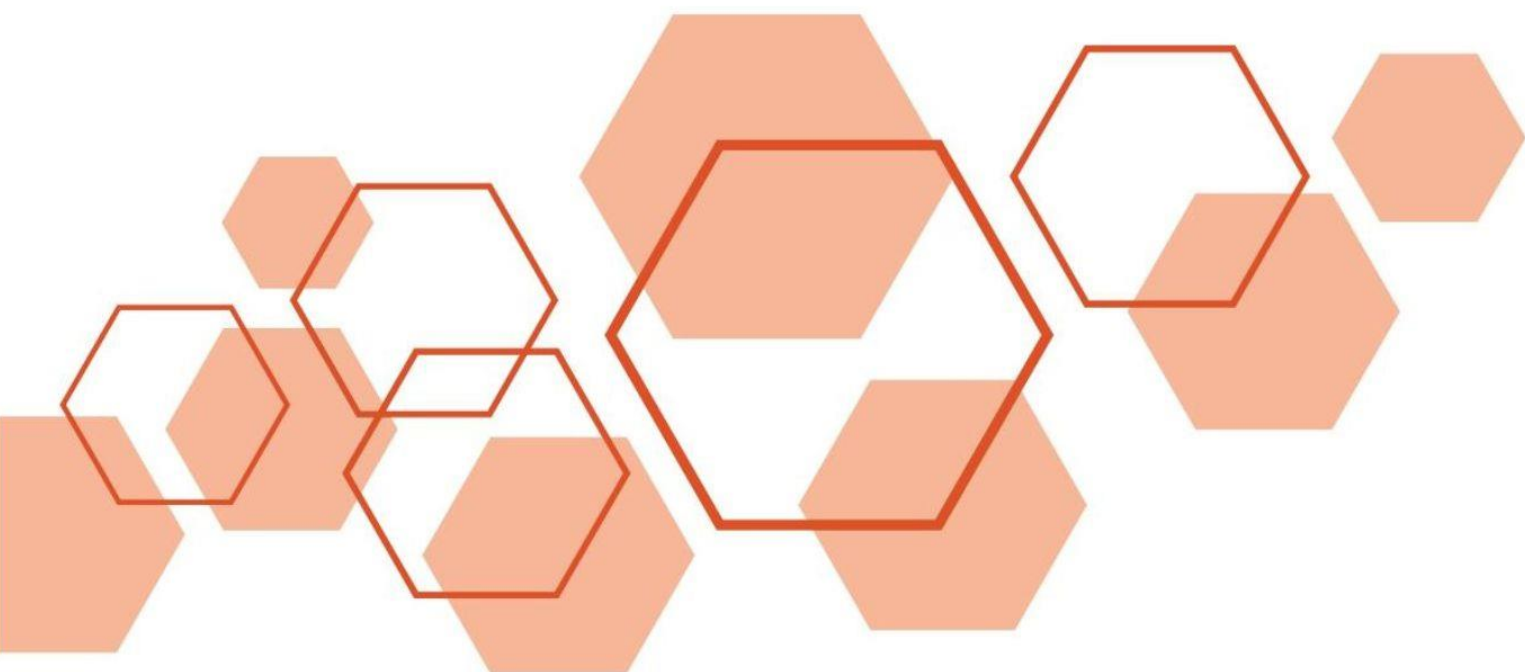


DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

ESRS S1

Own workforce

Basis for conclusions



This Basis for conclusions (March 2023) relate to the draft ESRS issued in November 2022.

DISCLAIMER

This [draft] Basis for conclusions accompanies, but is not part of, [draft] ESRS S1 *Own workforce*. It summarises the considerations of the EFRAG SRB and the references to other standard setting initiatives or regulations used in developing the proposed contents of the Exposure Draft.

It does not reflect the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

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Objective

- BC1. The objective of this [draft] Standard is to set disclosure requirements that cover the information required from undertakings across all sectors in order to report under a double materiality perspective. It covers in particular:
- (a) the positive and negative, actual or potential impacts on own workforce;
 - (b) the material risks and opportunities arising from the undertaking's impacts and dependencies. Such risks and opportunities are sources of financial effects;
 - (c) the actions taken to address impacts on own workforce and the results of those actions;
 - (d) the financial effects of risks on the undertaking over the short-, medium- and long-term

Context and reference table

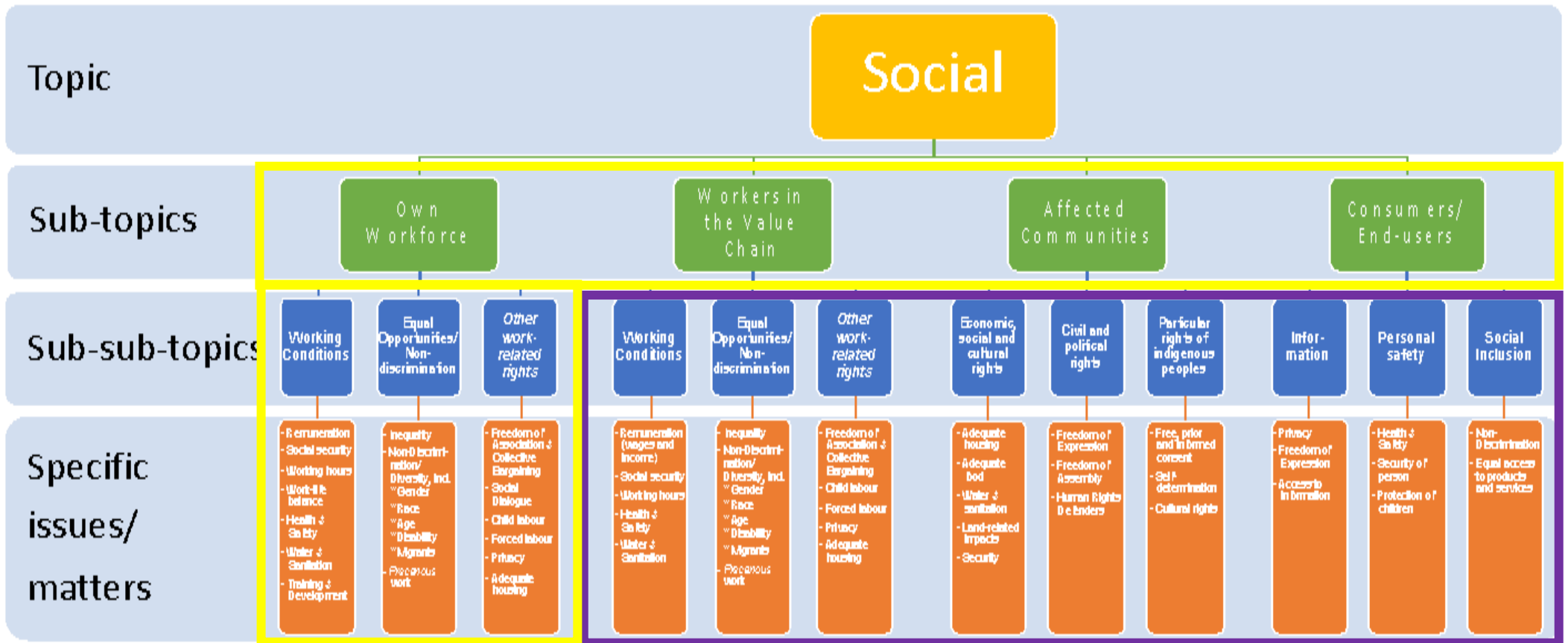
- BC2. The Corporate Sustainability Reporting Directive (CSRD) and its predecessor, the Non-Financial Reporting Directive (NFRD), as well as the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation (EU Taxonomy) are the central components of the sustainability reporting requirements 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 United Nations 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 CSRD aims to improve the relevance, faithfulness, reliability and comparability of information about social sustainability matters listed in Article 29b:
- (a) equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity;
 - (b) working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of works councils, collective bargaining including the rate of workers covered by collective bargaining agreements, the information, consultation and participation rights of workers, work-life balance, and health and safety; 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, including the UN Convention on Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions, the European Convention of Human Rights, the revised European Social Charter, and the Charter of Fundamental Rights of the European Union. A number of relevant matters from these instruments that are not listed in the first two categories are referenced as 'other work-related rights' and (including: child labour, forced labour, adequate housing and privacy) in the [draft] ESRS S1 paragraph 2.

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- BC4. 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, including the UN Convention on Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions, the European Convention of Human Rights, the revised European Social Charter, and the Charter of Fundamental Rights of the European Union. Basic work-related human rights that have not been covered under BC4 (a) and (b) above have been categorised as 'other work-related rights' and include child labour, forced labour, adequate housing and privacy in the [draft] ESRS S1 paragraph 2. In line with the CSRD , this [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 the undertaking's impacts on people and the perspective of business risks and opportunities that result from the undertaking's 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 disclosure requirements and application requirements related to ESRS 2 Disclosure Requirements SBM-2 and SBM-3 covering *interests and views of stakeholders and material impacts, risks and opportunities and their interaction with strategy and business model(s)* for each stakeholder group (ESRS S1, S2, S3 and S4). These reflect the general due diligence process defined in international instruments, but they do not include disclosure requirements on policies, action plans and resources nor metrics and targets at this stage. The disclosure requirements related to ESRS 2 , together with the remaining topical standards' disclosure requirements on Impact, risk and opportunity management and targets and metrics on own workforce in [draft] ESRS S1 embed human rights due diligence.
- BC6. The structure of the [draft] Social 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 the proposal for the second set in purple.

