

[Draft] ESRS for listed SMEs

Section 5

STATUS OF THIS DRAFT

Editorial review in progress. Still pending:

- Inclusion of a hyperlink after each requirement referencing to the AR that cover that specific requirement
- Check drafting conventions (italics)
- Final check of internal references to paragraph numbers including references to other sections

Text highlighted in **turquoise** illustrates the changes made after the discussion held at SR TEG on 24 of October.

[draft] Revised LSME – SECTION 5 SOCIAL METRICS

DISCLAIMER

Section 5 *Social metrics* is set out in paragraphs 1–54. The following appendices of Section 5 have the same authority as the main body of the [draft] Standard:

- *Appendix A: Application Requirements,*
- *Appendix A.1: Application Requirements for Section 2 related disclosures,*
- *Appendix A.2: Application Requirements for IR-3 on Policies related to own workforce,*
- *Appendix A.3: Application Requirements for IR-3 on Actions and resources to manage material impacts on own workforce, and approaches to mitigating material risks related to own workforce, and effectiveness of those actions,*
- *Appendix A.4: Application Requirements for Voluntary Disclosure IR-4 Targets related to managing material negative impacts and material risks*

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Objective

1. This [draft] Section sets out disclosure requirements that enable **users** of the **sustainability statement** to understand:
 - (a) how the undertaking affects its own workforce in terms of material negative actual or potential **impacts**;
 - (b) any **actions** taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative **impacts**, and to address **risks**;
 - (c) the nature, type and extent of the undertaking’s **material risks** related to its own workforce and how it manages them;

- (d) the **financial effects** on the undertaking over the short-, medium- and long-term of **material risks** arising from the undertaking's **impacts** and **dependencies** on its own workforce.
2. The undertaking shall apply the requirements in this Section if it concludes that the corresponding topic is material (according to chapter 3.3 *Double materiality*, 3.4 *Impact materiality* and 3.5 *Financial materiality* of Section 1). In determining which information in this section should be included, the undertaking shall apply:
- (a) the provisions in paragraph 42 of Section 1 for metrics; and
 - (b) the provisions in paragraph 38 of Section 1, which support also the determination of the details of narrative disclosure to be reported.
3. This section sets requirements for **metrics** that are relevant only to Own Workforce. Disclosure requirements related to workers in the **value chain**, **affected communities** and **consumers** and end-**users** are located in Section 2, Disclosure Requirement SBM-3 and corresponding Application Requirements and in Section 3, Disclosure Requirements IR-3 and IR-4 and their corresponding Application Requirements. They concern policies, actions and targets that the undertaking shall disclose with regard to impacts or risks connected with the undertaking's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. Sustainability matters that relate to an undertaking's own workforce, workers in the value chain, affected communities and consumers and end-users are listed in Section 1 General Requirements, Appendix A, AR 18 of this standard. Section 5 Social does not include any specific metrics concerning workers in the value chain, affected communities and end-users. If the Disclosure Requirements in Appendix A of Section 3 *Policies, Actions and Targets* do not cover these sustainability matters in sufficient depth or detail or not at all the undertaking shall also make appropriate entity-specific disclosures.
- (a) These [draft] Disclosure Requirements relate to the following **sustainability matters**: (a) working conditions (including secure employment; working time; **adequate wages**; **social dialogue**; freedom of association, the existence of works councils and the information, consultation and participation rights of workers; collective bargaining, including the rate of the undertaking's **employees** covered by collective agreements; **work-life balance**; and health and safety), (b) **equal treatment** and **opportunities** for all (including gender equality and equal pay for work of equal value; **training** and skills development; employment and inclusion of **persons with disabilities**; measures against violence and **harassment** in the workplace; and diversity), (c) other work-related rights (including those that relate to **child labour**, **forced labour**; adequate housing; and privacy).
 - (b) These [draft] Disclosure Requirements cover an undertaking's own workforce, which includes people who are in an employment relationship with the undertaking ("**employees**") and "non-employees". Non-employees are either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78). The required disclosures about non-employees shall not affect their employment status under applicable labour law.
 - (c) These [draft] Disclosure Requirements require undertakings to describe their own workforce, including key characteristics of the **employees** and non-employees that are part of it. This description provides **users** with an understanding of the structure of the undertaking's relationship with present workforce and helps to contextualise information that are relevant and material to other social disclosures included in this Section of LSME ESRS.
4. Undertakings or groups that do not exceed on their balance sheet date the average number of 50 employees during the financial year may omit all disclosure requirements related to their own workforce in the first year of preparation of their sustainability statement.

