23 (2) of the UN UDHR states that “[...] *everyone, without any discrimination, has the right to equal pay for equal work.*” ILO Convention 100 contains the “[...] principle of equal remuneration for men and women workers for work of equal value.”
- BC136. The European Pillar of Social Rights Principal 2 states that “[...] *women and men have the right to equal pay for work of equal value.*” The draft EU Pay Transparency Directive is designed to “[...] strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.” .
- BC137. Disclosure Requirement S1-16 is based in part on GRI 405-2, which requires information on the male-female wage gap. However, it has been modified to align with the requirements of the SFDR (Indicator #12 in Table 1 of Annex 1) , the draft EU Pay Transparency and the positions of the EU legislators on this issue. Nevertheless, the differences between the GRI equivalent indicator and DR S1-16 are not considered significant for this mature Disclosure Requirement.
- BC138. The level of granularity of the information to be disclosed was a point of discussion during the drafting of the first set of exposure drafts. Whilst further granularity at employee category level would provide further insight as to where such pay gaps were present, it was noted that employee category was only one of the multiple factors that could lead to pay differences, along with factors such as education, years of experience, part time versus full time status, among other factors. Complex statistical analysis is thus needed to identify the degree to which different factors contribute to pay differences. Furthermore, it was noted that the draft EU Pay Transparency Directive requires an analysis of the pay gap to be discussed between the social partners but does not require the publication of such an analysis. Therefore, the decision taken was to require the information at an overall undertaking level.

Disclosure Requirement S1-17 – Annual total compensation ratio

- BC139. This Disclosure Requirement is derived from the [draft] CSRD Art. 19b, 2 b) ii and the SFDR in its additional indicator 8 in Table 3 of Appendix 1 “Excessive CEO pay”.
- BC140. DR S1-17 provides an understanding of the level of compensation inequality inside the undertaking by comparing the compensation of the highest-paid individual with the median compensation of its employees. This is widely considered to be a key indicator of the undertaking’s approach to equitable remuneration. It also helps understand development over time by requiring the undertaking to disclose information on the change since the previous reporting period as well as any contextual information that would help understand the disclosure (e.g. reasons for a significant change in the compensation of the highest-paid individual). The increase in the income and wealth of a small percentage of persons at the top of the earnings distribution has become a widespread policy concern.
- BC141. At the international level, UDHR 23 (2) contains the “[...] right to just and favourable remuneration” and the goal of UN SDG 10 is to “[...] reduce inequality within and among countries”. At the EU level, the Shareholder Rights Directive II (EU Directive on the encouragement of long-term shareholder engagement)¹⁸ requires disclosure of information on the remuneration of directors and the average remuneration of employees in a manner which allows comparison.
- BC142. Disclosure Requirement S1-17 is partially based on GRI 2-21 which has been modified in its design to fulfil the requirements of the SFDR (Indicator #8 in Table 3 of Annex 1).

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

- BC143. This Disclosure Requirement is derived from the [draft] CSRD Art. 19b, 2 b) i, Principle 3 of the European Pillar of Social Rights and the SFDR’s additional indicators 5 and 7 in Table 3 of Appendix 1, “Lack of grievance/complaints handling mechanism related to employee matters” and “Incidents of discrimination” respectively.
- BC144. DR S1-18 is designed to provide an understanding of the number and status of discrimination incidents, including sexual and non-sexual harassment, including remediation. It also requires the undertaking to report any financially material impacts of these incidents.
- BC145. Rights to equal treatment, equal opportunities and freedom from discrimination are defined in key international and European human rights instruments, including in Articles 2 and 7 of the UN UDHR and Chapter 3 of the Charter of Fundamental Rights of the EU. Specifically with respect to gender discrimination, the goal of UN SDG 5 is to “[...] [a]chieve gender equality and empower all women and girls.”
- BC146. European Pillar of Social Rights Principle 3 specifies the “[...] *right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered.*” Numerous EU Directives address non-discrimination; particularly relevant for own workforce is Directive

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017L0828>

2000/78/EC against discrimination at work on grounds of religion or belief, disability, age or sexual orientation and Directive 2006/54/EC equal treatment for men and women in matters of employment and occupation.