Standards developed in first set

Standards to be developed in second set



- BC7. The CSRD highlights the particular importance of sustainability reporting standards being aligned with international instruments on responsible business conduct, corporate social responsibility, and sustainable development, including the Sustainable Development Goals (SDGs), the UN Guiding Principles and the OECD Guidelines, including their chapters on human rights and employment and industrial relations, and related sectoral guidelines, the Global Compact, the International Labour Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the ISO 26000 standard on social responsibility, and the UN Principles for Responsible Investment.
- 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 undertaking in the short-, medium- or long- term. This [draft] Standard focuses on the reporting of these material impacts and/or material risks or opportunities.
- BC10. Additional social matters 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 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 31.
- BC12. In addition to referencing international and European human rights instruments, the 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 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 disclosure requirements 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 summarised in [draft] ESRS 1, as well as with relevant principles of the European Pillar of Social Rights and the legislation and initiatives it references.

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

- BC14. The disclosure requirements 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 disclosure requirements are reasonable and feasible for the undertaking itself, recognising the time and resources it can take to gather and interpret the data required. Any additional requirement on the undertaking flowing from the disclosure requirements should lead to more relevant and comparable reporting, whereby resources are allocated efficiently and in a targeted manner that directly serves the objectives of the CSRD and complementary EU and international instruments. This balance is reflected in the different approaches to mandatoriness and materiality in the Disclosure Requirements.
- BC15. The first nine Disclosure Requirements [draft] ESRS S1-1 to S1-9 are all mandatory for undertakings with 250 or more employees; for undertakings with less than 250 employees these Disclosure Requirements are subject to materiality assessment. Disclosure Requirements S1-12 to S1-17 are mandatory if material (i.e. subject to materiality assessment, but it should be noted that they contain a number of mandatory data points, as defined by the approach to the Sustainable Finance Disclosure Regulation. Disclosure Requirements S1-10 and S1-11 have a different approach, insofar as undertakings may simply report the statement that they pay all of their own workers an adequate wage (S1-10) or all of their own workers have social protection against the loss of income for the life risks listed (S1-11). Appendix B.1 contains a non-exhaustive list of factors to be considered when doing materiality assessment for each of the social matters listed in Paragraph 2 of the [draft] ESRS S1. The SRB took into account three factors in determining which disclosure requirements and data points should be mandatory and which should be subject to materiality assessment: datapoints which should be mandatory due to EU regulation (i.e. SFDR, EU Benchmark regulation), alignment with the GRI universal standards (i.e. those disclosure requirements which are mandatory in the GRI framework) and the five ILO fundamental principles and rights at work. Considering these factors, it was determined that the first nine disclosure requirements (ie [draft] ESRS S1-1 to S1-9) should not be subject to materiality assessment. . In addition, two disclosure requirements ([draft] S1-10 Adequate wages and [draft] S1-11 Social protection) may be satisfied if, based on materiality assessment that all own workers are paid an adequate wage or to have social protection against major life risks, a statement to that effect is made. The remaining disclosure requirements ([draft] S1-12 to S1-17) are subject to materiality assessment, however, a number contain data points which are mandatory under EU regulation (e.g. [draft] S1-14 Health and safety indicators). The SRB however determined that, for large undertakings with less than 250 employees, [draft] S1-1 to S1-9 shall be subject to materiality assessment.
- BC16. The [draft] Standard addresses the undertaking's impacts and dependencies on own workforces. Disclosure requirements for 'workers in the value chain' are covered in [draft] ESRS S2.
- BC17. Based on the relevant provisions from the CSRD as illustrated in Table 1 below, and other EU legislation, as well as the global standard of the UN Guiding Principles 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:
- (a) how its own workers can be impacted in both positive and negative ways;
 - (b) the due diligence approaches taken to identify, prevent, mitigate and account for how it addresses the actual and potential negative impacts and assess the effectiveness of these actions;
 - (c) how the voices and perspectives of its own workers are integrated into these due diligence processes and through remedy channels and processes;
 - (d) how the undertaking contributes positively to improved social outcomes for its own workers;
 - (e) the nature, type and extent of the material risks or opportunities for the undertaking which arise from the impacts described above or from its dependencies on its own workers; and,

- (f) the approaches taken to mitigating these risks and pursuing these opportunities.
- BC18. The Tripartite Declaration offers guidance to undertakings based on principles contained in international labour Conventions and Recommendations, which are particularly relevant to the [draft] social standards.
- BC19. The ISO 26000 standard on social responsibility contains a number of clauses addressing core subjects of social responsibility. In particular, human rights and labour practices are reflected in the overall structure and architecture of [draft] ESRS S1.
- BC20. 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.
- BC21. 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.
- BC22. In drafting the [draft] standards, the EFRAG SRB 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.
- BC23. In order to support the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816, the [draft] social standards also take into account disclosures for explanations in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published. The datapoints related to social matters on workers in the value chain have been embedded in this [draft] Standard.
- BC24. 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.
- BC25. 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; and the right to the enjoyment of the highest attainable standard of health.
- BC26. 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).

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BC27. As per the text of the CSRD, the reporting standards are to address the principles of the EPSR in their disclosures. The mapping between the European Pillar of Social Rights (EPSR) and the CSRD can be seen in the correspondence table below whereby the subtopics listed under CSRD Article 29b 2 (b) (i) and Article 29b 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 CSRD social sub-topics under Article 29b 2 (b) (i) and (ii) and EPSR Principles

Social matters - sub-topics and sub-sub-topics	EPSR Number	EPSR Principle
Equal treatment and opportunities for all	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 and equal pay for work of equal value	2	a. 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. b. 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 persons 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.
- Measures against violence and harassment in the workplace	10	Workers have the right to a high level of protection of their health and safety at work.
- Diversity	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.
Working conditions		
- Secure 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

Social matters - sub-topics and sub-sub-topics	EPSR Number	EPSR Principle
		<p>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.</p>
<p>- Working time</p>	<p>9 + 10</p>	<p>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.</p> <p>Workers have the right to a high level of protection of their health and safety at work.</p> <p>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.</p>
<p>- Adequate wages</p>	<p>6</p>	<p>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.</p>
<p>- Social dialogue - Works councils - Information, consultation and participation rights of workers</p>	<p>8</p>	<p>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.</p>
<p>- Collective bargaining, including the rate of workers covered by collective agreements; and freedom of association</p>	<p>8</p>	<p>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</p>

Social matters - sub-topics and sub-sub-topics	ESPR Number	ESPR Principle
		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.
- Health and safety	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.

BC28. An analysis of the linkage between these rights, relevant EU legislation and the subtopics listed in the 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 CSRD social sub-topics, Human Rights instruments and EU legislation and initiatives

Subtopics and sub-sub-topics	ESPR	International and European Human Rights instruments	Key European legislation and other initiatives
Equal treatment and opportunities for all			
- Gender equality and equal pay for work of equal value	2b	UDHR 23 (2), ILO Co. 100	Pay Transparency Directive
- Training and skills development	1	European Social Charter (revised) 9+10	New Skills Agenda, Pact for Skills, Council Lifelong Learning recommendations
- Employment and inclusion of people with disabilities	17	UN Convention on the Rights of Persons with Disabilities	European Disability Strategy European Accessibility Act
- Measures against violence and harassment in the workplace and diversity.	10	ILO Violence and harassment convention No.190	European social partners framework agreement on harassment and violence at work Gender equality Directive 2002/73/EC
Diversity	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,

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Subtopics and sub-sub-topics	EPSR	International and European Human Rights instruments	Key European legislation and other initiatives
Working conditions			
- Secure employment	5	EU Charter of FR 33, UDHR 23(1)	Transparent + Predictable Working Conditions Directive Draft Platform Work Directive Council Directive 97/81/EC on part-time work Council Directive 1999/70/EC on fixed-term work Directive 2008/104/EC on temporary agency work
- Working time	10	UDHR 24 UN ICESCR 7 EU Chart of FR, 31 European Social Charter (Revised) 2	Working Time Directive
- Adequate wages	2b+6	UDHR 23(3), CoE Conv on HR 4	EU Adequate minimum wage directive
- Social dialogue, information, consultation and participation rights of workers, existence of works councils	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
- Freedom of association and collective bargaining	8	UDHR 20+23(4), ILO Co.87+97, etc	EU labour law acquis including minimum wage 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
- Health and safety	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
Other work-related rights			

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Subtopics and sub-sub-topics	EPSR	International and European Human Rights instruments	Key European legislation and other initiatives
- 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 EU Guidance on due diligence for EU businesses to address the risk of forced labour in their operations and supply chains
- Adequate housing		European Social Charter (revised) 31	Posting of Workers Directive
- Privacy	10c	UDHR 12, EU Chart of FR 7+8	General Data Protection Regulation (GDPR)

BC29. The choice of subtopics and sub-sub-topics for [draft] ESRS S1 was guided by an analysis of the social matters listed in CSRD in Art 29b 2 (b) (i) and (ii) and the specific human rights contained in the international and European human rights instruments referenced in Art 29b 2 (b) (iii). A survey of relevant EU legislation provided additional insights which underscored the public interest materiality of these subtopics and sub-sub-topics and guided the choice of disclosure requirements. On the basis of these analyses the following subtopics and sub-sub-topics are included in this [draft] Standard:

- (a) working conditions, including:
 - i. secure employment;
 - ii. working time;
 - iii. adequate wages;
 - iv. social dialogue;
 - v. freedom of association, the existence of works councils and the information, consultation and participation rights of workers;
 - vi. collective bargaining, including the rate of workers covered by collective agreements;
 - vii. work-life balance; and
 - viii. health and safety.