Own workforce (S1)

Metrics

Disclosure Requirement S1-1 – Characteristics of the undertaking's employees

5. The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of **impacts** arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative **metrics** to be disclosed under other disclosure requirements in this Standard.
6. The undertaking shall disclose:
 - (a) the total number of **employees** by head count, and breakdowns by gender and by country for countries in which the undertaking has at least 10% of its total number of employees. If this threshold is not applicable, the undertaking may report the country breakdown by main countries;
 - (b) the total number by head count or full time equivalent (FTE) of:
 - i. permanent **employees**, and breakdown by gender;
 - ii. temporary **employees**, and breakdown by gender; and
 - iii. non-guaranteed hours **employees**, and breakdown by gender.
 - (c) the rate of **employee** turnover in the reporting period.
 - (d) a description of the methodologies and assumptions used to compile the data, including whether the numbers are reported:
 - i. in head count or full-time equivalent (FTE) (including an explanation of how FTE is defined); and
 - ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.
 - (e) where applicable, a cross-reference of the information reported under (a) above to the most representative number in the financial statements.

Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking's own workforce²

7. The objective of this Disclosure Requirement is to provide insight into the undertaking's approach to employment, including the scope and nature of **impacts** arising from its employment practices, to provide contextual information that aids the understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative **metrics** to be disclosed under other disclosure requirements in this Standard. It also allows an understanding of how much the undertaking relies on **non-employees** as part of its workforce.
8. The undertaking shall disclose:
 - (a) the total number of **non-employees** in the undertaking's **own workforce**, i.e., either people with contracts with the undertaking to supply labour ("self-employed

² The undertaking may omit all datapoints in this Disclosure Requirement in the first year of the preparation of its sustainability statement.

people”) or people provided by undertakings primarily engaged in “employment activities” (NACE Code N78).

- (b) explain the methodologies and assumptions used to compile the data, including whether the number of **non-employees** is reported:
 - i. in headcount or full-time equivalent (FTE) (including a definition of how FTE is defined); and
 - ii. at the end of the reporting period, as an average across the reporting period, or using another methodology.

Disclosure Requirement S1-3 – Collective bargaining coverage⁴

- 9. The objective of this Disclosure Requirement is to enable an understanding of the coverage of collective bargaining agreements for the undertaking’s own **employees**.
- 10. The undertaking shall disclose the percentage of its total **employees** covered by **collective bargaining** agreements.
- 11. For **employees** not covered by **collective bargaining** agreements, the undertaking may disclose whether it determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other undertakings.
- 12. The undertaking may disclose the extent to which the working conditions and terms of employment of **non-employees** in its **own workforce** are determined or influenced by **collective bargaining** agreements.

Disclosure Requirement S1-4 – Adequate wages

- 13. The objective of this Disclosure Requirement is to enable an understanding of whether or not the undertaking’s **employees** are paid an **adequate wage** in line with applicable benchmarks.
- 14. The undertaking shall disclose whether its **employees** are paid an **adequate wage** in line with applicable benchmarks. If so, stating this is sufficient to fulfil this disclosure requirement.
- 15. If there are **employees** not paid an **adequate wage** in line with applicable benchmarks, the undertaking shall disclose the countries where employees earn below the applicable adequate wage benchmark for countries that represent at least 10% of its total number of employees. If this threshold is not applicable, the undertaking may report by main countries. The undertaking shall also disclose the percentage of employees that earn below the applicable adequate wage benchmark for each of these countries.
- 16. The undertaking may disclose the information specified in this disclosure requirement with regard to **non-employees** in this workforce.