Disclosure Requirement S1-19 – Employment of persons with disabilities

- BC147. This Disclosure Requirement is derived from the [draft] CSRD Art. 19b, 2 b) i. It provides an understanding of the undertaking's efforts at inclusion of persons with disabilities in own workforce and the distribution by gender. It also requires reporting on the compilation of the data and any contextual information that would aid in understanding this information.
- BC148. Rights for persons with disabilities are specified in the UN Convention on the Rights of Persons with Disabilities (CRPD), with Article 27 addressing work and employment. One of the goals of UN SDG 8 is "[...] decent work for all." Principle 17 of the European Pillar of Social Rights focuses on the inclusion of persons with disabilities, including the rights to "[...] services that enable them to participate in the labour market and in society, and a work environment adapted to their needs.
- BC149. This Disclosure Requirement is derived from GRI 405 on diversity and equal opportunity as well as the GRI and Fundación ONCE publication "Disability in Sustainability Reporting¹⁹."

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

- BC150. DR S1-20 provides an understanding of the extent to which the employees with temporary, part-time or non-guaranteed hours contracts receive the same benefits as full-time, permanent employees. It also requires reporting on the countries in which these benefits are not the same, or alternatively, if these benefits are the same for all employees.
- BC151. General rights to non-discrimination as well as specific universal rights for social security are specified in key international and European human rights instruments (cf BC paragraphs for S1-14, S1-15 and S1-18). Principle 5 of the European Pillar of Social Rights states that "[...] *regardless of the type and duration of the employment relationship, workers have the right to fair and equal treatment regarding working conditions, access to social protection and training*"; Principle 12 specifies that "[...] *regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection.*"
- BC152. DR S1-20 is derived from GRI 401-2, with the addition of the non-guaranteed hours contract type, and a specification that the geographical unit for breakdown shall be the country level. In relation to the level of granularity, and with the spirit of defining a threshold that is in alignment with breakdowns to be provided for other own workforce disclosures, the significant employment level of 50 employees in a country found in European legislation (the Information and Consultation Directive²⁰) has been used.

¹⁹ <https://www.globalreporting.org/search/?query=disability+in+sustainability>

²⁰ <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32002L0014>

Other work-related rights

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

- BC153. The rationale of this Disclosure Requirement is to seek insight into the number of grievances and complaints concerning the undertaking with respect to these work-related rights and their status. The existence of effective grievance mechanisms is central to addressing and remediating negative impacts on these rights according to the UNGC principles and OECD Guidelines for MNEs as these are designed to address violations of human rights. DRS1 – 21 complements DR S1-1 which requires to describe the undertaking's policies, which in turn include the grievance mechanisms in line with the SFDR PAI indicator 11 in Table 1 of Annex 1 ("Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises").
- BC154. In addition to being enshrined in international and European human rights instruments, the rights listed in paragraph 1 of this Standard are also contained in a host of EU legislation, particularly in the EU labour law acquis and the General Data Protection Regulation (GDPR).
- BC155. The most relevant reporting frameworks for this Disclosure Requirement are GRI and ISO, with a basis for this disclosure being provided, in particular, by GRI disclosure 102-17 and ISO standard 30414 4.7.2.

Disclosure Requirement S1-22 – Collective bargaining coverage

- BC156. DR S1-22 requires information on the extent to which collective bargaining is relevant for the determination of the working conditions and terms of employment of the undertaking's own workforce in line with the [draft] CSRD Art. 19b, 2 b) ii. The Disclosure Requirement differentiates between employees and non-employee workers in an undertaking's core operations, as the situation of these two categories of persons may be and frequently is quite different. It also recognises that some undertakings may apply the contents of collective bargaining agreements to some employees, although a collective bargaining agreement may not be legally binding for them.
- BC157. The disclosure specifies that collective bargaining coverage should be reported on a country-by-country basis in countries in which the undertaking has significant employment (defined in this Standard as 50 or more employees), as the coverage rate may vary greatly between countries, in which case an undertaking-wide figure for a multinational undertaking would obscure significant differences across countries.
- BC158. Freedom of association and collective bargaining are fundamental rights enshrined in the international and European human rights instruments referenced in the [draft] CSRD, including in UN UDHR Article 23, EU Charter of Fundamental Rights Article 12 and ILO Convention 87. Information provided by this disclosure demonstrates the extent to which these rights have been exercised for the determination of the working conditions of an undertaking's own workforce.
- BC159. Freedom of association and collective bargaining are also rights specified and reinforced through European legislation. A particularly significant initiative is the Minimum Wage Directive, which specifies that Member States should have a