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- (b) equal treatment and opportunities for all, including:
 - i. gender equality and equal pay for work of equal value;
 - ii. training and skills development;
 - iii. employment and inclusion of persons with disabilities;
 - iv. measures against violence and harassment in the workplace; and
 - v. diversity
- (c) other work-related rights, including rights related to:
 - i. child labour;
 - ii. forced labour;
 - iii. privacy; and
 - iv. adequate housing.

BC30. The disclosure requirements of this [draft] Standard on Own workforce are in line with relevant provisions of these international instruments specified in the 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 Global Compact 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.

BC31. 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 [draft] 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).

BC32. The design of this [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 CSRD, 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.

BC33. The 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.

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- BC34. The following table cross-references requirements of the [draft] Standard and the requirements of the 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.
- BC35. Table 3 cross-references the requirements of the [draft] Standard and the requirements of the 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 DR	Required by CSRD	Required by SFDR Principal Adverse impacts and EU Benchmark Regulation	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	Art. 19a 2 (a) (iv)		UNGP 18 OECD II.A-14		GRI 2-29 and 3-3 (f) CDSB Reporting Requirement 2 and 3 UNGP and Reporting Framework C2
ESRS 2, SBM-3	Art. 19a 1 Art. 19a 2 (a) (ii) and (iv) Art. 19a 2 (f) (ii) Art. 19a 2 (g)	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 2-22, 3-3 and 3-2 UNGP Reporting Framework A2 and B1 IR 4.25 CDSB Reporting Requirements 1 and 3 SASB CG-AA-430b.3 and CG-AA-440a.3
DR S1-1	Art. 19a 2(d)	Mandatory indicator #10 in Table 1 of Annex 1 Mandatory indicator #11 in	OECD IV.4 and Commentary IV para. 44 UNGP 15 and 16		GRI 2-23 and 3-3f. UNGP Reporting Framework A1, A1.3 and C1 CDSB Reporting Requirement 2 UN Global Compact

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[Draft] ESRS DR	Required by CSRD	Required by SFDR Principal Adverse impacts and EU Benchmark Regulation	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
		<p>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</p> <p>CDR (EU) 2020/1816, Annex II</p> <p>CDR (EU) 2020/1818, Art 12 (1)</p> <p>CDR (EU) 2020/1816, Annex II</p>			Principles 1 and 2
DR S1-2	Art. 19a 2 (f) (i)		OECD II.A-14 / UNGP 18		GRI 2-29 , GRI 3-3 (f) UNGP Reporting Framework C2 CDSB 2 and 3
DR S1-3	Art. 19a 2 (f) (iii)	Additional indicator #	OECD II.A and IV.6		GRI 2-25

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[Draft] ESRS DR	Required by CSRD	Required by SFDR Principal Adverse impacts and EU Benchmark Regulation	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
		5 in Table 3 of Annex 1	UNGP 19, 20 and 22		UNGP Reporting Framework C6.2
DR S1-4	Art. 19a 2 (f) (iii) and (g)		OECD II.A and IV OECD DD Guidance II 3.1 UNGP 19, 20 and 22 OECD II.A-1 OECD MNE Guidelines Section III.1-2		GRI 3-3- (a), (d) and (e) CDSB Reporting Requirement 2 UNGP Interpretative Guide III B UNGP Reporting Framework C4.3, C5 and C6.5 GRI Step 3.1 CG-AA-430b.1
DR S1-5	Art 19a 2 (b)		UNGP 20 OECD VI.1		GRI 3-3-e and 3-3-f CDSB Reporting Requirement 2
DR S1-6	Art 29b 2 (b)				GRI 2-7
DR S1-7	Art 29b 2 (b)				GRI 2-8
DR S1-8	Article 19a, Art. 29b, 2 b) ii Art. 29b, 2 b) iii Article 29b c. iv		UN UDHR23 ILO Co.87+97, EU Charter of Fundamental Rights Article 12 EU Charter of Fundamental Rights 27, European Social Charter (revised) 21 TFEU 151	Draft Minimum Wage Directive EU Labour Law Acquis	GRI 2-30; SASB TR-AU-310a.1 GRI 402-1
DR S1-9	Art. 29 b) 2) b) i)		Convention on the elimination of all forms of discriminatio		GRI 405-01 SASB Employee Engagement, Diversity and Inclusion

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[Draft] ESRS DR	Required by CSRD	Required by SFDR Principal Adverse impacts and EU Benchmark Regulation	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
			n against women Universal Declaration of Human Rights		
DR S1-10	Art. 29b, 2 b) ii Art. 29b, 2 b) iii		UDHR Article 23(3) European Social Charter (revised) Article 4	EPSR Principle 6 Draft Minimum Wage Directive	GRI 202-1
DR S1-11	Art. 29b, 2 b) ii Art. 29b, 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 S1-12	Art. 29b, 2 b) i Art. 29b, 2 b) iii		UN Convention on the Rights of Persons with Disabilities Article 27 SDG 8	EPSR 17	GRI 405
DR S1-13	Art. 29b, 2 b) i Art. 29b, 2 b) iii			EFFAS Key Performance Indicators for Environmental, Social and Governance Issues S02-02.	GRI 404-1; GRI 404-3
DR S1-14	Art. 29b, 2 b) ii	Indicator #2 and #3	OECD GL (2011) Ch. V ILO C161		GRI 403-1 GRI 403-8, -9, -10, SASB

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[Draft] ESRS DR	Required by CSRD	Required by SFDR Principal Adverse impacts and EU Benchmark Regulation	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
	Art. 29b, 2 b) iii	in Table 3 of Annex 1	ILO CoP		WEF
DR S1-15	Art. 29b, 2 b) ii Art. 29b, 2 b) iii			EPSR, art. 9 Work-life Balance Directive, art 4, 5, 6 and 9 (and the Work-life Balance 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 S1-16	Art. 29b, 2 b) i Art. 29b, 2 b) iii	Indicator #12 in Table 1 of Annex 1 Indicator #8 in Table 3 of Annex 1	UN UDHR Article 23 (2) ILO Co. 100 UDHR 23 (2) SDG 10	EPSR 2 Draft Pay Transparency Directive Shareholder Rights Directive II	GRI 405-2 GRI 2-21
DR S1-17	Article 19a 2 f, Art. 29b, 2 b) ii Art. 29b, 2 b) iii Article 29b. 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		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 S1 Own workforce

[Draft] ESRS DR	Required by CSRD	Required by SFDR Principal Adverse Impacts and EU Benchmark Regulation	References to OECD Guidelines, UN Guiding Principles, and other International and European instruments	EU legislation and initiatives	References to other reporting frameworks
			Forced Labour Convention, 1933, C105 - Abolition of Forced Labour Convention, 1957 (No. 105) UN International Covenant on Civil and Political Rights 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		

BC36. The Basis for Conclusions includes the following information, as applicable, for each disclosure requirement:

- (a) relevant EU legislation that has been referenced (e.g., CSRD, SFDR/RTS, EU Benchmark Regulation, EU labour law acquis, etc.);
- (b) 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;

- (c) 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
 - (d) Additional explanation of the elements is included in each disclosure requirement.
- BC37. [draft] ESRS S1 addresses subtopics and related matters as similar to [draft] ESRS S2, focussing however on own workers, which is a different affected stakeholder group. The references to international and EU instruments for these related matters are therefore similar to the ones listed in the Basis for Conclusion of [draft] ESRS S2.

ESRS 2 General disclosures

Own workers specific Basis for Conclusions on ESRS 2 Disclosure Requirement SBM 2 and ESRS S1 AR 4 – 5 on the interests and views of stakeholders

- BC38. The 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.
- BC39. 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.
- BC40. 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 (for example, 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.
- BC41. 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.
- BC42. 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.