Disclosure Requirement S1-6 Training metrics⁶

- 17. The objective of this Disclosure Requirement is to enable an understanding of the **training** - related activities that have been offered to **employees**, within the context of continuous professional growth, to upgrade employees’ skills and facilitate continued employability.

⁴ The undertaking may omit this Disclosure Requirement with regard to its own employees in non-EEA countries in the first year of preparation of its sustainability statement.

⁶ The undertaking may omit this Disclosure Requirement in the first year of the preparation of its sustainability statement.

18. The undertaking shall disclose the average number of **training** hours per **employee** and by gender⁸.

Disclosure Requirement S1-7 – Health and safety metrics⁹

19. The objective of this Disclosure Requirement is to allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent work-related injuries.
20. The undertaking shall disclose the following information. If relevant, the information under points (a) and (b) **may** be broken down between **employees** and **non-employees** in the undertaking's **own workforce**:
- (a) the number of fatalities¹⁰ as a result of work-related injuries and work-related ill health;
 - (b) the number and rate¹¹ of recordable work-related accidents;
 - (c) regarding the undertaking's employees, the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health¹².

Disclosure Requirement S1-8 – Remuneration metrics (pay gap and total remuneration)

21. The objective of this Disclosure Requirement is to allow an understanding of the extent of any gap in the **pay** between women and men amongst the undertaking's **employees**, and to provide insight into the level of remuneration inequality inside the undertaking.
22. The undertaking shall disclose:
- (a) the gender **pay** gap, defined as the percentage gap in pay between female and male **employees**¹³;
 - (b) the **annual total remuneration** ratio of the highest paid individual to the median annual total remuneration for all **employees** (excluding the highest-paid individual)¹⁴.

⁸ The undertaking may omit the breakdown by gender required under Disclosure Requirement S1-6 for the first two years of preparation of its sustainability statement.

⁹ The undertaking may omit the data points about cases of work-related ill-health and the number of days lost to injuries, accidents, fatalities and work-related health issues in the first year of the preparation of its sustainability statement. The undertaking may omit reporting about non-employees in the first year of the preparation of its sustainability statement.

¹⁰ This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

¹¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Rate of accidents") and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

¹² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #3 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Number of days lost to injuries, accidents, fatalities or illness").

¹³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory indicator related to principal adverse impacts as set out by indicator #12 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Unadjusted gender pay gap") and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average gender pay gap" in section 1 and 2 of Annex 2.

¹⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #8 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Excessive CEO pay ratio").

The undertaking may omit these disclosures if its average number of employees during the financial year does not exceed 50.

23. The undertaking may disclose a breakdown of the gender **pay** gap by **employee** category and/or by country/segment.
24. The undertaking may report the annual total remuneration ratio adjusted for purchasing power differences between countries, in which case it shall disclose its calculation method.

Disclosure Requirement S1-9 – Incidents and severe human rights impacts¹⁵

25. The objective of this Disclosure Requirement is to allow an understanding of the extent to which **discrimination-related incidents** and severe cases of human rights **impacts** that are reported in the reporting period are affecting its **own workforce**.
26. The undertaking shall disclose the following information regarding work-related incidents of **discrimination** and identified cases of severe human rights **incidents** (e.g., **forced labour, human trafficking** or **child labour**):
- (a) the total number of work-related **incidents** of **discrimination**, including **harassment**, on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation or other relevant forms of discrimination involving internal and/or external stakeholders across operations reported in the reporting period¹⁶. The undertaking shall further disclose the number of severe human rights incidents, excluding incidents as previously reported, connected to the undertaking's workforce in the reporting period, including an indication of how many of these are cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. If no such incidents have occurred, the undertaking shall state this¹⁷.
 - (b) the total amount of any fines, penalties and compensation for damages resulting from the incidents described in (a) above. And explanation of how this monetary amount relates to the most relevant items in the financial statements.

