

[Draft] European Sustainability Reporting Standard S1 Own Workforce General Standard

DISCLAIMER

This document is a technical working paper intended solely for the internal use of PTFESRS members, supporting debates in Plenary meetings. It is not open to public consultation but serves as a work-in-progress document leading to the exposure drafts to be submitted to a future public consultation. Significant changes to this working paper may arise from the subsequent steps of the due process (for more information on subsequent steps of the due process, see [here](#)).

This working paper should therefore not be interpreted in any way whatsoever as representing the views of the PTF-ESRS as a whole at this stage, nor the position of relevant co-construction partners. Also, the content of this working paper is the sole responsibility of the PTF-ESRS and can under no circumstances be regarded as reflecting the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

Table of content

OBJECTIVE	4
INTERACTION WITH OTHER ESRS	5
DISCLOSURE REQUIREMENTS	5
STRATEGY AND BUSINESS MODEL, GOVERNANCE AND ORGANISATION, IMPACTS, RISKS AND OPPORTUNITIES	5
SPECIFIC OWN WORKFORCE-RELATED DISCLOSURES FOR THE IMPLEMENTATION OF ESRS 2 STRATEGY AND BUSINESS MODEL	6
[DISCLOSURE REQUIREMENT 1] IMPACTS ORIGINATING FROM BUSINESS MODEL AND STRATEGY	6
SPECIFIC OWN WORKFORCE-RELATED DISCLOSURES FOR THE IMPLEMENTATION OF ESRS 4 IMPACTS, RISKS AND OPPORTUNITIES	6
[DISCLOSURE REQUIREMENT 2] MATERIAL IMPACTS ON OWN WORKFORCE AND TYPES OF WORKERS AFFECTED	6
[DISCLOSURE REQUIREMENT 3] RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE	7
POLICIES, TARGETS, ACTION PLANS AND RESOURCES	8
[DISCLOSURE REQUIREMENT 4] POLICIES RELATED TO OWN WORKFORCE	8
[DISCLOSURE REQUIREMENT 5] PROCESSES FOR ENGAGING WITH OWN WORKERS, TRADE UNION AND WORKERS' REPRESENTATIVES, AND OTHER STAKEHOLDERS ABOUT IMPACTS	9
[DISCLOSURE REQUIREMENT 6] CHANNELS FOR OWN WORKERS, TRADE UNION AND WORKERS' REPRESENTATIVES AND OTHER STAKEHOLDERS TO RAISE CONCERNS	9
[DISCLOSURE REQUIREMENT 7] TARGETS RELATED TO MANAGING MATERIAL IMPACTS ON OWN WORKFORCE	10
[DISCLOSURE REQUIREMENT 8] TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE	11
[DISCLOSURE REQUIREMENT 9] INITIATIVES AIMED AT POSITIVE OUTCOMES FOR OWN WORKFORCE	11
[DISCLOSURE REQUIREMENT 10] APPROACHES TO MITIGATING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO OWN WORKERS	11
PERFORMANCE MEASURES	12
[DISCLOSURE REQUIREMENT 11] CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES	12
[DISCLOSURE REQUIREMENT 12] CHARACTERISTICS OF NON-EMPLOYEE WORKERS ENGAGED IN CORE BUSINESS IN THE UNDERTAKING	12
APPLICATION PROVISIONS	13
APPENDIX A: DEFINED TERMS	14
APPENDIX B: APPLICATION GUIDANCE	16
[DISCLOSURE REQUIREMENT 1] - IMPACTS ORIGINATING FROM BUSINESS MODEL AND STRATEGY	16
[DISCLOSURE REQUIREMENT 2] - MATERIAL IMPACTS ON OWN WORKFORCE AND TYPES OF WORKERS AFFECTED	16
[DISCLOSURE REQUIREMENT 3] - RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE	17
[DISCLOSURE REQUIREMENT 4] - POLICIES RELATED TO OWN WORKFORCE	18
[DISCLOSURE REQUIREMENT 5] - PROCESSES FOR ENGAGING WITH OWN WORKERS, TRADE UNION AND WORKERS' REPRESENTATIVES AND OTHER STAKEHOLDERS ABOUT IMPACTS	21

[DISCLOSURE REQUIREMENT 6] - CHANNELS FOR OWN WORKERS, TRADE UNION AND WORKERS' REPRESENTATIVES, AND OTHER STAKEHOLDERS TO RAISE CONCERNS	22
[DISCLOSURE REQUIREMENT 7] - TARGETS RELATED TO MANAGING MATERIAL IMPACTS ON OWN WORKFORCE	23
[DISCLOSURE REQUIREMENT 8] - TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE	25
[DISCLOSURE REQUIREMENT 9] - INITIATIVES AIMED AT POSITIVE OUTCOMES FOR OWN WORKFORCE	27
[DISCLOSURE REQUIREMENT 10] - APPROACHES TO MITIGATING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO OWN WORKFORCE	27
[DISCLOSURE REQUIREMENT 11] – CHARACTERISTICS OF THE UNDERTAKING’S EMPLOYEES	28
[DISCLOSURE REQUIREMENT 12] – CHARACTERISTICS OF NON-EMPLOYEE WORKERS ENGAGED IN CORE BUSINESS IN THE UNDERTAKING	29
<u>BASIS FOR CONCLUSIONS</u>	<u>31</u>

[Draft] European Sustainability Reporting Standard S1 Own Workforce General Standard

Objective

1. The objective of this [draft] standard is to set out the disclosure requirements for undertakings to report on how they affect their own workforce - both positive and negative impacts - with regard to working conditions, equal opportunities and other work-related rights. The material information disclosed by the undertakings will allow users to understand developments in relation to the undertaking's material impacts, risks and opportunities.
2. This [draft] standard is an overarching standard focussed on the disclosure of implementation measures (i.e. policies, targets, action plans and resources) across a broad range of sustainability matters relevant to its own workforce. It complements three ESRS which include disclosures related to performance measures on these issues: ESRS S2 (Own Workforce - Working Conditions Standard), ESRS S3 (Own Workforce - Equal Opportunities Standard), and ESRS S4 (Own Workforce - Other Work-Related Rights Standard).
3. This [draft] standard derives from the draft CSRD stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors, including the principal actual or potential adverse impacts on own workforce connected to its own operations, any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts. The CSRD also requires disclosures regarding 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.
4. In order to meet the objective, the [draft] standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to:
 - (a) workers' working conditions, including:
 - (i) workforce training and development;
 - (ii) health and safety (including access to water and sanitation);
 - (iii) working hours;
 - (iv) work-life balance;
 - (v) remuneration (fair wage);
 - (vi) social security.
 - (b) workers' access to equal opportunities, including:
 - (i) discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation;
 - (ii) equality in pay;
 - (iii) access to secure employment;
 - (iv) equal treatment regarding working conditions, access to social protection and training.
 - (c) workers' other work-related rights, including:
 - (i) freedom of association and collective bargaining;
 - (ii) social dialogue;
 - (iii) child labour;
 - (iv) forced labour;
 - (v) privacy;
 - (vi) adequate housing.

5. The [draft] standard also requires an explanation of how such impacts, as well as other interactions with its own workforce can create material risks or opportunities for the undertaking. For example, on the issue of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation. On the other hand, policies to increase the representation of women in the workforce and in upper levels of management can have positive impacts such as increasing the pool of qualified labour and improving the undertaking's reputation.
6. An undertaking's 'own workforce' is understood to include both employees, i.e. those persons in an employment relationship with the undertaking, and non-employee workers engaged in a company's core business, i.e. persons who are not in an employment relationship with the undertaking, but whose work is controlled by it and perform roles that are the same as or similar to those of its employees or are otherwise engaged in the undertaking's core business. Thus an undertaking's 'own workforce' is clearly distinguished from 'value chain workers', which includes workers for whom neither work nor workplace are controlled by the undertaking ('typical value chain workers'), as well as workers whose workplace is controlled by the undertaking but perform non-core services for it ('non-core contractors'). Disclosures for 'own workforce' are covered in this standard for implementation measures, as well as disclosures on 'own workforce' in ESRS S2-S4 for performance measures, whereas disclosures for upstream and downstream 'value chain workers' are covered in ESRS S5.
7. The [draft] standard requires undertakings to describe their own workforce, including key characteristics of employees and non-employee workers engaged in a company's core business. This description provides users with an understanding of the structure of the undertaking's own workforce and helps contextualize information provided through other disclosures. The terms 'own workforce' and 'own workers' are used interchangeably in this [draft] standard.
8. The objective of the standard is also to ensure that the reporting requirements for undertakings are consistent with international and European human rights conventions, including the UN Guiding Principles on Business and Human Rights and the OECD Multinational Guidelines, and EU legislation, including the EU labour law acquis, the Sustainable Finance Disclosure Regulation and the EU taxonomy, especially regarding "do no significant harm" criteria and minimum safeguards.