- BC43. 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 2 Disclosure Requirement SBM 3 and ESRS S1 AR 6 – 9 on the material impacts, risks and opportunities and their interaction with strategy and business model(s)

- BC44. As stated in Article 19a 2 (a) (iv) of the CSRD, the undertaking 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 disclosure requirement 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.
- BC45. 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.
- BC46. 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.
- BC47. 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 as how any risks to human rights associated with the business model (for example, offering lowest-cost products) are understood among the senior leadership and the Board.
- BC48. Article 19a 1 of the 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 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).

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

- BC49. 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.
- BC50. 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 [draft] ESRS 1.
- BC51. 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 application requirements on determining impact materiality, as part of double materiality, under [draft] ESRS 2.
- BC52. 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.
- BC53. In addition to disclosing whether and how actual and potential impacts on value chain workers originate from or are connected to the undertaking's strategy and business models, and inform and contribute to adapting the undertaking's strategy and business model(s); and the relationship between its material risks and opportunities arising from impacts and dependencies on own workforce and its strategy and business model(s), paragraph 16 (b) of the [draft] Standard requires disclosure on the main types of workers that are affected by those impacts (e.g., for example, 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*".
- BC54. ESRS 2 SBM-3, builds on both the current EU NFRD as well as the [draft] CSRD. Article 19a 1 of the 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 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.
- BC55. 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.

- BC56. 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.
- BC57. 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
- BC58. 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 own workers, 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.
- BC59. Paragraph 16 (f) and (g) embed SFDR PAI. Specifically, financial market participants shall report information on the sustainability impacts and risks of their investment portfolios. Undertakings will need to report information that will enable investors to meet such an obligation. Among other metrics, financial market participants falling under the scope of the SFDR will need to disclose:
- (a) "Operations and suppliers at significant risk of incidents of child labour" (indicator 12 in Table 3 of Annex 1 of the related SFDR Regulation); and
 - (b) "Operations and suppliers at significant risk of incidents of forced or compulsory labour" (indicator 13 in Table 3 of Annex 1 of the SFDR Delegated Regulation).
- BC60. With regard to the two SFDR PAI described above, 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. To that extent, the disclosure requirements related to impact, risk and opportunity management (DR S1-1 to DR S1-4) should be the basis of additional information.
- BC61. The ILO Core Conventions and UN Global Compact Principle 2 on upholding the elimination of all forms of forced and compulsory labour are reflected in these indicators.
- BC62. The application requirements of this disclosure requirement also address 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.

Impacts, risks and opportunities management

Disclosure Requirement S1-1 – Policies related to own workforce

- BC63. 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 CSRD, undertakings should provide “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.
- BC64. 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*”.
- BC65. 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.
- BC66. 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 (C1). 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.
- BC67. Application Requirement refers to the communication of relevant policies to own workforce. 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; for example., by making them accessible and available in relevant languages.

- BC68. 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.
- BC69. UN Global Compact Principle 1, which stresses that businesses should support and respect the protection of internationally proclaimed human rights, as well as Principle 2, which refers to ensuring that companies are not complicit in human rights abuses, are reflected in disclosure requirement S2-1.
- BC70. Requirement 2 of CDSB's Reporting Framework requires the disclosure of social policies, including details on the organisational or activity boundary to which the policies and strategies apply, as well as the rationale for and nature of those policies and strategies, or to contribute to national or international social ambitions.
- BC71. The SFDR includes the following amongst the indicators financial market participants are expected to disclose the following information according to paragraph 22 of this [draft] Standard:
- (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 disclosure requirements 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 processes to remediate negative impacts and 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.

- BC72. Also, Disclosure Requirement S1-1, and specifically paragraph 22 and 24 respectively, 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 SFDR Regulation).
 - (b) "Lack of processes and measures for preventing trafficking in human beings" (indicator 11 in Table 3 of Annex 1 of the related SFDR Regulation).
 - (c) "Investments in companies without workplace accident prevention policies" (indicator 1 in Table 3 of Annex 1 of the related SFDR 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, the undertaking 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.

- BC73. Additionally, paragraph 23 supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816, specifically the indicators “*Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8*” in section 1 and 2 of Annex 2, and “*Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents)*”, as referred to in international treaties and conventions, United Nations principles and, where applicable, national law”. The datapoints from the EU Benchmark Regulation and the SFDR PAI are highly interrelated.

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

- BC74. Article 19 a 2(f) (I) of the CSRD requires undertakings to provide “a description of the due diligence process implemented by the undertaking with regard to sustainability matters, and, where applicable, in line with the Union requirements on undertakings to conduct a due diligence process”. 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.
- BC75. 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.
- BC76. 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 (for example., 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.
- BC77. 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.
- BC78. 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.

- BC79. 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 – Processes to remediate negative impacts and channels for own workers to raise concerns

- BC80. Following the assessment of the public consultation results, the SRB redeliberated on the contents of this disclosure requirement from the April ED. The conclusion was to seek more explicit alignment with the international instruments regarding due diligence (i.e. UNGP and OECD) by including a more detailed description on the undertaking's general approach to remedy, including the assessment of the effectiveness of the remedy. In addition, the revised text of this [draft] Standard also addresses the relationship between grievance mechanisms and channels to raise concerns.
- BC81. 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.
- BC82. 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.
- BC83. The UN Guiding Principles 22 and 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. The concept of remedy is of central importance in international standards, and closely connected with due diligence in that impacts that have occurred—as identified through the due diligence process—should be remediated.
- BC84. 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. The concept of remedy is key in international standards, and closely connected with due diligence. Remedy is not only a human right in itself, but also a fundamental pillar of international standards of corporate responsibility for human rights. Additionally, remedy is relevant beyond the concern channels, in and of itself.
- BC85. Whilst concern channels are the place where stakeholders can lodge complaints or raise concerns, remediation is the solution to the harm that has been caused. GRI 2-25 requires undertakings to describe the processes for remediation of negative impacts and how the effectiveness of these processes is tracked.

- BC86. 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.
- BC87. 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.
- BC88. This Disclosure requirements 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.
- BC89. 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.
- BC90. Reporting on non-retaliation, as indicated in paragraph 34 of [draft] ESRS S1, is critical to whistleblowing, as this is relevant to any form of grievance mechanism. A whistleblower mechanism is typically at the level of the undertaking and available to its own employees/contractors. Reporting on non-retaliation, as indicated in paragraph 24 of This datapoint also supports the SFDR PAI from [draft] ESRS S2, is critical to G1 Business conduct on whistleblowing, as this is relevant to any form of grievance mechanism. protection and the requirements of the EU Whistleblowing Directive

Disclosure Requirement S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

- BC91. During the redeliberation of this [draft] Standard by the SRB, it was decided to merge the disclosure requirements S2-5 and S2-6 from the April ED without proposing further readjustment on its content whilst ensuring that the disclosure requirements should clearly identify the datapoints on impact materiality and financial effects.
- BC92. As required by DR S1-4, is part of the human rights due diligence process and in line with Art 19a 2 (f) (iii) of the CSRD which calls for a description of “any actions taken by the undertaking, and the result of such actions, to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions”.
- BC93. 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.

- BC94. 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.
- BC95. 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.
- BC96. 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. The CDSB Reporting Framework (Requirement 2) 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 (for example, 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.
- BC97. 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.
- BC98. 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.
- BC99. 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.
- BC100. 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 (for example, indicators developed by the undertaking or by a relevant industry association, multi-stakeholder initiative or in a more general reporting framework).
- BC101. 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).

- BC102. The OECD Guidelines II.A-1 state that enterprises should contribute to economic, environmental and social progress with a view to achieving sustainable development.
- BC103. The explanatory memorandum of the 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. To reflect the SDGs in [draft] ESRS S1, Application Requirements indicate that an undertaking may explain whether any initiatives or processes whose primary aim is to deliver positive impacts for value chain workers are designed also to support the achievement of one or more of the UN Sustainable Development Goals (SDGs), providing an example which refers to UN SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- BC104. 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.
- BC105. 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.
- BC106. Article 19a 2 (g) of the 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. The objective of this Disclosure Requirement is also to describe the undertaking's approach to manage financial effects on own workforce.
- BC107. 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.
- BC108. 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 (for example, 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.

Metrics and targets

Disclosure Requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

- BC109. Art.19a 2 (b) of the 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.
- BC110. 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.
- BC111. 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.
- BC112. 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.
- BC113. With regard to UN SDG related goals, we note that the following could be applicable to targets for material impacts, risks or opportunities of own workforce:
- (a) SDG 3 – Good Health and well-being
 - (b) SDG 5 – Gender equality
 - (c) SDG 8 – Decent work and economic growth
 - (d) SDG 10- Reduced inequalities

Disclosure Requirement S1-6 – Characteristics of the undertaking's Employees

- BC114. Disclosure Requirement S1-6 requires basic information on key characteristics of the undertaking's employees. This Disclosure Requirement along with Disclosure Requirement S1-7 on the undertaking's non-employee workers, is designed to provide 1) information which is needed to understand the size and characteristics of the workforce and 2) the basis for calculating ratios and other information required by other disclosure requirements in ESRS S1.