collective bargaining coverage rate of at least 70% of workers. As this is a country-level norm, the country breakdown in this disclosure is designed to give users information on the degree to which undertakings are aligned with this norm.

BC160. Collective bargaining coverage is a disclosure included in a number of widely-used reporting frameworks. It is one of the disclosures included by GRI in its Universal Standards (disclosure 2-30), and it is also included in SASB sector-specific disclosures e.g. TR-AU-310a.1.

Disclosure Requirement S1-23 – Work stoppages

BC161. DR S1-23 is aimed at obtaining information on the extent to which an undertaking's operations have been interrupted due to disputes between the undertaking and its own workforce. The disclosure includes interruptions due to strikes as well as lockouts. This disclosure provides insights into the nature of labour-management relations and possible negative impacts on working conditions leading to worker dissatisfaction, as well as on the extent to which an undertaking's operations have been affected.

BC162. As outlined in the BC paragraphs for Disclosure S1-22, collective bargaining and freedom of association are rights enshrined in the international and European human rights instruments referenced in the [draft] CSRD, and in European and national legislation. The right to strike is an integral part of these rights. This disclosure is designed to inform users that this right has been exercised by workers; furthermore, to provide users with the information needed to understand the reasons for work stoppages and their severity.

BC163. This disclosure is partially derived from SASB disclosure TR-AU-310a.2. However, the threshold for reporting a work stoppage was adjusted downward from 1000 to 100 employees, since the [draft] CSRD applies to undertakings that may have as few as 250 employees, The 1000-person threshold thus would not capture work stoppages that would be nevertheless be significant for undertakings with less than 1000 employees.

Disclosure Requirement S1-24 – Social dialogue

BC164. DR S1-24 requires information on the structure and functioning of social dialogue in an undertaking's operations in European Economic Area countries according to the [draft] CSRD Art. 19b, 2 b) ii. It first requires information on the extent of collective representation of own workforce through trade unions and works councils at the workplace, as such collective representation is a prerequisite for enabling social dialogue at the workplace to take place.

BC165. The disclosure requires country-by-country reporting for countries in which the undertaking has substantial employment (defined in this Standard as 50 employees or more), as representation rates may vary greatly between countries, in which case an undertaking-wide figure for a multinational undertaking would obscure significant differences across countries. The disclosure also requires information on the functioning of social dialogue when reorganisation events occur which trigger information and consultation rights under the EU labour law acquis. For operations outside EEA countries, the disclosure requires information on any contractual agreements on minimum notice periods prior to operational changes.

BC166. Social dialogue is a right enshrined in international and European human rights instruments referenced in the [draft] CSRD. Social dialogue rights are particularly

well developed in many of the Member States and at the EU level in legislation and court decisions. Article 27 of the EU Charter of Fundamental Rights states that “[...] workers or their representatives must, at the appropriate levels, be guaranteed information and consultation in good time in the cases and under the conditions provided for by Union law and national laws and practices.” Article 21 of the European Social Charter (revised) contains the commitment to encourage information and consultation between the social partners. And Article 151 of the Treaty on the Functioning of the European Union recognizes the promotion of dialogue between management and labour as a common objective of the EU and the Member States. The European Trade Union Institute has identified at least 33 EU Directives that contain information and/or consultation rights for workers and workers’ representatives. The disclosure is designed to give stakeholders the information they need to understand if and how this right is exercised.

- BC167. Established international reporting frameworks provide limited information on social dialogue. GRI disclosure 402-1 requires information on minimum notice periods in collective agreements prior to operational changes. However, social dialogue is an established right in Europe which goes beyond information and involves consultation with trade union and worker representatives prior to the final decision by management on key issues, including decisions on reorganisations. This disclosure thus draws upon GRI disclosure 402-1 for operations outside EEA countries; however, it requires additional information for operations in EEA countries. The French commercial code²¹ includes a disclosure requirement on social dialogue. However, innovation is required in order to fulfil the requirement of the [draft] CSRD on reporting on social dialogue.