Interaction with other ESRS

9. This [draft] standard shall be read in conjunction with the crosscutting General Provisions Standard (ESRS 1), the standard on Strategy and Business Model (ESRS 2), the Standard requiring disclosure of the impacts, risks, and opportunities, including materiality assessments, of the undertaking (ESRS 4), as well as the other Social Pillar ESRS standards (ESRS S2-5). The reporting under this [draft] standard is to be consistent, coherent and linked with the reporting of the undertaking with the rest of the 'own workforce' standards that are focussed on performance measures: Working Conditions (ESRS S2), Equal Opportunities (ESRS S3) and Other Work-related Rights (ESRS S4). In addition, this standard is intended to be consistent in reporting with ESRS S5, which covers the workers in the value chain, and it broadly follows the same structure of disclosure requirements as that [draft] standard.

Disclosure requirements

Strategy and business model, governance and organisation, Impacts, risks and opportunities

10. The disclosure requirements related to Own Workforce General Standard and to (i) Strategy and business model, and (ii) Impacts, risks and opportunities are defined below.
11. The specific Disclosure Requirements related to Own Workforce General Standard (Disclosure Requirements 1 to 3) shall be read as complementary to the relevant cross-cutting standards (ESRS 2 and ESRS 4) and they are to be reported upon by the undertaking under the related cross-cutting standards. The information to be covered by Disclosure Requirements 1 is

prioritised and monitored directly by the undertaking's highest governing bodies due to its importance to the undertaking. Disclosure Requirement 2 and Disclosure Requirement 3 below are to be disclosed alongside ESRS 4.

Specific own workforce-related disclosures for the implementation of ESRS 2 Strategy and business model

[Disclosure requirement 1] Impacts originating from business model and strategy

12. **The undertaking shall disclose whether it assesses the extent to which material impacts on its own workforce originate from the undertaking's business model and strategy, and how the highest governance bodies are informed about any such impacts.**
13. The principle to be followed under this disclosure requirement is to provide an understanding of whether and how the undertaking considers whether its business model and strategy play a role in creating, exacerbating or (conversely) mitigating impacts on own workforce, and how the highest governance bodies are made aware of such connections given their particular role in agreeing and overseeing the business model and strategy. It shall be disclosed in accordance with Disclosure Requirement 7 of ESRS 2.
14. The undertaking shall state whether its assessment of material impacts on its own workforce considers if and how such impacts may be tied to features of the undertaking's business model or strategy, and the role of the highest governance bodies in reviewing such assessments as part of their decision-making processes.

Specific own workforce-related disclosures for the implementation of ESRS 4 Impacts, Risks and Opportunities

[Disclosure requirement 2] Material impacts on own workforce and types of workers affected

15. **The undertaking shall state its material impacts - negative and positive - on its own workforce and describe the main types of workers that are affected.**
16. The principle to be followed under this Disclosure Requirement is to provide an understanding of the material negative and positive impacts of the undertaking on its own workforce and of which parts of its workforce are affected.
17. The undertaking shall state its material impacts on its own workforce, which it may do by cross-referring to its disclosure under DR 2 of ESRS 4 (Impacts, Risks, and Opportunities).
18. The non-exhaustive list of types of material impacts to be considered and reported on under the disclosure required by paragraph 15 shall include impacts related to all of the sustainability matters listed in paragraph 4 of the Objectives section of this Standard and covered in ESRS S2, ESRS S3 and ESRS S4:
 - (a) with regard to working conditions:
 - (i) related to workforce training and development: the quality and quantity of training workers have (or have not) received, and access to (or lack thereof) of own workers to a competency development plan;
 - (ii) related to health and safety: protection from (or exposure to) hazardous working conditions, and access (or lack thereof) to water and sanitation;
 - (iii) related to working hours: frequency of overtime, split shifts, short notice of shift scheduling, relation of desired to actual hours of work;

- (iv) related to work-life balance: access to flexible working arrangements for caring purposes (or lack thereof), access to childcare (or lack thereof), access to family-related leave (or lack thereof);
 - (v) related to remuneration: provision of remuneration above (or below) the fair wage;
 - (vi) related to social security: access to social security (or lack thereof).
- (b) with regard to equal opportunities: discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation; equality in pay; access to secure employment; and equal treatment regarding working conditions, access to social protection and training
- (c) with regard to other work-related rights:
- (i) related to freedom of association and collective bargaining: extent of determination of own workers' working conditions through collective bargaining contracts; risks to and respect of rights to freedom of association and collective bargaining;
 - (ii) related to social dialogue: extent of collective representation and respect for information and consultation rights;
 - (iii) related to child labour: extent of child labour;
 - (iv) related to forced labour: extent of forced labour;
 - (v) related to privacy: respect for rights to privacy, data protection and freedom from intrusive surveillance;
 - (vi) related to adequate housing: extent to which adequate housing is provided to migrant and mobile workers.
19. The undertaking shall in the description highlight and explain material developments or changes in the reporting period regarding the types of impacts affecting its own workforce.

[Disclosure requirement 3] Risks and opportunities related to own workforce

20. **The undertaking shall state any material risks or opportunities resulting from its principal dependencies and impacts on its own workforce with respect to the specific material issues set out in paragraph 4 of the Objectives section.**
21. The principle to be followed under this Disclosure Requirement is to provide an understanding of the material risks and opportunities that result either from impacts on the undertaking's dependencies on its own workers, and which are likely to influence the future cash flows and therefore the enterprise value of the undertakings in the short, medium or long-term.
22. The undertaking shall explain any connections between material risks and opportunities and the material positive or negative impacts identified under DR 2.
23. The undertaking may state any material risks or opportunities for the business arising from the undertaking's impacts or dependencies on its own workforce by cross-referring to its DR 2 under ESRS 4 impacts, risks and opportunities.
24. The undertaking shall include a brief description of the types of workers in relation to which material risks or opportunities for the undertaking arise.
25. If relevant, the undertaking shall state and explain how more fundamental changes in employment trends due to generational or demographic changes, technological developments such as digitisation, skills shortages and so forth have been considered when identifying its material risks or opportunities.

Policies, targets, action plans and resources

[Disclosure requirement 4] Policies related to own workforce

26. The undertaking shall state its policies that address the management of its material impacts on, and any associated material risks and opportunities related to, its own workforce in general and/or in relation to specific workforce-related issues listed under paragraph 4 in the Objectives section and provide a summary of their contents and how they are communicated.
27. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking has policies that address the identification, management or remedy of material impacts on the undertaking's own workforce, and/or which cover material risks or opportunities associated with those impacts, and how the individuals responsible for their implementation, and the workers' whose interests they address, are made aware of their existence and content.
28. The summary of the description of the policy shall contain the information requirements defined in ESRS 1 related to the Disclosure principle on policies implemented to manage material sustainability matters.
29. The undertaking shall state – and digitally tag – specific policy commitments that are relevant to its own workforce on the following sustainability matters:
- (a) with regard to working conditions:
 - (i) workforce training;
 - (ii) workforce development;
 - (iii) health and safety;
 - (iv) access to water and sanitation;
 - (v) working time, including overtime;
 - (vi) flexible working time arrangements to support caregiving and family responsibilities;
 - (vii) childcare;
 - (viii) paternal leave;
 - (ix) minimum wage, including consideration of any benchmarking to a 'fair' or 'living' wage;
 - (x) access to social security.
 - (b) with regard to equal opportunities:
 - (i) discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation;
 - (ii) equality in pay;
 - (iii) secure employment, including limitations on temporary and zero-hour contracts;
 - (iv) equal treatment regarding working conditions, access to social protection and training.
 - (c) with regard to other work-related rights:
 - (i) freedom of association and collective bargaining;
 - (ii) social dialogue;
 - (iii) child labour;
 - (iv) forced labour;
 - (v) privacy at work;
 - (vi) adequate housing, including for migrant and mobile workers.