Disclosure Requirement S1-10 – Diversity metrics

27. The objective of this Disclosure Requirement is to enable an understanding of the gender diversity at top management level and the extent to which **persons with disabilities** are included among the undertaking's **employees**.
28. The undertaking shall disclose:
- (a) the gender distribution in percent at top management level; and,
 - (b) the percentage of **persons with disabilities** amongst its **employees** subject to legal restrictions on the collection of data.

¹⁵ The undertaking may omit the data point about the reconciliation of monetary amounts in the first year of the preparation of its sustainability statement.

¹⁶ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional indicator related to principal adverse impacts as set out by indicator #7 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Incidents of discrimination").

¹⁷ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table 1 of Annex 1 and by indicator #14 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Violations of UNGC principles and OECD" and "Number of identified cases of severe human rights issues and incidents") and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law" in section 1 and 2 of Annex 2.

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29. The undertaking may omit these disclosures if its average number of employees during the financial year does not exceed 50.

Appendix A: Application Requirements

This appendix is an integral part of [draft] Section 5. It supports the application of the disclosure requirements set out in this section and has the same authority as the other parts of this [draft] Standard.

- AR 1. The undertaking's **impacts** in relation to **sustainability matters** and **dependencies** on specific stakeholder groups can create **material risks** for the undertaking. For instance, with regard to **equal opportunities**, **discrimination** in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation.
- AR 2. The overview of social matters provided in paragraph 3 (a) is not meant to imply that all these issues should be reported on in each Disclosure Requirement in this [draft] Standard. Rather, they provide a list of matters that undertakings shall consider for the ESRS 2 **materiality** assessment related to own workforce and report as material **impacts** and **risks** within the scope of this [draft] Standard.
- AR 3. Examples of "**non-employees**" are:
- (a) Examples of contractors (self-employed persons) in the undertaking's own workforce include:
 - i. Contractors hired by the undertaking to perform work that would otherwise be carried out by an **employee**.
 - ii. Contractors hired by the undertaking to perform work in a public area (e.g., on a road, on the street).
 - iii. Contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the undertaking.
 - (b) Examples of people employed by a third party engaged in "employment activities" include people who perform the same work that **employees** carry out, such as:
 - i. people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.);
 - ii. people performing work additional to regular employees;
 - iii. people who are dispatched temporarily from another EU member state to work for the undertaking ('posted workers')

Metrics

Disclosure Requirement S1-1 – Characteristics of the Undertaking's Employees

- AR 4. This Disclosure Requirement covers all **employees** who perform work for any of the undertaking's entities included in its sustainability reporting.
- AR 5. The undertaking shall disclose the requested disclosures in the following tabular formats:
- AR 6. Table 1: Template for presenting information on **employee** head count by gender

Gender	Number of employees (head count)
Male	

Female	
Other	
Not reported	
Total Employees	

AR 7. In some Member States it is possible for persons to legally register themselves as having a third, often neutral, gender, which is categorised as “other” in the table above. If the undertaking discloses data about **employees** where this is not possible, it may explain this and state that the “other” category is not applicable.

AR 8. Table 2: Template for presenting **employee** head count in countries where the undertaking has at least 10% of its total number of employees

Country	Number of employees (head count)
Country A	
Country B	
Country C	
Country D	

AR 9. Table 3: Template for presenting information on **employees** by contract type, broken down by gender (head count or FTE) (reporting on full-time and part-time employees is voluntary)

[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.

AR 10. The definitions of permanent, temporary, non-guaranteed hours, ~~full-time, and part-time~~ **employees** differ between countries. The undertaking shall use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. If the undertaking operates in more than one country, the country-level data shall 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 obliged 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.

AR 11. Disclosing the number of **employees** at the end of the reporting period provides information for that point in time, without capturing fluctuations during the reporting period.