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

- BC168. DR S1-25 is designed to obtain information on identified severe human rights issues and incidents, including issues and incidents related to forced labour, human trafficking and child labour, in the undertaking’s own workforce. Furthermore, it requires information on cases where the undertaking has undertaken remedial actions and where these issues and incidents are financially material. Finally, in line with the SFDR, it requires information on both the number of these incidents that “violate UN Global Compact principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises” (mandatory indicator 10 in Table 1 of Annex 1); and “the number of identified cases of severe human rights issues and incidents” (additional indicator in table 3 of Annex 1) .
- BC169. Forced labour is addressed in a number of international and European human rights instruments. Forced labour is prohibited in the Universal Declaration of Human Rights (article 4), the International Covenant on Civil and Political Rights (article 8), International Covenant on Economic, Social and Cultural Rights (article 6), International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (article 11) Convention on the Rights of Persons with Disabilities (article 27), the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the European Convention on Human Rights (article 4), and the Charter of Fundamental Rights of the European Union (article 5). The requirement to prohibit and actively tackle forced labour is also addressed in a number of International Labour

²¹ <https://www.legifrance.gouv.fr/codes/id/LEGITEXT000005634379/>

Organisation (ILO) standards and conventions, including the Declaration on Fundamental Principles and Rights at Work (article 2b), the Forced Labour Convention, 1930 (No. 29); the Protocol of 2014 to the Forced Labour Convention, 1930, and the Abolition of Forced Labour Convention, 1957 (No. 105). The elimination of forced labour is also included within additional key normative frameworks and standards, including the Sustainable Development Goals (goal 8, target 8.7), the OECD Guidelines for Multinational Enterprises (V. Employment and Industrial Relations 1.d.) and the Ten Principles of the UN Global Compact (principle 4).

- BC170. In addition to the inclusion of forced labour in the Charter of Fundamental Rights of the European Union, on 15 September, during the 2021 State of the Union Address, EU Commission President Ursula von der Leyen announced the European Commission's intention to introduce a ban on the import of products made with forced labour into the EU market.
- BC171. The rights of the child, both in relation to work and as part of basic human rights, are addressed in a number of international legal instruments. The UN Convention on the Rights of the Child, which sets out the civil, political, economic, social and cultural rights that all children everywhere are entitled to, is the most widely ratified international human rights treaty. Article 3 states that 'The best interests of the child must be a top priority in all decisions and actions that affect children'. While Article 32 outlines the obligation of governments to protect children from economic exploitation and work that is dangerous or might harm their health, development or education. Article 27, of the ILO's 'Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy', and the UNGC's Children's Rights and Business Principles elaborate on existing standards for business in terms of respecting and supporting children's rights throughout their activities and business relationships, and call on businesses to secure the elimination of child labour within their operations. Article 4 of the EU Convention on Human Rights and Fundamental Freedoms and Article 5 of the EU Charter for Fundamental Rights prohibit forced or compulsory labour, including that of children. Article 24, and 32 of the EU Charter for Fundamental Rights speak directly to the rights of, and protections afforded to the child and explicitly prohibit child labour and enshrine the protection of young people at work. The rights of children are also enshrined within EU Strategy on the Rights of the Child and the European Child Guarantee 2021.
- BC172. Not all work performed by children should be classified as child labour that is to be targeted for elimination. 'Child labour' refers to an abuse, which is not to be confused with 'children working' or with 'young persons working', which may not be abuses as stipulated in ILO Convention 138. The internationally-agreed understanding of the meaning of child labour is set out in the International Labour Organization (ILO) Convention 138 'Minimum Age Convention'. The Convention specifies a minimum age of 15 years or the age of completion of compulsory schooling (whichever is higher). Exceptions exist for certain countries where economies and educational facilities are insufficiently developed and a minimum age of 14 years might apply. These countries of exception are specified by the ILO in response to special applications by the country concerned, and in consultation with representative organisations of employers and workers. In line with the ILO minimum age convention 138, the EU Directive on the protection of young people at work (94/33/EC) insists that Member States must prohibit the employment of children (i.e., those under the age of 15 or still in full-time compulsory education).