- BC115. Disclosure Requirement S1-6 is based on GRI disclosure 2-7, which is part of the GRI Universal Standards and is thus mandatory for all reporting undertakings applying the GRI standards. ESRS S1 Paragraph 12 specifies that S1-6 shall be mandatory for all undertakings with 250 or more employees; for those undertakings which are large according to the definition in the Accounting Directive - 2013/34/EU which have less than 250 employees, this Disclosure Requirement is subject to the materiality process laid out in ESRS 2. The breakdown of number of employees by head count specified in Paragraph 51 (a) is intended to provide users with an understanding of the significance of individual countries for the undertaking as well as the applicability of employee rights, such as the right to board level representation or to form a European Works Council, as many of these rights are triggered by a head count threshold at the national level.
- BC116. The threshold of 50 employees, which is a key national level threshold for information and consultation rights specified in the Information and Consultation of Employees Directive 2002/14/EC, was chosen to strike a balance between the needs of users for country-level information and preparers' concerns with the large amount of detail that would have to be provided by undertakings with employees in a great number of countries. Paragraph 51 (b), which requires a breakdown of employees by type of employment relationship, namely whether the employee has a permanent, temporary or no guaranteed hours employment relationship, is intended to give insight into the security of employment, a key concern of the European Pillar of Social Rights Principle 5 and a sustainability matter included in CSRD 29(b). Paragraph 51(c), which requires a report of the fluctuation of employees in head count over the reporting period, is intended to give insight into the stability of employment, which has relevance from both financial and impact materiality perspectives. Paragraph 52, which requests a breakdown of employment relations by full-time and part-time arrangements, is intended to give insight into working time distribution in the undertaking and is relevant in the context of CSRD 29(b). In contrast with the previous datapoints under this disclosure requirement, this datapoint is voluntary, as the SRB in the context of prioritizing considered this datapoint less relevant from a sustainability perspective, for both users and stakeholders, than other datapoints. A breakdown of by gender in Paragraphs 51(a), 51(b) and 52 provides stakeholders with insight into the distribution of gender across types of employment relations, which is relevant for the undertaking's alignment with EPSR's Principle 2 on Gender Equality and Principle 3 on Equal Opportunities.
- BC117. In line with GRI Disclosure 2-7, Paragraphs 51(b) and 52 also require a breakdown of employees by type of employment relation by region and , as the characteristics of employees in the workforce can vary significantly across regions. The data points in Paragraphs 51(b) and 52 can be reported on either in head count or FTE, to offer undertakings flexibility as reporting norms on this issue differ across countries. Finally, Paragraph 51(e) allows for the provision of contextual information which may be needed to understand the data points reported under this Disclosure Requirement.

Disclosure Requirement S1-7 – Characteristics of non-employee workers in the undertaking's own workforce

- BC118. This Disclosure Requirement is designed to help understand the significance of and role that non-employee workers play in an undertakings' own workforce. These are 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, thus this definition of "non-employee workers in own workforce" overlaps partially with GRI's definition of workers who are not employees", which focuses on control of work by the undertaking.

- BC119. Feedback was provided during various stages of standards development that a clearer definition of this category of worker was needed to provide certainty to preparers and auditors. The principle underlying the development of disclosure requirements in [draft] ESRS S1 which include “non-employee workers in own workforce” is that these workers are either employees or workers that have been employed directly by the undertaking (commonly referred to as contractors) or employed through firms engaged in employment activities, and that it should have direct access to data on these types of worker. Therefore, the concept of workers whose work is controlled by the undertaking has not been a guiding principle followed for the definition of own workforce as judgement would need to be defined by the undertaking with a risk of lack of consistent application across undertaking under the CSRD scope as it would be a principled-based type of approach. 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 an adequate wage is being paid).
- BC120. This Disclosure Requirement 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.

Disclosure Requirement S1-8 – Collective bargaining coverage and social dialogue

- BC121. Collective bargaining is considered by the ILO to be one of the forms of social dialogue. [Draft] ESRS S1-8 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 CSRD Art. 29b. The Disclosure Requirement differentiates between employees and non-employee workers in an undertaking’s 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. The SRB considered merging the collective bargaining and social dialogue disclosure requirements from the April ED given that these are interrelated and form part of the principle 8 Social dialogue and involvement of workers in the European Pillar of Social Rights.
- BC122. Within the European EEA, the disclosure requirement specifies that collective bargaining coverage shall 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). Outside the EEA, collective bargaining coverage shall be reported by region, as defined by the undertaking. A geographical breakdown is needed by users, as the coverage rate may vary greatly across countries and regions, in which case an undertaking-wide figure for a multinational undertaking would obscure these significant geographical differences .
- BC123. Freedom of association and collective bargaining are fundamental rights enshrined in the international and European human rights instruments referenced in the 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.

- BC124. Freedom of association and collective bargaining are also rights specified and reinforced through European legislation. Particularly significant is the Directive 2022/2041 of 19 October 2022 on adequate minimum wages in the European Union, which specifies that Member States should have collective bargaining coverage rate of at least 80% of workers. As this is a country-level norm in the EEA, the country breakdown in this disclosure is designed to give users information on the degree to which undertakings are aligned with this norm.
- BC125. 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.
- BC126. Furthermore, DR S1-8 requires information on the structure and functioning of social dialogue in an undertaking's operations in European Economic Area countries. The social topics 'social dialogue', 'works councils' and 'information, consultation and participation rights of workers', which are all specifically mentioned in CSRD 29b, are interrelated. Works councils are institutions for the collective representation of workers, through which information, consultation and participation rights are realized through the practice of social dialogue. Social dialogue may take place at different levels of the firm, with the establishment (i.e a specific location such as a factory, store or headquarters) and the group levels being particularly important. As different topics are typically dealt with at each level (e.g. job classification, working time, introduction of new technology at establishment level versus company strategy, allocation of production across countries, investment at group level), social dialogue at one level cannot substitute for another level. Depending on the national system of industrial relations, social dialogue at the establishment level may be exercised by works councils, local trade union organizations, or both. and as the topics dealt with at different levels..
- BC127. The disclosure requires a global rate for the EEA as well as country-by-country reporting for EEA 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 whether a works council exists at the group level, either a European works council, which may be organized in undertakings with at least 1000 employees in the EU and at least 150 employees in each of at least two Member States; or an SE Works Council in a *Societas Europaea* (SE) Works Council, or an SCE Works Council in a *Societas Cooperativa Europaea* (SCE).
- BC128. Social dialogue is a right enshrined in international and European human rights instruments referenced in the CSRD Article 29b. 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 disclosure is designed to give stakeholders the information they need to understand if and how this right is exercised.
- BC129. 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. In the exposure draft] S1 this disclosure included a datapoint based on GRI disclosure 402-1 for operations outside EEA countries; however, the SRB concluded that the costs of collecting this information would outweigh the benefits to users of providing it.

Disclosure Requirement S1-9 – Diversity indicators

- BC130. The adopted CSRD text was changed from its [draft] version to include diversity as one of the social and human rights factors in its Art 29 b within the equal treatment and opportunities for all section. Also, recital 49 of the CSRD includes various references to diversity and, in particular, to gender diversity at top management. In addition, a minority view was expressed during the public consultation whereby lack of diversity indicators such as gender representation at leadership level (below the administrative, management and supervisory bodies) or ethnicity (i.e ethnic group or race) was expressed; notwithstanding, other respondents communicated that some member states' regulation on data privacy, for example, does not allow the collection of data on various diversity dimensions by the undertaking on its own workforce.
- BC131. Within the context laid out above, Secretariat assessed the diversity indicators reported on internationally recognised sustainability frameworks. To this extent, leverage was placed on GRI Disclosure 405-01 Diversity of governance bodies and employees. Such disclosure requirement focuses on the "Percentage of employee category by gender, age group (30 years, 30-50 years old and over 50 years old) and other indicators of diversity where relevant (such as minority or vulnerable groups)". [Draft] ESRS S1-6 and S1-7 already require the breakdown of employees by gender and this datapoint had not changed since the April Exposure draft of ESRS S1.
- BC132. SASB's Employee Engagement, Diversity and inclusion includes the following indicator for a small number of sectors (mainly financial services, e-commerce and marketing and IT-related sectors) "Percentage of gender and racial/ethnic group representation for management, technical staff, and all other employees".
- BC133. This [draft] Standard includes diversity within its paragraph 2 in the Objective section; therefore, policies, actions and targets cover diversity, in all its dimensions, and discrimination. Diversity and discrimination are intrinsically linked and [draft] ESRS S1-17 requires a metric derived from the SFDR Regulation (i.e. not subject to the undertaking's materiality assessment) to disclose the number of discrimination incidents.