Disclosing these numbers in averages across the reporting period takes into account fluctuations during the reporting period, which may arise because an undertaking recruits employees for temporary or seasonal work or because of the standard practice of offering new employees a temporary contract before offering a permanent contract.

Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking's own workforce

- AR 12. This Disclosure Requirement 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. If all the people performing work for the undertaking are **employees** and the undertaking does not have any people in its workforce who are not employees, this Disclosure Requirement is not material for the undertaking.
- AR 13. Examples of contractors (self-employed people) in the undertaking's own workforce include: contractors hired by the undertaking to perform work that would otherwise be carried out by an **employee**; contractors hired by the undertaking to perform work in a public area (for example, on a road, on the street); and contractors hired by the undertaking to deliver the work/service directly at the workplace of a client of the organization. Examples of people employed by a third party engaged in 'employment activities' whose work is under the direction of the undertaking include: people who perform the same work that employees carry out, such as people who fill in for employees who are temporarily absent (due to illness, holiday, parental leave, etc.); people performing regular work at the same **site** as employees; and workers who are dispatched temporarily from another EU member state to work for the undertaking ("posted workers").
- AR 14. Non-employees in an undertaking's own workforce must be distinguished from **value chain workers**, i.e. individuals who perform work in the **value chain** of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. Examples of **value chain workers** – and thus of workers not in the undertaking's own workforce – include: workers for a **supplier** contracted by the undertaking who work on the supplier's premises using the supplier's work methods; workers for a 'downstream' entity which purchases goods or services from the undertaking; and workers of an equipment supplier to the undertaking who, at one or more of the undertaking's workplaces, perform regular maintenance on the supplier's equipment (for example, photocopier) as stipulated in the contract between the equipment supplier and the undertaking.
- AR 15. For the information required by **point (a) of paragraph 9**, the undertaking may disclose the most common types of **non-employees** (for example, self-employed people, people provided by undertakings primarily engaged in employment activities, and other types relevant to the undertaking), and their relationship with the undertaking.
- AR 16. Disclosing the number of people in the undertaking's own workforce who are not **employees** at the end of the reporting period provides information for that point in time without capturing fluctuations during the reporting period. Disclosing this number as an average across the reporting period considers fluctuations during the reporting period and can provide more insightful and relevant information for **users**. An increase in the number of **non-employees** during the reporting period could be due to a seasonal event. Conversely, a decrease in the number of non-employees compared to the previous reporting period could be due to the completion of a temporary project. **If the undertaking discloses fluctuations, it shall also explain the criteria used to determine which fluctuations it discloses. If there are no significant fluctuations in the number of non-employees during the reporting period or between the current and previous reporting period, the undertaking may disclose this information.**

Disclosure Requirement S1-3 – Collective bargaining coverage

Collective bargaining coverage

AR 17. The percentage of **employees** covered by collective bargaining agreements is calculated using the following formula:

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

AR 18. The information required by this Disclosure Requirement shall be reported in quintiles, i.e. as coverage ranges between 0–19%, 20–39%, 40–59%, 60–79% or 80–100%.

AR 19. The **employees** in the undertaking's own workforce covered by collective bargaining agreements are those individuals to whom the undertaking is obliged to apply the agreement. This includes the different levels at which collective bargaining agreements can be discussed and agreed, according to the definition in the Collective Bargaining Convention, 1981 (No. 154), (e.g., national, sectoral, undertaking levels). An employee in the undertaking's own workforce covered by more than one collective bargaining agreement only needs to be counted once.

AR 20. This requirement is not about the percentage of **employees** represented by a works council or belonging to trade unions. The percentage of employees covered by **collective bargaining** agreements can be higher than the percentage of unionised employees when the collective bargaining agreement apply to both union and non-union members. The percentage of employees covered by collective bargaining agreements can also be lower than the percentage of unionised employees when no collective bargaining agreements exist or when they do not cover all unionised employees.

