

Exposure Draft ESRS S1 – Own workforce

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EFRAG

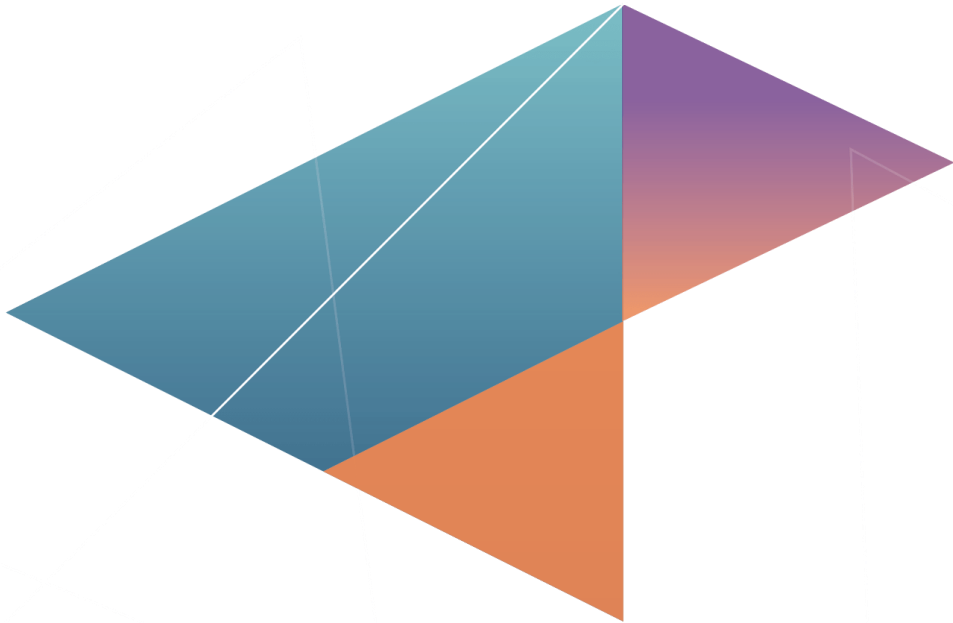
European Financial Reporting Advisory Group



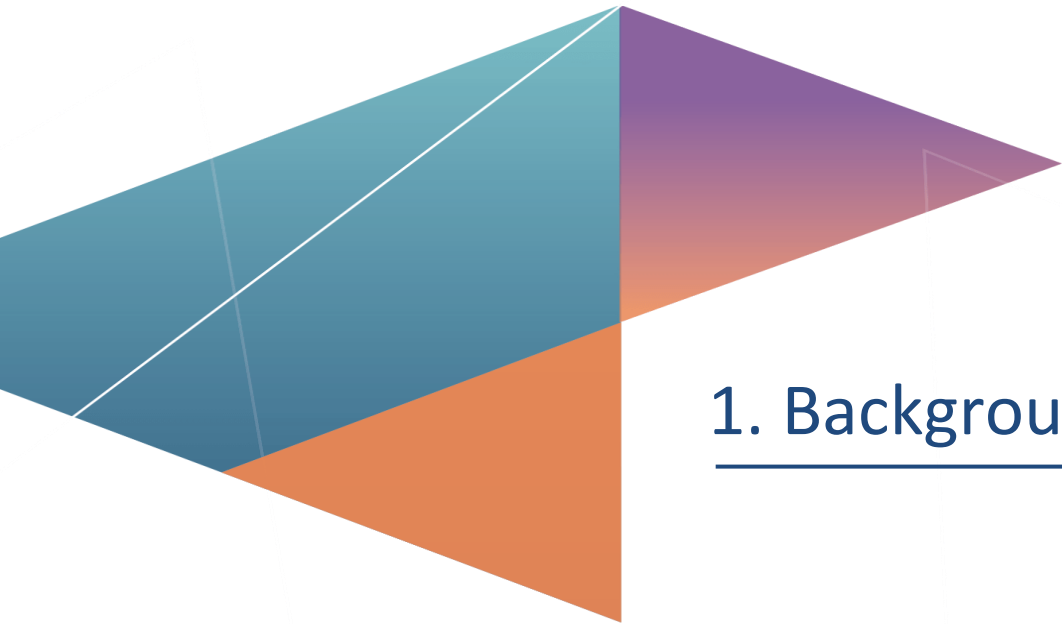
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Agenda



1. Background and methodology
2. Structure of the social ESRs
3. Embedding Due Diligence
4. Application Guidance related to ESRs 2
5. Disclosure Requirements
6. Q&A



1. Background and methodology

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Standard development based on CSRD, Article 19 b (Extract)

“ (b) specify the information that undertakings are to disclose about social factors, including information about:

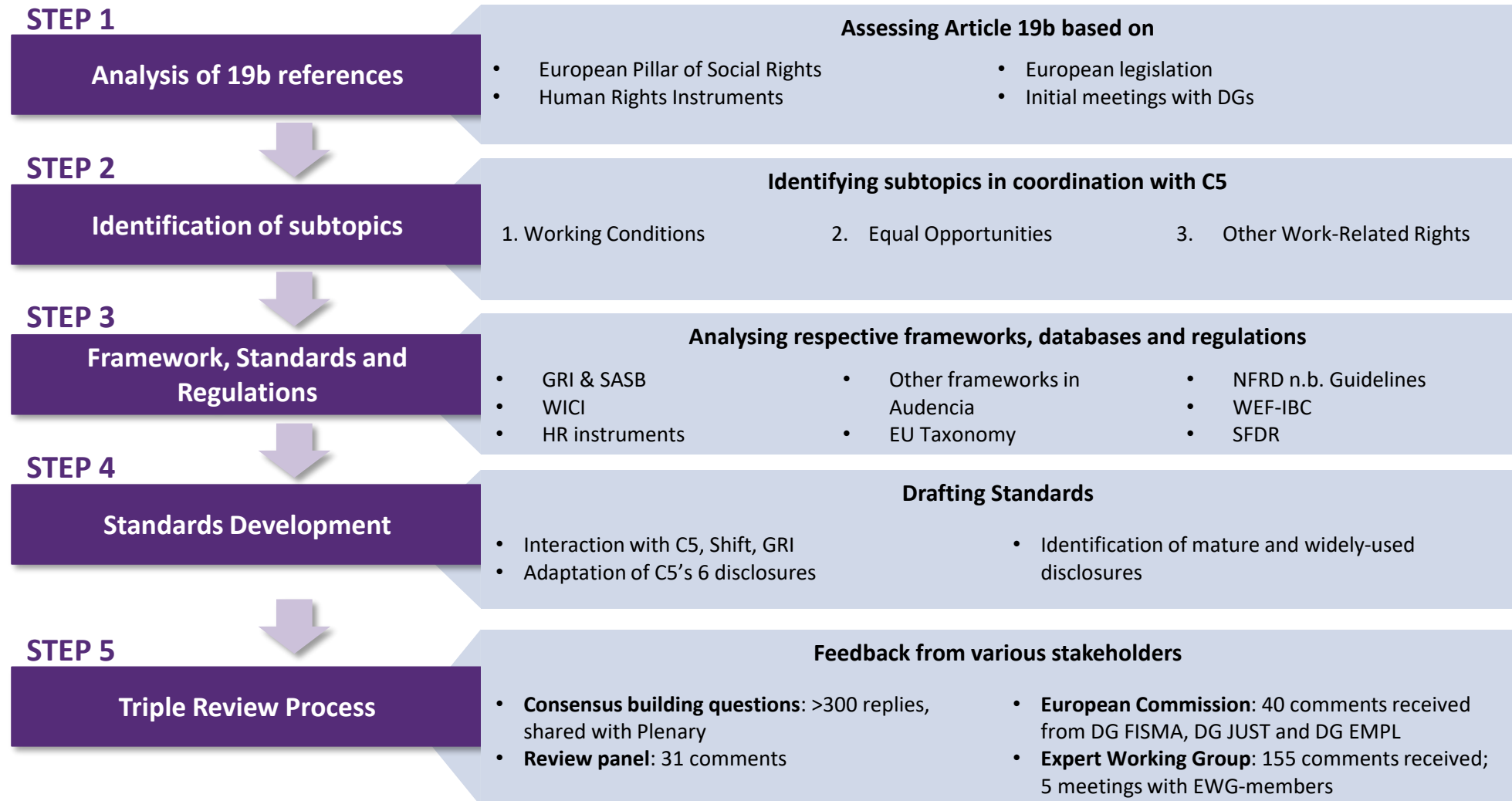
(i) Equal opportunities for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;