- BC134. FRAG SR TEG recommended to the EFRAG SRB to decide whether to include a datapoint on ethnicity in draft ESRS S1 and its nature (voluntary/mandatory), not expressing a technical advice in the approval of ESRS S1. EFRAG SR TEG suggested as well to the EFRAG SRB to have technical discussions, involving experts of this specific matter, and to consider the necessity to have a public consultation before including it in the draft standards, if feasible already in time for the adoption in June 2023. This datapoint was not included in the ED given that the topic of diversity has been emphasised in the last text of the CSRD released only at the end of June. In a previous preparatory EFRAG SR TEG discussion, members were split, with an equal number supporting this datapoint to be optional and required. Due to limits imposed by the GDPR (data privacy regulation), EFRAG SR TEG members acknowledged that this datapoint could be based on voluntary surveys, where only employees that are willing to disclose this information would do so. 118 The EFRAG SRB discussed the possibility and opportunity to include this datapoint and more broadly the coverage of the topic of ethnicity in the first set of draft ESRS. It was noted that the inclusion of this datapoint in time for June 2023 is not compatible with the need to run a public consultation. The EFRAG SRB recognises Due process note – First set of draft ESRS EFRAG FR TEG meeting, 22 March 2022 Paper 03-01, Page 14 of 35 the importance of non-discrimination, diversity and equality at the workplace, whereby ethnicity is an aspect of diversity and that diversity was included in the final text of the CSRD. The EFRAG SRB notes that specific datapoints on ethnicity were not consulted on in the EDs on the First Set of draft ESRS and there is a need for proper definition and need for quality data serving comparability. The EFRAG SRB finally decided to cover in the draft ESRS to be released in November 2022, the requirement to describe policies, action plans, targets and resources in relation to ethnicity as one of the dimensions of diversity. The EFRAG SRB also decided not to include quantitative disclosures on racial and ethnic origin at this stage, but to undertake more research including obtaining the input of experts, noting that the deadline of November is not compatible with the depth of analysis that the subject deserves. As such, ethnicity is a priority topic for EFRAG and consultation in the coming months.
- BC135. In addition, the EFRAG SRB agreed to add a number of qualitative datapoints on policies related to diversity and discrimination in [draft] ESRS S1-1 paragraph 25 within the Policies disclosure requirement. The aforementioned datapoints stem from the International Bill of Human Rights together with the International Convention on the Elimination of All Forms of Racial Discrimination (1969), the Convention on the Elimination of All Forms of Discrimination against Women (1981), the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (2003) and the The Declaration on the Rights of Persons Belonging to National or Ethnic, Religious and Linguistic Minorities (1992). Also the ILO Conventions on Equal Remuneration (1951, Number 100), Discrimination (Employment and Occupation) (1958,) Minimum Age Convention (1973) and Worst Forms of Child Labour Convention (1999).

Disclosure Requirement S1-10 – Adequate wages

- BC136. Adequate wages are one of the social matters listed in CSRD Art. 29b 2. The term 'adequate wages' can be seen as synonymous with the terms 'fair wage' and 'living wage' insofar as all three make reference to the level of income needed to support a minimum standard of living. The right for workers to receive such a fair/adequate/living wage is specified in key human rights instruments. 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.

- BC137. 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 Directive 2022/2041 of 19 October 2022 on adequate minimum wages in the European Union³, which requires Member States to define a national adequate wage benchmark, such as the internationally-accepted norm of 60% of the gross median wage or 50% of the gross average wage.
- BC138. GRI disclosure 202-1 requires undertakings to report the ratio of the standard entry level wage to the local minimum wage by gender. However, minimum wages do not exist in some countries, including some EU Member States; in some countries where a minimum wage exists, it is significantly below the international norms such as 60% of the median or 50% of average gross wages. Thus, there is a need for a methodology to define a benchmark adequate wage against which and undertaking can compare the wages it pays to its own workers. A number of benchmarks have been developed based on methodologies such as the Anker methodology and are increasingly used by undertakings. Undertakings may draw on one of these to benchmark the wages it pays, with the condition that this benchmark not undercut the adequate wage levels defined in European Economic Area within the framework of the Directive on adequate minimum wages or, outside of the EEA, existing minimum wages or, if they exist, official living/adequate/fair wages.³⁴
- BC139. This disclosure requires undertakings to report if all of its own workers (employees as well as non-employee workers) receive an adequate wage. If all of an undertaking’s own workers earn an adequate wage, the Disclosure Requirement is fulfilled by simply reporting this fact. If it is not, the undertaking must report in which countries the lowest wage is below the adequate wage benchmark, whether employees or non-employee workers or both earn less than the benchmark, and the percentage of employees and/or non-employee workers in that country which earn less than the benchmark..

Disclosure Requirement S1-11 – Social protection

- BC140. Social protection, which the ILO defines as equivalent to social security, is a human right which responds to the universal need for protection against certain life risks and social needs, including protection against income loss due to major life events. 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.
- BC141. 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).

³ <https://globallivingwage.org/anker-living-wage-and-living-income-reference-values/>

⁴ <https://fair-wage.com/>

BC142. 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 employees, whereas Disclosure Requirement S1-11 focuses on access to basic social protection for all own workers (employees as well as non-employee workers). As certain types of social protection may not be provided by the public programs, this Disclosure Requirement also covers the case that benefits may be offered by the undertaking. S1-11 focuses on the five types of social protection which are most directly relevant in the context of the work relationship between the undertaking and its own workforce. As some countries offer comprehensive social protection against the loss of income due to these five types of life events, undertakings whose entire workforce is located in such countries may satisfy the requirements of this disclosure by simply reporting this fact.

Disclosure Requirement S1-12 – Persons with disabilities

BC143. This Disclosure Requirement is derived from the [draft] CSRD Art. 29b, 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 as a voluntary datapoint. The final text of the CSRD has included a number of references to the UN Convention on the Rights of Persons with disabilities and emphasis on accessibility measures taken by the undertaking for persons with disabilities.

BC144. 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.

BC145. 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 Reporting⁵.”

BC146. The SRB noted that in some countries, mainly outside the EEA, there could be restrictions on data collection of employees with disabilities and introduced such acknowledgment within the clause “subject to legal restrictions on the collection of data” in paragraph 76. In addition, the SRB deliberated as to whether the gender disclosure of persons with disabilities should be a mandatory or voluntary datapoint on the grounds of cost/benefit and concluded that it should be a voluntary datapoint for set 1.

Disclosure Requirement S1-13 – Training and skills development indicators

BC147. Article 29b 2 b) i of the 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. This first principle outlines the importance of maintaining and acquiring skills to ensure ‘equal opportunities and access to the labour market’. It states that everyone has the right to ‘quality and inclusive education, training and lifelong learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market’⁶. As further outlined in the European Green Deal, reskilling and upskilling will enhance employability in the green economy via measures such as the Skills Agenda and Youth Guarantee and, therefore, it is directly linked to Just Transition. In addition, these disclosures provide insight into the human capital, defined by the Capitals Coalition, of the undertaking.

⁵ <https://www.globalreporting.org/search/?query=disability+in+sustainability>

⁶ www.euofund.europa.eu/topic/skills-and-training

- BC148. The disclosure required by paragraph 80 (b) is based on GRI's disclosure 404-3 and aligned with WICI KPI on 'Number of training hours per employee'. The level of granularity is aligned with GRI, and Disclosure Requirement S1-13 requires the breakdown by employee category and by gender for employees.
- BC149. For non-employee workers in paragraph 81, the datapoints have been considered voluntary by the SRB within the context of the simplification exercise that has taken place by the SRB during the deliberations of the [draft] Standards.
- BC150. The Exposure Draft ESRS S1 on training and skills development contained an additional disclosure requirement on training expenses. Many respondents to the public consultation considered this datapoint complex and burdensome to gather across the group, partially because this is not a mature indicator within sustainability reporting and other reporting framework do not include a similar indicator. In response to those concerns, the SRB decided to remove this datapoint.
- BC151. Within the European Union regulation, it should be noted that the European Qualifications Framework (EQF) is a tool aiming to relate different countries' national qualifications systems to a common European reference framework. It defines "skills" as the ability to apply knowledge and use know-how to complete tasks and solve problems. Skills can be described as cognitive (involving the use of logical, intuitive and creative thinking) or practical (involving manual dexterity and the use of methods, materials, tools and instruments). Training is the process of enhancing employees' skills, attitudes and knowledge so as to improve competence levels. Achieving an appropriate match between skills and tasks, as well as creating opportunities for developing skills and competences are important dimensions of quality of work and employment. The better skilled an individual, the more employable they are. Employability is a combination of factors, such as job-specific skills and transversal skills, which enable individuals to enter into employment, stay in employment and advance in their careers.
- BC152. On 8 June 2020, the Council of the European Union adopted conclusions on reskilling and upskilling as a basis for increasing sustainability and employability, in the context of supporting economic recovery and social cohesion.⁷
- BC153. These disclosures are aligned with the UN Sustainable Development Goals for 2030 to commit to providing inclusive and equitable quality education at all levels and to promoting lifelong learning opportunities for all, especially for those in vulnerable situations.
- BC154. These disclosures are also aligned with the recommendations of the ILO and OECD's joint report on Global Skills Trends, Training Needs and Lifelong Learning Strategies for the Future of Work.