30. Where a policy is publicly available, the undertaking shall provide a link to the policy.
31. The undertaking shall summarise how the policy (including policy commitments, code of conducts and other relevant policies as outlined above) is communicated in an accessible form to workers. The summary shall focus on material impacts identified in DR 2.
32. If the undertaking cannot disclose the above required information, because it has not adopted a policy and/or objectives, it shall disclose this to be the case and may provide reasons for not having adopted a policy or objectives.

[Disclosure requirement 5] Processes for engaging with own workers, trade union and workers' representatives, and other stakeholders about impacts

33. **The undertaking shall explain its general processes for engaging with its workers, trade union and workers' representatives, and other stakeholders about actual and potential impacts on its own workforce.**
34. The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking engages with workers, trade union and workers' representatives, and other stakeholders about actual and potential positive and/or negative impacts that do or may affect its own workforce.
35. The undertaking shall explain whether and how the perspectives of its own workforce inform those decisions or activities. This shall include an explanation of:
 - (a) whether engagement occurs with trade unions, workers' representatives and other stakeholders;
 - (b) the stage at which engagement occurs (i.e. prior to the final decision by management on a significant issue, in assessing material impacts on own workforce, in determining mitigation approaches or in evaluating their effectiveness); and the type of engagement;
 - (c) what role or function within the undertaking has responsibility for ensuring this engagement happens and that the results inform the undertaking's approach;
 - (d) whether the undertaking has any agreements with trade unions and workers' representatives related to specific issues affecting its own workforce listed in paragraph 4 of the Objectives section.

[Disclosure requirement 6] Channels for own workers, trade union and workers' representatives and other stakeholders to raise concerns

36. **The undertaking shall describe the channels it has in place for workers, trade union and workers' representatives, and other stakeholders to raise their concerns or needs directly with the undertaking and how it monitors issues raised and addressed.**
37. The principle to be followed under this Disclosure Requirement is to provide an understanding of the formal means by which workers, trade union and worker representatives, and other stakeholders can make their concerns and needs known directly to the undertaking, and how the undertaking follows up with these workers regarding the issues raised.
38. The channels for raising concerns or needs include any grievance mechanisms, hotlines, dialogue processes or other means through which the undertaking's own workers, trade unions and worker representatives, and other stakeholders can raise concerns about impacts on their working conditions, equality of opportunity and right to non-discrimination, and other work-related rights, or to explain needs that they would like the undertaking to address. This could include channels to raise issues directly with the undertaking itself or with a third party acting on behalf of the undertaking.
39. The undertaking shall report if there are channels in place to cover the following:
 - (a) workers' working conditions, including workforce training and development, health and safety (including access to water and sanitation), working hours, work-life balance, payment of fair wages, and access to social security;

- (b) workers' access to equal opportunities, including freedom from discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation; equality in pay; access to secure employment; and
 - (c) workers' other work-related rights, including freedom of association and collective bargaining, social dialogue, child labour, forced labour, privacy at work, and adequate housing.
40. The undertaking shall explain whether and how it knows that its own workers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed, and whether the undertaking has policies in place regarding the protection of individuals that use them against retaliation.

[Disclosure requirement 7] Targets related to managing material impacts on own workforce

41. **The undertaking shall describe any outcome-oriented targets related to reducing negative impacts on its own workforce and/or advancing positive impacts as they relate to any of the specific issues set out in paragraph 4 above, and/or managing material risks and opportunities.**
42. The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking is using targets to drive and measure its progress in addressing its negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.
43. The undertaking shall describe any targets linked to specific material positive or negative impacts on its own workers and/or to risks or opportunities associated with its own workers.
44. The undertaking shall disclose any targets with regard to:
- (a) workers' working conditions, including workforce training and development, health and safety (including access to water and sanitation), working hours, work-life balance, payment of fair wages, and access to social security
 - (b) workers' access to equal opportunities, including freedom from discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation; equality in pay; access to secure employment; and equal treatment regarding working conditions, access to social protection and training
 - (c) workers' other work-related rights, including freedom of association and collective bargaining, social dialogue, child labour, forced labour, privacy at work, and adequate housing.
45. The undertaking shall disclose the process for setting the targets, including whether and how trade union and workers' representatives were engaged in:
- (a) setting any such targets;
 - (b) tracking the undertaking's performance against them;
 - (c) identifying any lessons or improvements as a result of the undertaking's performance.
- In addition, the description of the targets shall follow the requirements set out in ESRS 1.63. When describing the targets it is important to ensure the comparability of the undertaking's performance over the years.
46. The undertaking shall disclose whether and how any targets disclosed under this standard relate to performance disclosures provided under the other own workforce related standards on Working Conditions (ESRS S2), Equal Opportunities (ESRS S3) and Other Work-Related Rights (ESRS S4).

[Disclosure requirement 8] Taking action on material impacts on own workforce

47. **The undertaking shall explain its approaches to taking action on material impacts on its own workforce, including with respect to the specific material issues set out in paragraph 4 of this standard, and how it assesses the effectiveness of the actions.**
48. The principle to be followed under this Disclosure Requirement is to provide an understanding of the types of process, initiative or engagement through which the undertaking works to prevent, mitigate or remedy material impacts on its own workforce.
49. The undertaking shall describe its approaches to:
 - (a) identifying what action is needed and appropriate in response to a particular actual or potential impact;
 - (b) taking action in relation to specific material impacts on value chain workers, including any action in relation to its own purchasing or other internal practices, as well as capacity-building or other forms of engagement with entities in the value chain, or forms of collaborative action with industry peers or other relevant parties;
 - (c) ensuring that processes to provide or enable remedy in the event of negative impacts are available and effective in their implementation and outcomes.

[Disclosure requirement 9] Initiatives aimed at positive outcomes for own workforce

50. **The undertaking shall explain whether it has programs or processes in place whose purpose is to positively contribute to improved outcomes for its own workforce and whether these also play a role in mitigating related material impacts.**
51. The principle to be followed under this Disclosure Requirement is to provide an understanding of any programs or processes the undertaking has for contributing to improved outcomes for its own workers and whether these help mitigate material impacts, as these programs or processes may be 'philanthropic' in nature.
52. The undertaking shall describe any such programs or processes it has in place that are based on affected workers' needs and the level of implementation. This should include:
 - (a) information about whether and how trade unions, workers' representatives, or other stakeholders play a role in decisions regarding the design and implementation of these programs or processes;
 - (b) information about the intended or achieved positive outcomes for the workforce of these programs or processes;
 - (c) an explanation of whether these programs or processes also play a role in mitigating related material impacts (as disclosed under DR 2).

[Disclosure requirement 10] Approaches to mitigating material risks and pursuing material opportunities related to own workers

53. **The undertaking shall explain its approaches to mitigating material risks and pursuing opportunities arising from impacts on its own workers or otherwise related to its workforce, including with respect to the specific material issues set out in DR 4 of this standard.**
54. The principle to be followed under this Disclosure Requirement is to provide an understanding of the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to its own workforce.
55. The undertaking shall describe:
 - (a) its approaches to identifying what action is needed and appropriate in response to a particular material risk;

- (b) activities, action plans or actions taken in the reporting period in response to specific material risks.
- (c) its approaches to identifying material opportunities arising in relation to the advancement of decent working conditions, equal opportunities and other work-related rights for its workforce;
- (d) activities, action plans or actions undertaken in the reporting period to pursue specific material opportunities

Performance measures

[Disclosure requirement 11] Characteristics of the Undertaking's Employees

56. The undertaking shall describe key characteristics of employees in its own workforce.

57. The principle to be followed under this Disclosure Requirement is, in conjunction with Disclosure Requirement 12, to give insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation in other disclosures in this Standard and the Standards on Working Conditions (ESRS S2), Equal Opportunities (ESRS S3) and Other Work-Related Rights (ESRS S4).