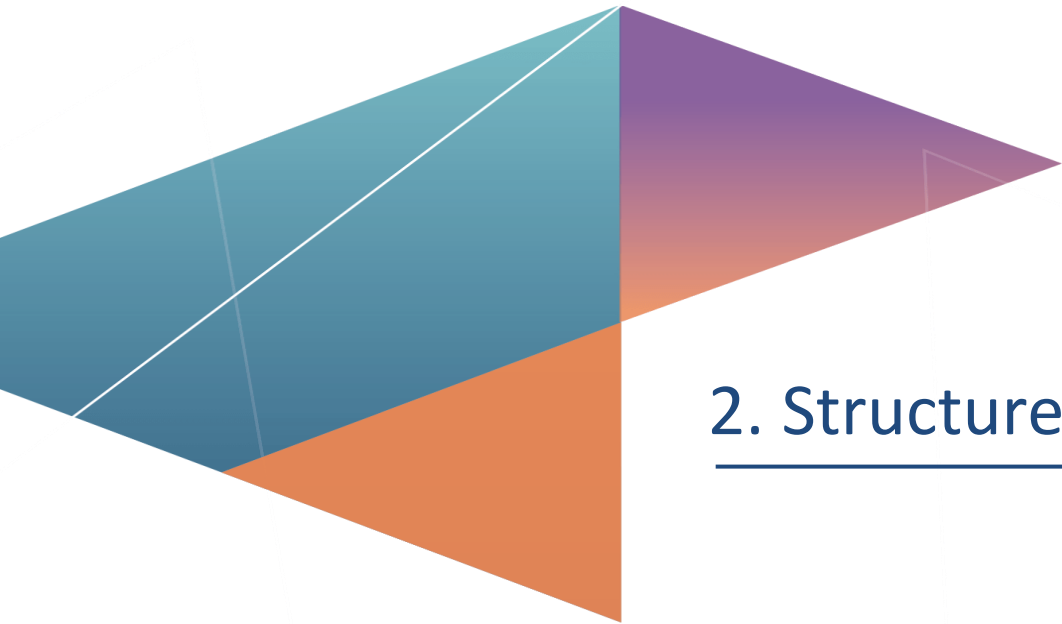
(ii) Working conditions including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment;

(iii) Respect for the human rights fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.”