Disclosure Requirement S1-4 – Adequate Wages

AR 21. The lowest **wage** shall be calculated for the lowest pay category, excluding interns and apprentices. This is to be based on the basic wage plus any fixed additional payments that are guaranteed to all **employees**. The lowest wage shall be considered separately for each country in which the undertaking has operations, except outside the EEA when the relevant adequate or minimum wage is defined at a sub national level.

AR 22. The **adequate wage** benchmark used for comparison with the lowest wage shall not be lower than:

- (c) in the EEA: the minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council¹⁹ on adequate minimum wages in the European Union. If there is no applicable minimum wage determined by legislation or collective bargaining in an EEA country, the undertaking shall use an adequate wage benchmark that is either not lower than the minimum wage in a neighbouring country with a similar socio-economic status or not lower than a commonly referenced international norm such as 60% of the country's median wage and 50% of the gross average wage.
- (d) outside of the EEA:
 - i. the wage level established in any existing international, national or sub-national legislation, official norms or collective agreements, based on an assessment of a wage level needed for a decent standard of living;
 - ii. if none of the instruments identified in (i) exist, any national or sub-national minimum wage established by legislation or collective bargaining; or
 - iii. if none of the instruments identified in (i) or (ii) exist, any benchmark that meets the criteria set out by the Sustainable Trade Initiative (IDH)

¹⁹ Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union (OJ L 275, 25.10.2022, p. 33).

(‘Roadmap on Living Wages - A Platform to Secure Living Wages in Supply Chains’), including applicable benchmarks aligned with the Anker methodology, or provided by the Wage Indicator Foundation or Fair Wage Network, provided the primacy of collective bargaining for the establishment of terms and conditions of employment is ensured.

- AR 23. Directive (EU) 2022/2041 on adequate minimum **wages** in the European Union references both indicative reference values commonly used at international level such as 60% of the gross median wage and 50% of the gross average wage, and/or indicative reference values used at national level. Data for the indicative values of 60% of the national median gross wage or 50% of the national average gross wage can be obtained from the European Labour Force Survey.

Disclosure Requirement S1-6 – Training metrics

- AR 24. To disclose the average required per paragraph 34, the undertaking shall perform the following calculation: total number of **training** hours offered to and completed by **employees** per gender category divided by the total number of employees per gender category. For the total training average and the average by gender, the head count figures for total employment and employment by gender reported in Disclosure Requirement ESRS S1-1 shall be used.

Disclosure Requirement S1-7 – Health and safety metrics

- AR 25. The undertaking may also disclose the information specified in point (c) of **paragraph 23** regarding **non-employees**.

Guidance on “work-related”

- AR 26. Work-related injuries and work-related ill health arise from exposure to hazards at work. However, not all incidents that occur during working hours are connected to the work itself. For example, the following are generally not considered work related, unless otherwise specified in national legislation:
- (a) a person suffers a heart attack while at work, but where the heart attack is not connected to the work;
 - (b) a person driving to or from work is injured in a car accident (when driving is not part of the work and where the transport has not been organised by the undertaking); or
 - (c) a person with epilepsy has a seizure at work that is not connected to the work.
- AR 27. Injuries and ill health that occur while a person is travelling are work-related if, at the time of the injury or ill health, the person was engaged in work activities “in the interest of the employer”. Examples of such activities include travelling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote

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business (at the direction of the employer). Incidents that occur while commuting are considered work-related if the undertaking is responsible for the commuting. Incidents that happen during travel, but are outside of the undertaking's responsibility (i.e. regular commuting to and from work), may be reported separately.

- AR 28. Injuries and ill health that occur when working from home are work-related if the injury or ill health are directly related to the performance of work rather than the general home environment.
- AR 29. Mental illness is considered work-related if the person concerned has provided the relevant information voluntarily, if it is supported by an opinion from a licensed healthcare professional with appropriate **training** and experience, and if said opinion states that the illness is work-related.
- AR 30. Health issues resulting, for example, from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets and psychosocial factors unrelated to work are not considered work-related.
- AR 31. Occupational diseases are not considered work-related injuries but are covered under work-related ill health.