58. The disclosure required by paragraph 55 shall include:

- (a) a report of the total number of:
 - (i) permanent employees, and a breakdown by gender and by country;
 - (ii) temporary employees, and a breakdown by gender and by country;
 - (iii) non-guaranteed hours employees, and a breakdown by gender and by country;
 - (iv) full-time employees, and a breakdown by gender and by country;
 - (v) part-time employees, and a breakdown by gender and by country;
 - (vi) employees belonging to other vulnerable groups, where relevant and legally permissible to report
- (b) a description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:
 - (i) in headcount, full-time equivalent (FTE), or using another methodology;
 - (ii) at the end of the reporting period, as an average across the reporting period, or using another methodology;
- (c) the provision of contextual information necessary to understand the data;
- (d) a description of significant fluctuations in the number of employees during the reporting period and between reporting periods;
- (e) a cross-reference of the information reported under (a) (i) above and the average number of employees in the financial statements.

[Disclosure requirement 12] Characteristics of non-employee workers engaged in core business in the undertaking

59. The undertaking shall describe key characteristics of non-employee workers engaged in its core business.

60. The principle to be followed under this Disclosure Requirement is, in conjunction with Disclosure Requirement 11, to give insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual

information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation in other disclosures in this Standard and the Standards on Working Conditions (ESRS S2), Equal Opportunities (ESRS S3) and Other Work-Related Rights (ESRS S4).

61. The disclosure required by paragraph 58 shall include:
- (a) a report of the total number of workers who are not employees but are engaged in the undertaking's core business, i.e. persons who are not in an employment relationship with the undertaking, but whose work is controlled by it and perform roles that are the same as or similar to those of its employees or are otherwise engaged in the company's core business:
 - (i) the most common types of worker and their contractual relationship with the undertaking;
 - (ii) the type of work they perform;
 - (b) an explanation of the methodologies and assumptions used to compile the data, including whether the number of in own workforce is reported:
 - (i) in headcount, full-time equivalent (FTE), or using another methodology;
 - (ii) at the end of the reporting period, as an average across the reporting period, or using another methodology;
 - (c) a description of significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods.
 - (d) where data is not available for detailed information, the undertaking shall estimate the number and state that it has done so.
-

Application provisions

62. ESRS S1 Own workforce general standard will become effective in line with the respective CSRD requirements and timelines. None of the Disclosure Requirements of ESRS S1 Own Workforce General Standard is supposed to be applied with deferral by one year.

Appendix A: Defined terms

This appendix is an integral part of the [draft] ESRS S1 Own Workforce General Standard.

<p>Child labour</p>	<p>Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that:</p> <ul style="list-style-type: none"> • is mentally, physically, socially or morally dangerous and harmful to children; and/or • 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.</p>
<p>Collective bargaining</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 workers' organisations, on the other, for:</p> <p>(a) determining working conditions and terms of employment; and/or</p> <p>(b) regulating relations between employers and workers; and/or</p> <p>(c) regulating relations between employers or their organisations and a workers' organisation or workers' organisations."</p>
<p>Employee</p>	<p>An employee is an individual who is in an employment relationship with the undertaking according to national law or practice.</p>
<p>Forced labour</p>	<p>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.</p>
<p>Non-employee worker in own workforce</p>	<p>A non-employee worker is an individual who is not in an employment relationship with the undertaking but whose work is controlled by it and who performs roles that are the same as or similar to those of its employees or is otherwise engaged in the company's core business.</p>
<p>Own workforce/own worker</p>	<p>'Own workforce' includes both employees and non-employee workers engaged in an undertaking's core business. An 'own worker' is an individual who fits in</p>

	either of these categories.
Social dialogue	All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, 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 trade union and workers' representatives and management (or trade unions and employers' organisations).
Trade union	A workers' organisation constituted for the purpose of furthering and defending the interests of workers.
Trade union representatives	Representatives designated or elected by trade unions or by members of such unions in accordance with national legislation and practice.
Value chain workers	An individual performing work in the value chain of a company, regardless of the existence or nature of any contractual relationship with that company.
Workers' representatives	'Workers' representatives' means: (a) trade union representatives, namely, representatives designated or elected by trade unions or by members of such unions in accordance with national legislation and practice; (b) 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.
Young worker	A person above the applicable minimum working age and younger than 18 years of age.

Appendix B: Application Guidance

This appendix is an integral part of the [draft] ESRS S1 Own Workforce General Standard. It describes the application of the requirements set for in paragraphs 10-61 and has the same authority as the other parts of this [draft] ESRS S1 Standard.

[Disclosure requirement 1] - Impacts originating from business model and strategy

- AG 1. The disclosure requirement assumes that the undertaking has determined its material impacts on value chain workers following the process set out in ESRS 4 Impacts, Risks, and Opportunities.
- AG 2. This information is disclosed under ESRS 2, DR 7, the undertaking may provide a cross-reference to ESRS 2 where the information is located.
- AG 3. Connections between an undertaking's business model and material negative impacts on its own workforce may relate to the undertaking's value proposition (such as providing lowest cost products or services, or high-speed delivery, in ways that put pressure on labour rights from own workers) or its cost structure and the revenue model (such as shifting inventory risk to suppliers, with knock-on effects on the labour rights of their workers).

[Disclosure requirement 2] - Material impacts on own workforce and types of workers affected

- AG 4. The disclosure requirement assumes that the undertaking has determined its material impacts on its own workers following the process set out in ESRS 4 Impacts, Risks, and Opportunities.
- AG 5. In providing further information about its material impacts on own workers, the undertaking should state:
- (a) whether the impacts are actual or potential;
 - (b) the time-frame of the impacts (i.e., whether the effects are short-term, medium-term or long-term;
 - (c) whether they are related to one or more geographic contexts.
- AG 6. In the case of potential impacts, the undertaking should provide information about how the impact is identified and assessed, including, where possible, its potential severity (scale, scope and irremediable character) and estimated likelihood. If possible, the undertaking should indicate when the potential impacts are likely to arise.
- AG 7. In the case of negative impacts, the undertaking may state whether they are widespread or systemic in contexts where the undertaking operates (e.g., child labour or forced labour in specific countries or regions), or whether they are related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships.
- AG 8. In the case of positive impacts, the undertaking may state the activities that result in the positive impacts (e.g., procurement or purchasing practices, capacity-building) and the types of own workers that are positively affected or could be positively affected, including their geographic location.
- AG 9. In describing the main types of workers negatively affected following the process set out in ESRS 4 Impacts, Risks and Opportunities, the undertaking should explain how it has developed an understanding of how workers with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm. For example, this may be because workers are young and may be more susceptible to impacts on their physical and mental development, or they are women workers in a context where women are routinely discriminated against in the terms and conditions of work, or they are migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of

the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on 'zero hours' contracts).

- AG 10. The undertaking should explain any connections to its disclosure on material impacts on its workforce under ESRS S5 via cross-reference. This would be relevant where a material topic involves impacts on both the undertaking's workforce and on value chain workers.
- AG 11. When explaining and assessing the connection to the ESRS S5 standards, the undertaking should also consider whether material impacts identified in these standards are relevant and material also for own workers. If material and relevant, the undertaking should ensure the coherence with the reporting in relation to value chain workers.
- AG 12. The undertaking should explain, where relevant, why a material impact on own workers identified in the previous reporting period is no longer considered to be material or why a new topic has been determined as material for the current reporting period. This may be due to significant changes in the undertaking's organisation (such as the opening, closing, or expansion of facilities), transfers in production, or changes in revenue. Or it may be due to wider economic, environmental or social changes that affect the general situation of own workers such as impacts on workers' health and safety due to a global pandemic. Here, the undertaking may cross-refer to its disclosure under ESRS 4.
- AG 13. In the case of hiring the impacted persons may extend beyond own workforce (that is, persons who are excluded from the workforce on discriminatory grounds).
- AG 14. With regard to the rights to collective bargaining and freedom of association, and the freedom from child labour and forced labour, the undertaking's disclosures shall include information on operations considered to have significant actual or potential impacts, including:
- (a) type of operation (such as manufacturing plant);
 - (b) countries or geographic areas with operations considered at risk.