Disclosure Requirement S1-14 – Health and safety indicators

- BC155. The EFRAG SRB concluded that a simplification exercise could be performed in relation to health and safety indicators and merged Disclosure Requirement 10 and 11 from the April ED on ESRS S1. Therefore, this Disclosure Requirement covers all metrics datapoints on health and safety, including voluntary disclosures on internal or external verifications.
- BC156. The Disclosure Requirement S1-14 is based on the requirements from Article 29 b) of the CSRD and GRI 403, together with the the ILO Convention and OECD Guidelines. Healthy, safe and well-adapted work environment and data protection is Principle 10 of the European Pillar of Social Rights, and is included in one of the seven core principles of the ISO 26000 standard. 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, such policies are to be disclosed under [draft] ESRS S1-1.

⁷ <https://www.consilium.europa.eu/en/press/press-releases/2020/06/08/employment-and-social-affairs-the-council-adopts-conclusions-on-well-being-at-work-upskilling-and-reskilling-and-demographic-challenges/>

- BC157. The ILO Constitution sets forth the principle that workers must be protected from sickness, disease and injury arising from their employment through, in particular, the implementation of sound reporting practices. The ILO has adopted more than 40 standards specifically dealing with occupational safety and health, as well as over 40 Codes of Practice.
- BC158. Health and safety at work is related to the “health” SDG, namely its target 3.9: “by 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination”; the “jobs” SDG, namely its target 8.8: “protect labour rights and promote safe and secure working environments of all workers”; and the “institutions” SDG, namely its target 16.6: “develop effective, accountable and transparent institutions at all levels”. The wording of these three targets demonstrates that health and safety touches on all three dimensions of the Sustainable Development Agenda.
- BC159. In relation to the health and safety management system, it is acknowledged that applicable EU and national legislation (namely the Framework Directive 89/391/EEC) regulate the coverage of such systems on EU employees. The ambition of this Disclosure Requirement is for the undertaking to disclose its system (s) and coverage beyond the EU to provide a holistic view on its own workforce.
- BC160. There is extensive guidance on occupational health and safety reporting and it is considered a relatively mature indicator, this has been validated by the results of the public consultation of the ESRS exposure drafts. 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.
- BC161. 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

- BC162. The information for paragraph 84 (b) shall also be reported for other workers working on the undertaking's sites. GRI 403 includes workers on site covered by the Health and Safety management system. To further align with GRI and encourage good practice, the SRB decided to include other workers in this disclosure (i.e. workers in the value chain which are in the scope of [draft] ESRS S2) , in addition to its workforce (employees and non-employees).
- BC163. 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). Likewise, the EU Benchmark Regulation contains disclosure requirements related to accidents, injuries or fatalities.
- BC164. The disclosures in paragraph 85 are voluntary and encourage good practice for those preparers that engage with assurance providers for the assessment of the health and safety management system or that designed its management system on recognised standards or guidelines.

Disclosure Requirement S1-15 – Work-life balance indicators

- BC165. Work-life balance is one of the social matters specifically listed in CSRD Art. 29b. The provision of family-related leave is considered by the European Union as an essential measure to support work-life balance, as well as to help address women's underrepresentation in the labour market.
- BC166. 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)⁸and the UN ICESCR (article 7).⁹
- BC167. At the European level, achieving a better work-life balance for workers has become a priority policy area for the EU and is seen as crucial for the realisation of many principles of the EPSR, particularly gender equality and adaptable employment. 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.

⁸ Article 24 of the Universal Declaration of Human Rights states that motherhood and childhood are entitled to special care and assistance.

⁹ 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.

- BC168. The right to take family-related leaves is established in Council Directive 92/85/EEC of 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding, which addresses maternity leave, and the Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers. This right is also included within the EPSR, which emphasizes measures to reconcile work and family life, to facilitate the goal of achieving equality between men and women with regard to labour market opportunities and treatment at work. 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 a work-life balance. Currently, the most relevant ILO conventions for work-life balance are the ILO Workers with Family Responsibilities Convention no. 156 (1981) and the ILO Maternity Protection Convention no. 183 (2000).¹⁰ 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.
- BC169. Disclosure Requirement S1-15 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, which is only a subset of family-related leave. Both the percentage of employees eligible for family-related leave and the percentage who actually took such leave are datapoints addressed in this disclosure requirement as such information enhances comparability and provides a more direct indication of the uptake of such leaves. There are no specific SASB disclosures as regards performance measures in the area of work-life balance.
- BC170. 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, which is aligned with GRI G4 Principle 2¹¹; the GAP analysis tool, 6, 7, 9 (measurement); and the WBA Gender Benchmark, Workplace, 20A - Q38, 20B – Q41)¹². Following the results of the public consultation and on the grounds of cost/benefit, the SRB decided to eliminate this datapoint on retention from the first set of sector-agnostic [draft] Standards.

¹⁰ 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.

¹¹ 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>

¹² 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

Disclosure Requirement S1-16 – Compensation indicators (pay gap and total compensation)

- BC171. The context for the first component in this Disclosure Requirement is provided by CSRD Art. 29b,, 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 allows undertakings to provide breakdowns by employee type and/or country to help understand this gap; undertakings may also report an ‘adjusted’ pay gap based on including other factors in the statistical analysis.
- BC172. 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.”
- BC173. 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.”
- BC174. 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..
- BC175. The level of granularity of the information to be disclosed was a point of discussion during the drafting of the [draft] Standards. 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 and provide the option for undertakings to disclose such information by employee category and/or by country/segment to increase the understandability and relevance of the underlying data.
- BC176. The context for the second component in this Disclosure Requirement is provided by CSRD Art. 29band the SFDR in its additional indicator 8 in Table 3 of Appendix 1 “Excessive CEO pay”.
- BC177. DR S1-16 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. Contextual information that would help understand the disclosure (e.g. reasons for a particularly high level of the compensation of the highest-paid individual) shall be provided as applicable. 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.

- BC178. 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)¹³ requires disclosure of information on the remuneration of directors and the average remuneration of employees in a manner which allows comparison.
- BC179. Disclosure Requirement S1-16 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 S1-17 – Incidents, complaints and severe human rights impacts and incidents

- BC180. The objective of this Disclosure Requirement is to understand the incidents or complaints on social and human rights matters (including discrimination and severe human rights issues) that have been reported on its own workforce. To this extent, two of the SFDR PAI indicators on discrimination incidents, severe human rights issues and incidents and violations of the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises have been fully embedded and are the basis of this disclosure together with the social and human rights factors described in Art 29 b of the CSRD. In addition, the financial effects consequences of the aforementioned incidents are another dimension captured in this Disclosure Requirement together with connectivity with the financial statements.
- BC181. The disclosure required by paragraph 98 (a) is derived from the CSRD Art. 29b, 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. This datapoint 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.
- BC182. 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.”
- BC183. The 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 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
- BC184. The disclosure required by paragraph 98 (b) seeks to obtain 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. To this effect, this datapoint on para 98 (b) is complementary to [draft] ESRS S1-3 on Process to remediate negative impacts and channels for own workers to raise concerns, inc grievance mechanisms and the SFDR PAI 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”).

¹³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017L0828>

- BC185. With regard to the content and/or scope of this datapoint, it is noted that, in addition to being enshrined in international and European human rights instruments, the rights listed in paragraph 2 of this [draft] Standard are also contained in a host of EU legislation, particularly in the EU labour law acquis and the General Data Protection Regulation (GDPR). 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.
- BC186. The disclosure required by paragraph 99 (a) 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) .
- BC187. 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 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).
- BC188. 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.

- BC189. 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.
- BC190. 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) requires that Member States must prohibit the employment of children (i.e., those under the age of 15 or still in full-time compulsory education).
- BC191. Existing reporting frameworks which were drawn upon to develop [draft] ESRS S1-17 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.
- BC192. The datapoint on the number of severe human rights issues and incidents connected to the undertaking's workforce 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.