- BC173. Existing reporting frameworks which were drawn upon to develop S1-25 include: GRI 409: Forced or compulsory labour. Similarly, where it has been deemed to be material for particular industries, the SASB standards also request information on the Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances, which covers forced labour incidents (see, for example, FB-PF-430a.2). SASB requests data on supplier's social and environmental responsibility audit conformance: (1) major nonconformance rate and associated corrective action rate and (2) minor non-conformance rate and associated corrective action rate TA08-11- 01. A number of other reporting initiatives also require similar disclosures on forced labour, including FIS FSR, the Workforce Disclosure Initiative (2.10) and the WEF Core Indicators (People: Dignity and Equality 4). A number of other reporting initiatives also require disclosures on instances of forced labour, including nFIS FSR, the Workforce Disclosure Initiative (13.4) and the WEF Core Indicators (People: Dignity and Equality 4). Disclosure on Child Labour is also aligned with major sustainability reporting initiatives, a number of which, including the WBA D.2.5, and IFC CL3-5 focus on a company's adherence to existing (inter)national laws and principles including the OECD Guidelines and the UN Global Compact.
- BC174. Disclosure Requirement S1-25 is also designed to fulfil the requirements of the SFDR (Indicator #10 in Table 1 of Annex 1 and Indicator #14 in Table 3 of Annex 1). Therefore, whilst the objective this disclosure is shared amongst the aforementioned reporting frameworks described in BC174, the scope is larger as required by the SFDR.

Disclosure Requirement S1-26 – Privacy at work

- BC175. DR S1-26 requires information on the Information Security System used with respect to protection of workers' personal data, the number of data breaches involving workers data, and the types of workforce surveillance used and the percentage of workers subject to each form of surveillance.
- BC176. The right to privacy, including for workers, is a fundamental human right and is addressed in a number of international legal instruments. Protection from interference with privacy is included in Article 12 of the Universal Declaration of Human Rights, Article 17 of the International Covenant on Civil and Political Rights, Article 16 of the Convention of the Rights of the Child, Article 14 of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, and Article 7 of the Charter of Fundamental Rights of the European Union. The ILO Code of Practice on the Protection of Workers' Personal Data also sets out a number of principles reflected in Disclosure Requirement S1-26, including the need to process data lawfully and fairly and to integrate protection of workers' privacy in data collection and management.
- BC177. The EU has intervened through legislation to protect workers' right to privacy through Regulation (EU) 2016/679 (General Data Protection Regulation) (GDPR). The GDPR provides a number of stipulations surrounding the protection of personal data, covering areas including the rights of the data subject relating to information about data collected (article 13), access to personal data (article 15), and the rights to restrict (article 18) and object to processing of personal data (article 21). The GDPR also sets out a number of obligations for how personal data should be controlled and processed (chapter 4, section 1), and the security measures that should be in place (chapter 4, section 2) and the need for data

protection impact assessments and prior consultation (chapter 4, section 3). Articles 4, 33 and 34 addresses data breaches in particular. All of these principles were integrated into Disclosure Requirement S1-26. These demonstrate how data protection and the right to privacy is likely to be a material topic for all or a large majority of undertakings, given the focus on these topics in EU sustainability policies, objectives, and legislation.

BC178. Both data breaches and workforce surveillance, as set out in Disclosure Requirement S1-26, are addressed in existing reporting standards. Where it has been deemed to be material for particular industries, the SASB standards require disclosures on the number of data breaches and the percentage that involve personally identifiable information (see, for example, FN-CF-230a.1). The Workforce Disclosure Initiative requires disclosures on the forms of workforce surveillance used and the percentage of workers subject to each form of surveillance. Data protection and the right to privacy is also addressed in other international standards, namely ISO/IEC 27001 Information security management and SO/IEC 27701:2019 Security techniques — Extension to ISO/IEC 27001 and ISO/IEC 27002 for privacy information management — Requirements and guidelines.



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