[Disclosure requirement 3] - Risks and opportunities related to own workforce

- AG 15. This disclosure requirement assumes that the undertaking has determined its material sustainability-related business risks and opportunities following the process set out in ESRS 4 risks, opportunities and impacts.
- AG 16. The undertaking shall explain which, if any, of those material risks and opportunities arises from its material positive or negative impacts on its own workers. This could be because a material impact on own workers could affect the undertaking's future cash flows. For example, if some workers in the undertaking are subject to hazardous working conditions this could cause a risk to reputation through a serious workplace accident; if many workers do not receive a fair wage the risk of a strike could increase, which could affect future cash flows of the undertaking.
- AG 17. The risks could also arise because of a more general situation of the undertaking's own workforce where low probability but high impact events may affect the undertaking's future cash flows, for example, where a global pandemic leads to severe health impacts on workers resulting in major disruptions to production and distribution. Other examples involve changes in working cultures, lack of skilled workforce or political decisions. Risks could also arise because of a more general situation of own workers where low likelihood.
- AG 18. In providing further information about its material risks and opportunities related to own workers, the undertaking should explain both current and anticipated effects and state the time-frame over which each could reasonably be expected to have a financial effect on the undertaking (short, medium or long-term).
- AG 19. The undertaking should briefly explain the types of workers that are relevant in relation to each such material risk or opportunity, including where in its own operations they are concentrated (for example, geographic areas, facilities or types of assets).
- AG 20. The undertaking should explain, where relevant, why a material risk or opportunity identified in the previous reporting period is no longer considered to be material or why a new topic has

been determined as material for the current reporting period. Here, the undertaking may cross-refer to its disclosure under ESRS 4.

[Disclosure requirement 4] - Policies related to own workforce

- AG 21. This disclosure requires the undertaking to provide a summary of the policies or commitments the undertaking has developed that are relevant to the managing the undertaking's material impacts on its own workforce identified under DR 2 and/or to the management of related risks and opportunities identified under DR 3.
- AG 22. It should state which position or function within the undertaking has operational responsibility for implementation of the policy or policies. It should also state, if different, which position or function has ultimate accountability. This requirement could also be fulfilled with reference to ESRS 3 on Governance and Organisation.
- AG 23. If the policy is publicly available, the undertaking should provide the link to the webpage where it can be found. The policy may take the form of a stand-alone policy regarding its own workers or be included in a broader document such as a code of ethics or a general sustainability policy. The undertaking should meet the general criteria in the Accounting Directive for providing information on the website.
- AG 24. The summary should include the key information necessary to ensure a faithful representation of the policies, including an explanation of significant changes to the policies adopted during the year (e.g., a new approach to skills development plans, or extension in the types of workers receiving training).
- AG 25. The summary should explain whether its policy covers all its workers that could be affected by the material impacts identified under DR 2, or whether they only cover specific groups of workers and if so, why.
- AG 26. The summary should state if any material impacts identified under DR 2 are not covered by or addressed in a relevant policy and explain any plans it has to address the gap.
- AG 27. The undertaking should disclose whether the relevant policies are mandatory or are only recommendatory in nature for those who are expected to follow or implement it. If they are mandatory, the undertaking should explain how it ensures adherence by staff internally and/or from its business partners, as relevant.
- AG 28. The undertaking should disclose the extent of the alignment of its policies with internationally recognised standards relevant to own workers, including the standards set out in Universal Declaration of Human Rights and the two Covenants that implement it, as well as the International Labour Organisation's Declaration on Fundamental Rights and Principles at Work, the core conventions that underpin it and the European Social Charter (revised).
- AG 29. Where the undertaking through its policy commitment is explicitly referring to alignment with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights, it should state so, if it has not disclosed it previously.
- AG 30. The requirement under DR 6 for the commitments to be stated and individually tagged aims to inform users when they assess the extent to which a company acknowledges its responsibility to respect human rights and comply with EU legislation and how it formally incorporates this into publicly available statements of policy and the scope of activities covered by these commitments.
- AG 31. An undertaking's disclosure on workforce training and development policies shall indicate if it has set up an internal job opportunity marketplace and has formalised the skill requirements for the various job positions. It shall also disclose if and how transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment are provided. If this is not in place, a company shall describe the alternative actions to facilitate continued employability and the timeframe to implement them.

- AG 32. An undertaking's disclosure on working time policies should disclose whether its strategy to meet production targets in demand for products or services relies on overtime or alternatively it increases workforce or puts in place other measures.
- AG 33. An undertaking's disclosure on working time policies shall disclose if its policies respect applicable European and / or internationally recognised standards on working hours and, in particular, it shall disclose if policies establish the maximum limit of 48 hours per week, including overtime, over the applicable statutory reference period or if they go beyond 48 hours per week. If weekly working time exceeds 48 hours per week, including overtime, it should disclose if it has any plans to adjust its policies to reduce weekly working hours. If overtime is performed frequently, the undertaking should disclose if it has any plans to reduce the frequency of overtime.
- AG 34. An undertaking's disclosure on working time policies shall disclose if it has procedures for all entities in place related to recording, monitoring, evaluating, and ensuring appropriate working hours for employees and non-employee workers as well as a system to monitor compliance.
- AG 35. An undertaking's disclosure on working time policies should describe, where applicable, in which countries its policies regarding paid annual leave exceed statutory requirements and if their applicability depends on the type of employment contract and length of services.
- AG 36. An undertaking's disclosure on working time policies should disclose if its policies respect applicable European and / or internationally recognized standards on overtime.
- AG 37. An undertaking's disclosure on its work-life balance policies shall describe its policies regarding family-related leaves and flexible work arrangements for caring purposes, detailing:
- (a) their content;
 - (b) whether they incentivise the equal sharing of caring responsibilities;
 - (c) in the case of family related leaves, whether they promote the return to work and retention rate of employees after having taken parental leave; and,
 - (d) their perimeter with regards to type of employment contracts and length of services.
- If there is no globally applicable policy in place, the undertaking shall describe the different policies in place that cover at least 80% of the employees.
- AG 38. An undertaking shall describe its policies regarding childcare support and flexible work arrangements, detailing:
- (a) their content; and,
 - (b) their perimeter with regards to the type of employment contracts and length of services.
- If there is no globally applicable policy in place, the undertaking may describe the different policies in place that cover at least 80% of the employees.
- AG 39. The undertaking shall state if any of the following principles are included in the policy commitment relevant for the other work-related rights of own workers:
- (a) a commitment to respect the rights to freedom of association and collective bargaining:
 - (i) non-interference in the formation of trade unions and member recruitment (including trade union access to undertakings);
 - (ii) recognition of trade union and workers' representatives and bargaining in good faith;
 - (iii) adequate time off for duties and facilities for trade union and workers' representatives;
 - (iv) dismissal protection for trade union and workers' representatives;
 - (v) no discrimination of trade union members and trade union and workers' representatives.
 - (b) a commitment to conduct social dialogue:
 - (i) regular information and consultation with trade union and workers' representatives on company issues;

- (ii) significant issues consulted on before a final decision is made by management.
- (c) a commitment to prohibiting, identifying and preventing forced labour:
 - (i) prohibiting the practice of forced labour;
 - (ii) identifying where forced labour does occur;
 - (iii) preventing risk of forced labour for workers;
 - (iv) providing adequate remedy where there are instances of forced labour.
- (d) a commitment to prohibiting, identifying and preventing child labour:
 - (i) identifying where child labour does occur;
 - (ii) preventing risk of child labour;
 - (iii) providing adequate remedy where there are instances of child labour.
- (e) a commitment to prohibiting, identifying and preventing young workers from being exposed to hazardous work:
 - (i) prohibiting the practice of young workers from being exposed to hazardous work;
 - (ii) identifying where young workers from being exposed to hazardous work does occur;
 - (iii) preventing risk of young workers from being exposed to hazardous work;
 - (iv) providing adequate remedy where there are instances of young workers from being exposed to hazardous work.
- (f) a commitment to respecting workers' right to privacy:
 - (i) personal data should be processed lawfully and fairly, and only for reasons directly relevant to the employment of the worker;
 - (ii) personal data should, in principle, be used only for the purposes for which they were originally collected; data processing practices will be assessed (a) to reduce as far as possible the kind and amount of personal data collected; and (b) to improve ways of protecting the privacy of workers;
 - (iii) workers and their representatives should be kept informed of any data collection process, the rules that govern that process, and their rights;
 - (iv) if workers are monitored they should be informed in advance of the reasons for monitoring, the time schedule, the methods and techniques used and the data to be collected, and the employer must minimise the intrusion on the privacy of workers;
 - (v) personal data is protected by such security safeguards as are reasonable in the circumstances to guard against loss and unauthorised access, use, modification or disclosure;
 - (vi) personal data should be stored only for so long as it is justified by the specific purposes for which they have been collected unless: (a) a worker wishes to be on a list of potential job candidates for a specific period; (b) the personal data are required to be kept by national legislation; or (c) the personal data are required by an employer or a worker for any legal proceedings to prove any matter to do with an existing or former employment relationship;
 - (vii) personal data should not be communicated to third parties without the worker's explicit consent unless the communication is: (a) necessary to prevent serious and imminent threat to life or health; (b) required or authorised by law; (c) necessary for the conduct of the employment relationship; (d) required for the enforcement of criminal law;
 - (viii) workers should have the right to be regularly notified of the personal data held about them and the processing of that personal data;