Appendix: Sources of defined terms

Defined terms	Definition	Source
<u>Annual total compensation</u>	Annual total compensation includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and nonqualified deferred compensation earnings provided over the course of a year.	Based on GRI Disclosure 2-21 <u>GRI - GRI Standards English Language</u> (globalreporting.org)
<u>Child labour</u>	<p>Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that:</p> <ol style="list-style-type: none"> i. is mentally, physically, socially or morally dangerous and harmful to children; and/or ii. interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work. <p>For the purpose of this definition, a child refers to a person under the age of 15 years, or under the age of completion of compulsory schooling, whichever is higher. Exceptions can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years</p>	Obtained from the ILO Convention on Minimum Age, 1973 (No. 139) <u>Convention C138 - Minimum Age Convention, 1973 (No. 138)</u> (ilo.org)

Defined terms	Definition	Source
	<p>applies.</p> <p>These countries of exception are specified by the International Labour Organisation (ILO) in response to a special application by the country concerned and in consultation with representative organisations of employers and workers</p>	
<p><u>Collective bargaining</u></p>	<p>All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for:</p> <ul style="list-style-type: none"> ii. i. determining working conditions and terms of employment; and/or regulating relations between employers and workers; and/or iii. regulating relations between employers or their organisations and a workers' organisation or workers' organisations. 	<p>Obtained from ILO's Collective Bargaining Convention, 1981 (No. 154) <u>Convention C154 - Collective Bargaining Convention, 1981 (No. 154) (ilo.org)</u></p>
<p><u>Confirmed incident (child or forced labour or human trafficking)</u></p>	<p>Incident of child or forced labour or human trafficking that has been found to be substantiated. Confirmed incidents do not include incidents of child or forced labour or human trafficking that are still under</p>	<p>Based on and adapted from GRI Standards Glossary 2021, on the definition of confirmed incident of corruption using the principle "substantiated." <u>GRI - Search (globalreporting.org)</u></p>

Defined terms	Definition	Source
	investigation in the reporting period.	
<u>Discrimination</u>	Discrimination can occur directly or indirectly - Direct discrimination will have occurred when an individual is treated less favourably by comparison to how others, who are in a similar situation, have been or would be treated, and the reason for this is a particular characteristic they hold, which falls under a “protected ground”. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics. It must be shown that a group is disadvantaged by a decision when compared to a comparator group.	Obtained from Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation, Article 2. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=C ELEX:32000L0078&from=EN
<u>Employee</u>	An employee is an individual who is in an employment relationship with the undertaking according to national law or practice.	Based on GRI 401: Employment 2016 gri-401-employment-2016.pdf (globalreporting.org)
<u>Forced labour</u>	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily. The term encompasses all situations in which persons are coerced by any means to perform work and includes both traditional “slave- like” practices and contemporary forms of coercion where labour exploitation is involved, which may include human trafficking and modern slavery.	Based on ILO Forced Labour Convention, 1930 (No. 29) Convention C029 - Forced Labour Convention, 1930 (No. 29) (ilo.org)
<u>Grievance mechanisms</u>	Grievance mechanisms refer to any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can	Based on Article 31 UNGP Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework OHCHR

Defined terms	Definition	Source
	<p>raise grievances and seek remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices.</p> <p>Non-state-based grievance mechanisms include those administered by the organisation, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups.</p> <p>Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly</p>	

Defined terms	Definition	Source
	<p>affected.</p> <p>According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.</p>	
<p><u>Harassment</u></p>	<p>Harassment is defined as a course of comments or actions that are unwelcome or should reasonably be known to be unwelcome, to the person towards whom they are addressed. Harassment occurs when one or more employees are deliberately abused, threatened and/or humiliated in circumstances relating to work. Harassment may be carried out by one or more employees, with the purpose or effect of violating the employees' dignity, affecting [their] health and/or creating a hostile work environment. In Directive 2002/73/EC, harassment is defined as a situation 'where an unwanted conduct related to the sex of a person occurs with the purpose or effect of violating the dignity of a person, and of creating an intimidating, hostile, degrading, humiliating or offensive environment'</p>	<p>Based on Directive 2002/73/EC https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32002L0073&from=EN</p>
<p><u>Incident</u></p>	<p>A legal action or complaint registered with the undertaking or competent</p>	<p>To be confirmed</p>

Defined terms	Definition	Source
	<p>authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.</p>	
<u>Overtime</u>	<p>Overtime hours are the number of hours actually worked by a worker in excess of his or her contractual hours of work.</p>	<p>Obtained from Eurostat Home - Eurostat (europa.eu)</p>
<u>Pay</u>	<p>Gross hourly earnings, which are the wages and salaries earned by full-time and part-time employees, per hour paid, before any tax and social security contributions are deducted. Wages and salaries include any overtime pay, shift premiums, allowances, bonuses, and commissions.</p>	<p>Based on Eurostat Earnings statistics - Statistics Explained (europa.eu) and Regulation 1737/2005/EC, D.11 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=C</p>
<u>Persons with disabilities</u>	<p>Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others. Disability is the umbrella term for impairments, activity limitations and participation restrictions, referring to the negative aspects of the interaction between an individual (with a health condition) and that individual's contextual factors (environmental and personal factors).</p>	<p>Obtained from the Preamble and Article 1 of the UN Convention on the Rights of Persons with Disabilities Convention on the Rights of Persons with Disabilities (CRPD) United Nations Enable</p>
<u>Recordable work-related injury or ill health</u>	<p>Work-related injury or ill health that results in any of the following: death, days away from work, restricted work or</p>	<p>Obtained from GRI 403-9 gri-403-occupational-health-and-safety-2018.pdf (globalreporting.org)</p>

Defined terms	Definition	Source
	transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.	(which is based on OSHA General recording criteria 1904.7). 1904.7 - General recording criteria. Occupational Safety and Health Administration (osha.gov)
<u>Remedy / remediation</u>	Means to counteract or make good a negative impact or provision of remedy. Examples: apologies, financial or non-financial compensation, prevention of harm through injunctions or guarantees of non-repetition, punitive sanctions (whether criminal or administrative, such as fines), restitution, restoration, rehabilitation.	Obtained from Principle 25 Based UNGP Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework OHCHR
<u>Social dialogue</u>	All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers, their organisations and workers’ representatives, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between workers’ representatives and management (or trade unions and employers’ organisations).	Obtained from ILO Social Dialogue Report, 2022 Flagship Report: Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery (ilo.org)
<u>Social protection</u>	Social protection is defined as the set of measures designed to reduce and prevent poverty and vulnerability across the life cycle.	Obtained from ILO World Social Protection Report, 2020-22 World Social Protection Report 2020-22 (ilo.org)

Defined terms	Definition	Source
<u>Wage</u>	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed.	Based on the Ankers methodology The Anker Methodology for Estimating a Living Wage - Global Living Wage Coalition
<u>Work-related hazards</u>	<p>Work-related hazards (sources or situations with the potential to cause injury or ill health) can be:</p> <ul style="list-style-type: none"> i. physical (e.g., radiation, temperature extremes, constant loud noise, spills on floors or tripping hazards, unguarded machinery, faulty electrical equipment); ii. ergonomic (e.g., improperly adjusted workstations and chairs, awkward movements, vibration); iii. chemical (e.g., exposure to solvents, carbon monoxide, flammable materials, or pesticides); iv. biological (e.g., exposure to blood and bodily fluids, fungi, bacteria, viruses, or insect bites); v. psychosocial (e.g., verbal abuse, harassment, bullying); vi. related to work-organisation (e.g., excessive workload demands, shift work, long hours, night work, workplace violence). 	<p>Obtained from GRI 403-5 gri-403-occupational-health-and-safety-2018.pdf (globalreporting.org) (which is based on (ILO) Guidelines on Occupational Safety and Health Management Systems, 2001 and ISO 45001:2018)</p>

Defined terms	Definition	Source
<p><u>Work-related incident</u></p>	<p>Occurrence arising out of or in the course of work that could or does result in injury or ill health.</p> <p>Incidents might be due to, for example, electrical problems, explosion, fire; overflow, overturning, leakage, flow; breakage, bursting, splitting; loss of control, slipping, stumbling and falling; body movement without stress; body movement under/with stress; shock, fright; workplace violence or harassment (e.g., sexual harassment).</p> <p>An incident that results in injury or ill health is often referred to as an “accident”. An incident that has the potential to result in injury or ill health but where none occurs is often referred to as a “close call”, “near-miss”, or “near-hit”.</p>	<p>Obtained from ISO 45001, 2018 <u>ISO - ISO 45001:2018 - Occupational health and safety management systems — Requirements with guidance for use</u></p>
<p><u>Work-life balance</u></p>	<p>Satisfactory state of equilibrium between an individual’s work and private life. Work-life balance encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.</p>	<p>Definition by EFRAG, based on EUROFOUND <u>Eurofound (europa.eu)</u></p>
<p><u>Workers’ representatives</u></p>	<p>Workers’ representatives’ means:</p> <ul style="list-style-type: none"> i. trade union representatives, namely, representatives designated or elected by trade unions or by members of such unions in accordance with 	<p>Obtained from ILO Workers’ Representatives Recommendation, 1971 (No. 143) <u>Recommendation R143 - Workers’ Representatives Recommendation, 1971 (No. 143) (ilo.org)</u></p>

Defined terms	Definition	Source
	<p>national legislation and practice;</p> <p>ii. duly elected representatives, namely, representatives who are freely elected by the workers of the organisation, not under the domination or control of the employer in accordance with provisions of national laws or regulations or of collective agreements and whose functions do not include activities which are the exclusive prerogative of trade unions in the country concerned and which existence is not used to undermine the position of the trade unions concerned or their representatives.</p>	



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