Guidance on computing the rate of work-related injuries

- AR 32. The undertaking shall divide the number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000. This rate represents the number of cases per one million hours worked. A rate based on 1,000,000 hours worked indicates the number of work-related injuries per 500 full time people in the workforce over one year. For comparability purposes a rate based on 1,000,000 hours worked shall be used also for undertakings with less than 500 people in the workforce.
- AR 33. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work, taking into account entitlements to periods of paid leave of absence from work (for example, paid vacations, paid sick leave, public holidays) and explain this in its disclosures.
- AR 34. An undertaking shall include fatalities as a result of **work-related injury** in the calculation of the number and rate of recordable work-related injuries.

Guidance on recordable work-related ill health

- AR 35. Work-related ill health can include acute, recurring and chronic health problems caused or aggravated by work conditions or practices. These include musculoskeletal disorders, skin and respiratory diseases, malignant cancers, diseases caused by physical agents (for example, noise induced hearing loss, vibration-caused diseases) and mental illnesses (for example, anxiety, post-traumatic stress disorder). For the purpose of the required disclosures, the undertaking shall, at a minimum, include in its disclosure those cases outlined in the ILO List of Occupational Diseases.
- AR 36. In the context of this [draft] Standard, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).

Guidance on the number of days lost

- AR 37. When counting the number of days lost the first full day and last day of absence shall be included. Calendar days should be used for the calculation. Days on which the affected individual is not scheduled for work (for example, weekends, public holidays) therefore count as lost days.

Disclosure Requirement S1-8 – Remuneration metrics (gender pay gap and total remuneration ratio)

Pay gap

AR 38. When computing the gender pay gap under paragraph 25(a) the undertaking shall include the gross hourly pay level of all employees and use the following formula:

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

AR 39. Depending on the undertaking's remuneration policies, gross pay refers to all of the following components:

- (a) base salary, which is the sum of guaranteed, short-term and non-variable cash compensation;
- (b) benefits in cash, which constitute the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing and other forms of variable cash payments;
- (c) benefits in kind such as cars, private health insurance, life insurance and wellness programs; and
- (d) direct remuneration, which is the sum of benefits in cash, benefits in kind and the total fair value of all annual long-term incentives.

Gross pay is the sum of all the applicable elements listed above.

The gender pay gap of the previous two reporting periods may also be reported. **Total remuneration Ratio**

AR 40. When compiling the information required by **paragraph 25(b)**, the undertaking shall:

- (a) include all **employees**;
- (b) consider, depending on the undertaking's remuneration policies, all of the following:
 - i. base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;
 - ii. benefits in cash, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;
 - iii. benefits in kind, such as cars, private health insurance, life insurance, wellness programs; and
 - iv. direct remuneration, which is the sum of benefits in cash, benefits in kind and total fair value of all annual long-term incentives (for example, stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, and long-term cash awards).
- (c) apply the following formula for the **annual total remuneration** ratio:

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

Disclosure Requirement S1-9 – Incidents and severe human rights impacts

(d)

AR 41. Severe human rights incidents include lawsuits, formal complaints through the undertaking or third-party complaint mechanisms, serious allegations in public reports or the media, where these are connected to the undertaking's own workforce, and the fact of the incidents is not disputed by the undertaking, as well as any other severe **impacts** of which the undertaking is aware.

Disclosure Requirement S1-10 – Diversity metrics

AR 42. For the purpose of the disclosure of the gender distribution at top management level, 'top management' means the first two levels below the administrative and supervisory bodies. If the undertaking's structure and operations and differ it may use its own definition of 'top management'. In that case it shall disclose that fact and its definition.

AR 43. When disclosing the information required regarding **persons with disabilities**, the undertaking may provide contextual information necessary to understand the data and how the data has been compiled. For example, information about the impact of different legal definitions of persons with disabilities in the different countries in which the undertaking has operations.