- (ix) the workers' right to know about the processing of their personal data should include the right to examine and obtain a copy of any records to the extent that the data contained in the record includes that worker's personal data;
- (x) trade union and workers' representatives, where they exist, and in conformity with national law and practice, should be informed and consulted: (a) concerning the introduction or modification of automated systems that process worker's personal data; (b) before the introduction of any electronic monitoring of workers' behaviour in the workplace; (c) about the purpose, contents and the manner of administering and interpreting any questionnaires and tests concerning the personal data of the workers;
- (xi) any employment agency used should process personal data consistently with the undertaking's commitment;
- (xii) for own workers engaged outside of the EU/EEA this disclosure may be based on local privacy regulations.

[Disclosure requirement 5] - Processes for engaging with own workers, trade union and workers' representatives and other stakeholders about impacts

- AG 40. The disclosure requirement concerning the processes for engaging with own workers, trade union and worker representatives, and other stakeholders focuses on how the undertaking gains insights into the perspectives of workers, trade union and worker representatives, and other stakeholders regarding impacts that do or may affect them, and how the undertaking takes these perspectives into account in informing those activities or decisions.
- AG 41. The undertaking shall describe how inputs from own workers, trade union and workers' representatives, and other stakeholders are considered in the identification of material impacts.
- AG 42. The undertaking should disclose whether engagement occurs directly with own workers, trade union and worker representatives, and other stakeholders. The undertaking should explain any steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, or workers with disabilities).
- AG 43. The undertaking should disclose the due diligence stage at which engagement with its own workers, trade union and worker representatives occurs, for example in assessing impacts, taking action on them or evaluating the effectiveness of the undertaking's approach. It should explain whether engagement occurs on a regular basis, at certain points in a project or business process, in response to legal requirements and/or in response to stakeholder requests and whether the result of the engagement is being integrated into the undertaking's decision-making processes. For certain undertakings (quite often larger undertakings), this can mean different engagement processes with different groups of own workers in different business units or country operations.
- AG 44. The undertaking should state what position or function has operational responsibility for such engagement and/or ultimate accountability, and whether it requires certain skills of, or provides training or capacity-building for, relevant staff to undertake engagement. This can be part of a broader role or function. If it cannot identify such a position or function, it should explain why not. This requirement could also be fulfilled with reference to ESRS 3 on Governance and Organisation.
- AG 45. Where the undertaking has agreements with national, European or international trade unions related to the rights of its own workers it shall state this and explain how the agreement enables the undertaking to gain insight into those workers' perspectives.
- AG 46. Wherever possible, the undertaking should provide examples from the reporting period to illustrate how the perspectives of its own workers, trade union and workers' representatives, and other stakeholders have informed specific decisions or activities of the undertaking.

- AG 47. An undertaking shall disclose information on its engagement with internal (employees dedicated to provide training/responsible for training) and/or kinds of external actors, such as academia, and consultants to provide employees with training and development.
- AG 48. The undertaking shall explain:
- (a) the type of worker engagement (e.g., participation, consultation, information) and its frequency (e.g., ongoing, quarterly, annually);
 - (b) how worker feedback is recorded and integrated into decision-making, and how workers are informed about the way in which their feedback has influenced decisions;
 - (c) whether worker engagement activities take place at the organisational level or at a lower level, such as at the site or project level, and in the latter case, how information from worker engagement activities is centralised;
 - (d) the resources (e.g., financial or human resources) allocated to worker engagement.
- AG 49. The undertaking may also explain:
- (a) how it engages with at-risk or vulnerable groups (e.g., whether it takes specific approaches and gives special attention to potential barriers);
 - (b) how it takes into account potential barriers to worker engagement (e.g., language and cultural differences, gender and power imbalances, divisions within a community or group);
 - (c) how it provides workers with information that is understandable and accessible through appropriate communication channels;
 - (d) any conflicting interests that have arisen among different workers and how the undertaking has resolved these conflicting interests;
 - (e) how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest.
- AG 50. The undertaking should also report information about the effectiveness of processes for engaging with workers from previous reporting periods. This applies in cases where the undertaking has assessed the effectiveness of these processes or derived lessons during the current reporting period. Processes used to track the effectiveness can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking. The undertaking should state what process was used to track effectiveness, and what the outcome of this was.

[Disclosure requirement 6] - Channels for own workers, trade union and workers' representatives, and other stakeholders to raise concerns

- AG 51. The disclosure requirement is focused on information about channels for workers, trade union and workers' representatives, and other stakeholders to proactively raise concerns about actual or potential impacts on its own workforce and have them addressed. This is distinct from other mechanisms an undertaking may use to gain insight into the management of impacts on workers, such as compliance audits.
- AG 52. The undertaking should explain whether and how own workers that may be affected and their trade union and workers' representatives are able to access channels at the level of the undertaking they are employed by, or contracted to work for, in relation to each material impact. Relevant channels may include hotlines, trade unions (where workers are unionised) or works councils, or other grievance mechanisms operated by the relevant undertaking or by a third party.
- AG 53. The undertaking may explain whether these various mechanisms treat grievances confidentially and whether they allow for workers to use them anonymously (for example, through representation by a third party).

- AG 54. The undertaking shall indicate whether it has one or more channel(s), or participates in any third-party grievance mechanisms (such as those operated by the government, NGOs, industry associations and other collaborative initiatives), accessible to all workers who may be potentially or actually impacted by the undertaking (or trade union or worker representatives or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), through which its own workforce (or trade union or worker representatives or individuals or organisations acting on their behalf or who are otherwise in a position to be aware of adverse impacts), can raise complaints or concerns related to its own activities.
- AG 55. It must be clear to stakeholders that the channel can be used to raise human rights complaints or concerns.
- AG 56. The undertaking shall describe:
- (a) the intended purpose and users of the program and / or processes mentioned (i.e., whether they are intended for a particular worker category, topic, or region). For example, that the undertaking has set up a separate hotline for workers to raise concerns about issues affecting their human rights including, restrictions on their rights to Freedom of Association;
 - (b) how the mechanisms operate and who administers them (the undertaking or another party); whether operational-level grievance mechanisms are administered at the organisational level or whether they are administered at a lower level (at the site or project level) and, in such a case, how information from these mechanisms is centralised;
 - (c) how the mechanisms have been designed and on which principles and guidelines they are based, including whether they are designed to meet the effectiveness criteria set out in UN Guiding Principle 31
 - (d) the process through which grievances are investigated;
 - (e) whether grievances are communicated to the highest governance body;
 - (f) whether grievances are treated confidentially;
 - (g) whether the mechanisms can be used by stakeholders anonymously through representation by a third party;
- AG 57. The undertaking may report:
- (a) whether and how the intended users are trained to use the grievance mechanisms and remediation processes;
 - (b) the accessibility of the grievance mechanisms and remediation processes, such as the number of hours per day or days per week they are accessible, and their availability in different languages;
 - (c) how the undertaking seeks to ensure it respects users' human rights and protects them against reprisals (i.e., non-retaliation for raising complaints or concerns);
 - (d) how satisfied users are with the grievance mechanisms and remediation processes, and with the resulting outcomes, as well as how the undertaking assesses user satisfaction;
 - (e) the number and types of grievances filed during the reporting period, and the percentage of grievances that were addressed and resolved, including the percentage that were resolved through remediation;
 - (f) the number of grievances filed during the reporting period that are repeated or recurring; changes made to the grievance mechanisms and remediation processes in response to lessons learned about their effectiveness.

[Disclosure requirement 7] - Targets related to managing material impacts on own workforce

- AG 58. The disclosure requirement is set to capture any general targets related to impacts on own workers, as well as topic-specific targets in relation to each material impact. For example, an

overarching target may be that the undertaking aims to improve the lives of x number of own workers. This may be supported by a number of topic-specific targets, such as:

- (a) for targets related to working conditions:
 - (i) increasing the amount of workforce training;
 - (ii) increasing the proportion of own workers participating in skills development plans;
 - (iii) reducing the frequency of workplace accidents;
 - (iv) reducing occupational illnesses which lead to absenteeism;
 - (v) improving access to water and sanitation;
 - (vi) reducing overtime and split shifts;
 - (vii) increasing access to child care;
 - (viii) increasing flexible working time in support of care-giving responsibilities;
 - (ix) paying all own workers at least a fair wage;
 - (x) ensuring access to social security.
- (b) for targets related to access to equal opportunities:
 - (i) increasing the proportion of underrepresented groups in the workforce;
 - (ii) reducing the gender wage gap;
 - (iii) reducing the proportion of the workforce with temporary or zero-hour contracts.
- (c) for targets related to workers' other work-related rights:
 - (i) removing barriers to freedom of association and collective bargaining;
 - (ii) increasing the frequency and quality of social dialogue;
 - (iii) expanding due diligence and preventative measures on child labour and forced labour;
 - (iv) improving privacy at work;
 - (v) providing adequate housing to all its own workers (including migrant workers and mobile workers).

AG 59. Targets related to risks and opportunities may be the same as or distinct from targets tied to impacts. For example, a target to reach living wages for direct supply chain workers could both reduce impacts on those workers and reduce associated business risks in terms of the quality and reliability of supply. Alternatively, a risk-based target might focus on achieving a certain level of supply chain reliability and resilience rather than the underlying factors that affect it.

AG 60. The undertaking can also distinguish between short, medium and longer-term targets covering the same policy commitment. For example, an undertaking may have as a main objective to reduce the prevalence of workers with zero-hour contracts, with the long-term goal of having it abolished in 2025, and with the short-term objective of showing improvement every year up and until 2025.

AG 61. In general, when communicating and disclosing targets in relation to own workers, the undertaking should ensure that the targets are defined in terms of the intended outcomes to be achieved for workers and that they are measurable/verifiable, comparable and are stable in terms of definitions to allow for continuity in the data points derived from the targets. Any standards or commitments on which the targets are based should also be clearly defined in the reporting (for instance code of conducts, sourcing policies, global frameworks or industry codes).

AG 62. In relation to both overarching and topic-specific targets, the undertaking should explain whether and how own workers, trade union and workers' representatives, and other stakeholders were or are involved in the process of defining the target(s), tracking performance against it/them and/or identifying lessons related to implementation.

- AG 63. Where an undertaking has changed or replaced a target in the reporting period, this should be explained, for instance by linking it to significant changes in the business model or to broader changes in the accepted standard or legislation from which the target is derived.
- AG 64. The undertaking should explain any connections to its disclosure on material topics relating to impacts on its workforce under ESRS S2-S4.

[Disclosure requirement 8] - Taking action on material impacts on own workforce

- AG 65. This disclosure requirement is focused on how the undertaking responds to its material impacts on its own workers and how those responses relate to the nature of its involvement in those impacts.
- AG 66. Understanding impacts, identifying appropriate responses and putting them into practice takes time. It is therefore unlikely that an undertaking will be able to show that all challenges have been addressed. Therefore, the undertaking should explain:
- (a) its general and specific approaches to addressing impacts,
 - (b) how far it has progressed in its efforts to do so during the reporting period and
 - (c) its aims for continued improvement.
- AG 67. In relation to each material impact, the undertaking should explain which internal functions are involved in managing the impact and what types of action they take to address negative and advance positive impacts.
- AG 68. The undertaking should explain whether and how it ensures that its own practices do not cause or contribute to material negative impacts on its own workers. This may include explaining what approach is taken when tensions arise between the prevention or mitigation of impacts and other business pressures.
- AG 69. The undertaking should explain what resources are allocated to the management of each material impact. The undertaking may include the budget allocated in this disclosure.
- AG 70. Where the undertaking has caused or contributed to actual negative impacts on its own workforce during the reporting period, it should explain whether and how it has provided or enabled remedy (to the extent of its contribution).
- AG 71. The undertaking should explain in general terms how it tracks the effectiveness of its actions to manage material impacts during the reporting period and any lessons learned from the previous and current reporting periods. Processes used to track the effectiveness of actions can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking. Where there is a relationship with a target under DR 9, the undertaking should explain the connection.
- AG 72. In reporting on effectiveness, the undertaking should show that there is a credible link between the specific action taken and the effective management of impacts
- AG 73. The undertaking shall explain how it responds to its impacts. The undertaking can provide a high-level overview of how it manages its impacts.
- AG 74. The undertaking should report how it integrates the findings from its identification and assessment of impacts across relevant internal functions and processes, including:
- (a) the level and function within the undertaking that has been assigned responsibility for managing the impacts;
 - (b) the internal decision-making, budget allocation, and oversight processes (e.g., internal audit) to enable effective actions to manage the impacts.
- AG 75. The undertaking may do this by cross-referring to its disclosures under ESRS 3 Governance and Organisation.
- AG 76. The undertaking may report:

- (a) how the undertaking applies the precautionary principle, including: how the undertaking proactively informs its workers about potential negative impacts to workers' other work-related rights, and how it deals with related questions and complaints;
 - (b) the undertaking's participation in collaborative efforts to share knowledge and to prevent negative impacts on its workers' other work-related rights.
- AG 77. In the case of forced labour, the undertaking shall explain the steps the undertaking has taken to identify and eliminate forced labour, including, for example:
- (a) ensuring workers have freely consented to employment, without threat of penalty;
 - (b) ensuring that all workers have a contract (either directly with the undertaking, or with an employment agency when used) that is in a language the worker understands and that clearly indicates the rights and responsibilities of workers with regard to wages, working hours, valid grounds for termination and other issues related to forced labour.
 - (c) ensuring that they have the freedom to terminate employment at any point, including that workers identity documents are not withheld, that they face no financial penalties for terminating employment, and that wages will not be delayed or withheld in the event of the termination of their employment;
 - (d) ensuring that disciplinary sanctions do not require or result in an obligation to work;
 - (e) ensuring that overtime is freely consented to;
 - (f) ensuring that workers' freedom of movement is not curtailed and workers are not physically confined to the workplace or employer-operated accommodation;
 - (g) ensuring that migrant workers are treated fairly and benefit from conditions of work equal to those of locally-recruited workers;
 - (h) monitoring employment agencies and certifying that all of the agencies used are licensed or certified by the competent national authority, that workers contracted through employment agencies do not pay a recruitment fee to the agency. Where prison labour is used, methods used to ensure prison labourers freely consented to perform work without being threatened or subject to a penalty.
- AG 78. In the case of child labour, the undertaking shall explain the steps the company has taken to identify and eliminate child labour, including, for example:
- (a) age verification measures that have been introduced by the company or its suppliers;
 - (b) any partnerships the company has established to identify and eliminate child labour, including with clients, peer undertakings and/or NGOs;
 - (c) any measures to protect children affected by child labour, for example through education or remediation programmes;
 - (d) any measures specifically tackling the worst forms of child labour.
- AG 79. In the case of worker privacy and surveillance, the undertaking shall explain the steps the company has taken to identify and eliminate actual and potential violations of workers' right to privacy in its own workforce, including, for example:
- (a) the procedures in place to secure and monitor data privacy rules followed by 3rd party service providers with respect to employee and contractor data;
 - (b) the number of employees handling sensitive personal data of employees and the number of such employees having received specific training on personal data security;
 - (c) whether a Data Protection Manager, Information Security Manager or equivalent exists including a description of the role and responsibilities relative to personal data of employees and contractors;
 - (d) the average response time to inquiries by the data subject (e.g., requests for information, deletion, correction);
 - (e) how workers and worker representative groups, including trade unions, were consulted in the use of workforce surveillance;

- (f) whether monitoring is focused on specific groups of staff, and what the justification for this is;
- (g) how the undertaking is transparent with workers about their use of surveillance, including how the company informs workers that they are being monitored, what is being monitored, how they are being monitored, what monitoring data is used for, and who has access to this data;
- (h) whether worker consent is required before surveillance methods are implemented;
- (i) the criteria used to determine whether workforce surveillance is necessary and proportionate.
- (j) remediation in the wake of confirmed cases of data breaches.

[Disclosure requirement 9] - Initiatives aimed at positive outcomes for own workforce

- AG 80. This disclosure requirement is focused on programs or processes that the undertaking has in place to positively contribute to outcomes for workers where the undertaking can show that these are informed by workers' actual needs.
- AG 81. Specifically, the undertaking may choose to support and promote the Sustainable Development goals as a way to advance positive outcomes for its own workers. For example, an undertaking committing to SDG 8 to "promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" may be actively working towards eliminating forced or compulsory labour or supporting higher levels of productivity on activities in developing countries through technological upgrades and training of local labour, which can benefit both the specific own workers targeted by the actions, but also their local communities.
- AG 82. The undertaking should explain whether and how own workers, trade union and workers' representatives, and other stakeholders are involved in the design or implementation of these programs or processes, distinct from being participants in or beneficiaries of them.
- AG 83. The undertaking should state the intended positive outcomes for workers and disclose any evidence of achievement of these outcomes. The undertaking should be careful to distinguish evidence of certain activities having occurred (e.g., that x number of workers have received financial literacy training) from evidence of actual outcomes for workers (e.g., that x workers report being able to better manage their household budgets to meet their savings goals).
- AG 84. The undertaking should explain whether these programs or processes also play a role in mitigating material negative impacts disclosed under DR3. For example, where a program that aims to advance women workers' financial literacy has resulted in more women being promoted, as well as in reports of reduced sexual harassment in the workplace.
- AG 85. The undertaking shall report its total training budget divided between training topics (e.g., health and safety etc., including the level of coverage of the eight key competences outlined in the European Reference Framework for Lifelong Learning, if applicable) and employee gender and categories. In instances where companies do not devote a budget to training, or data are not available, the rationale for this as well as potential remediation actions to be put in place and the related timeframe shall be disclosed.

[Disclosure requirement 10] - Approaches to mitigating material risks and pursuing material opportunities related to own workforce

- AG 86. This disclosure requirement is focused on how the undertaking seeks to monitor, manage and mitigate the risks, and pursue opportunities, related to its impacts on its own workers or due to external developments impacting its own workforce. The undertaking should highlight external developments that influence whether dependencies turn into risks. The undertaking should include disclosure about policies, targets, action plans and resources related to the management of risks or opportunities related to its own workers insofar as they differ from those reported in relation to impacts underlying such risks or opportunities, including if there are specific dependencies that trigger a risk for the undertaking or its business model.

AG 87. The undertaking should explain the extent to which and how its processes to manage material risks related to its own workers are integrated into its existing risk management processes.

[Disclosure requirement 11] – Characteristics of the Undertaking’s Employees

AG 88. This disclosure covers all employees who perform work for any of the undertaking’s entities included in its sustainability reporting. An employee is an individual who is in an employment relationship with the undertaking according to national law or practice.

AG 89. Providing a breakdown of employees by gender gives insight into gender representation across the undertaking. Providing a breakdown of employees by country gives insight into the distribution of activity across countries. The number of employees in each country is also a key trigger for many information, consultation and participation rights for workers and trade union and workers’ representatives, both in the EU labour law acquis (e.g. the European Works Councils Directive and the Information and Consultation Directive) and in national law (e.g. rights to establish a works council or to have board level employee representation).

AG 90. If the undertaking has less than 50 employees in a specific country, it may aggregate this information by region with data from other countries where the undertaking has less than 50 employees.

AG 91. The undertaking shall disclose the requested disclosures in the following tabular format:

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

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

* Gender as specified by the employees themselves.

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

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

- AG 92. The definitions of permanent, temporary, non-guaranteed hours, full-time, and part-time employees differ between countries. If the undertaking has employees in more than one country, it should use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. The country-level data should then be added up to calculate total numbers, disregarding differences in national legal definitions. Non-guaranteed hours employees are employed by the undertaking without a guarantee of a minimum or fixed number of working hours. The employee may need to make themselves available for work as required, but the undertaking is not contractually obligated to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.
- AG 93. Where data is not available for detailed information, the undertaking shall estimate the number and state that it has done so.

[Disclosure requirement 12] – Characteristics of non-employee workers engaged in core business in the undertaking

- AG 94. This disclosure provides an understanding of how much the undertaking relies on workers who are not employees to perform work in its core business, in comparison to employees. This information is important for understanding how many workers in total perform work for the undertaking's core business, because workers who are not employees are not represented in employment figures reported under DR 11. Disclosure Requirement 12, together with Disclosure Requirement 11, provides insight into the undertaking's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures. This disclosure covers all workers who are not employees, whose work is controlled by any of the undertaking's entities included in its sustainability reporting. If all the workers performing work for the undertaking are employees and the undertaking does not have any workers who are not employees, a brief statement of this fact is sufficient to comply with the requirements under this disclosure.
- AG 95. Non-employee workers in an undertaking's own workforce are persons who are not in an employment relationship with the undertaking, but whose work is controlled by it and perform roles that are the same as or similar to those of its employees or are otherwise engaged in the company's core business. Control of work implies that the undertaking directs the work performed or has control over the means or methods for performing the work. The undertaking might have sole control of the work or share control with one or more undertakings (e.g., suppliers, customers, or other business partners, such as in joint ventures).

- AG 96. Types of non-employee workers in an undertaking's own workforce include agency workers, apprentices, contractors, home workers, interns, self-employed persons, sub-contractors, and volunteers who are working in the undertaking's core business and whose work is controlled by the undertaking. The undertaking should report how it has determined when it has control of the work for workers who are not employees. Core work includes for example working on production lines in a manufacturing company, providing care in a care facility, and delivering meals for a restaurant.
- AG 97. Workers whose workplace is controlled by the undertaking but whose work is not part of the undertaking's core business are considered value chain workers. Examples of this type of work are the provision of cleaning, catering or security services at an undertaking's facilities. These workers might be referred to as 'non-core contractors'. Value chain workers also include workers who are employed by third parties in the company's operations, upstream or downstream value chain and whose work and workplace is not controlled by the company. These workers might be referred to as 'typical value chain workers'.
- AG 98. If the undertaking cannot report exact figures, it can report estimates of the number of workers who are not employees to the nearest ten or, where the number of workers who are not employees is greater than 1,000, to the nearest 100, and explain this.
- AG 99. When reporting its contractual relationship with the most common types of workers, the undertaking should report whether it engages them directly or indirectly through a third party, and in the latter case, who this third party is (e.g., employment agency, contractor). It is sufficient that the undertaking provides a general description. The undertaking is not required to report the type of worker, contractual relationship, and work performed for every worker who is not an employee.
- AG 100. The undertaking can report the number of workers who are not employees in headcount or full time equivalent (FTE). The head count gives insight into the number of individual workers, whether on a full-time or part-time basis. The FTE gives insight into the hours worked. The undertaking can use another methodology for reporting this number.
- AG 101. Reporting the number of workers who are not employees at the end of the reporting period provides information for that point in time without capturing fluctuations during the reporting period. Reporting this number as an average across the reporting period considers fluctuations during the reporting period.
- AG 102. The disclosure enables the undertaking to explain how the number of non-employee workers in its own workforce varies during the reporting period or compared to previous reporting periods (i.e., whether the numbers have increased or decreased). It can also include the reasons for the fluctuations. For example, an increase in the number of non-employee workers in its own workforce during the reporting period could be due to a seasonal event. Conversely, a decrease in the number of non-employee workers in its own workforce compared to the previous reporting period could be due to the completion of a temporary project. It is up to the undertaking to determine which fluctuations in the number of workers it considers significant to report. The undertaking should report its threshold for determining significant fluctuations. If there are no significant fluctuations in the number of non-employee workers in its own workforce during the reporting period or between reporting periods, a brief statement of this fact is sufficient to comply with the requirement.

Basis for Conclusions

[Forthcoming]

WORKING PAPER