1. Background and methodology

Comprehensive overview of C4's approach in 5 main steps

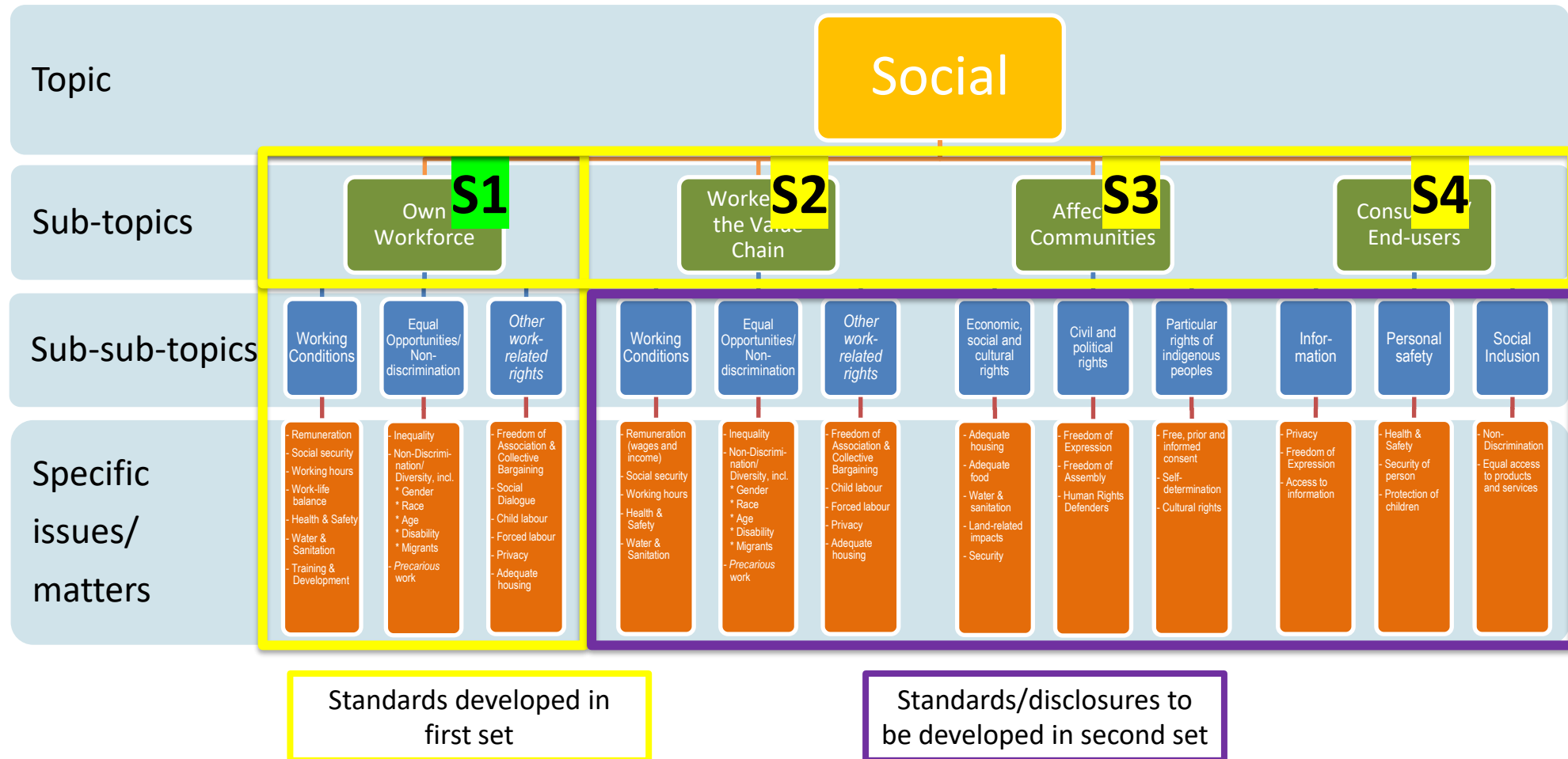




2. Structure of the social ESRSs

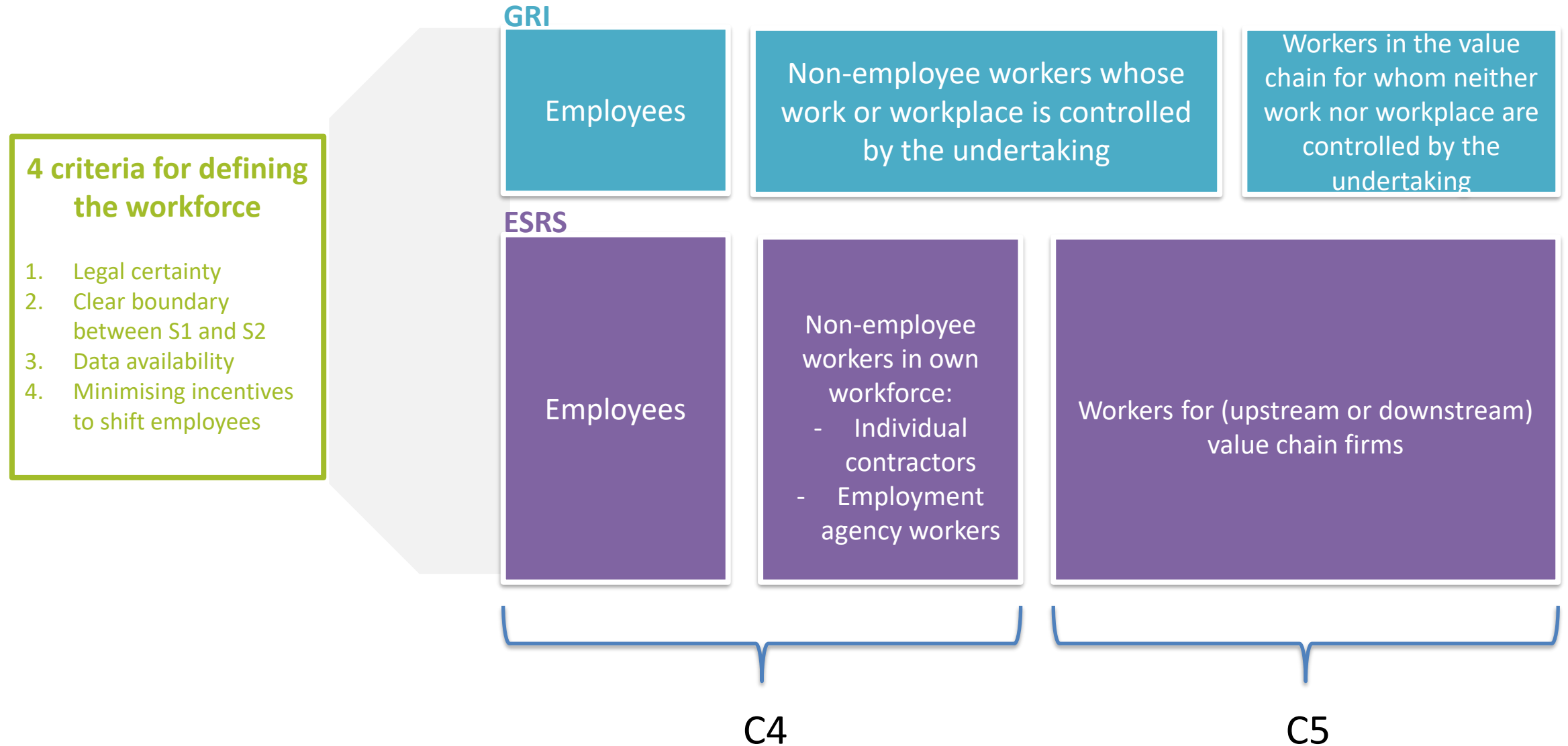
2. Structure of the social ESRs

Structure of the social pillar



2. Structure of the social ESRs

Standard development based on CSRD, Article 19 b (Extract)



2. Structure of the social ESRs

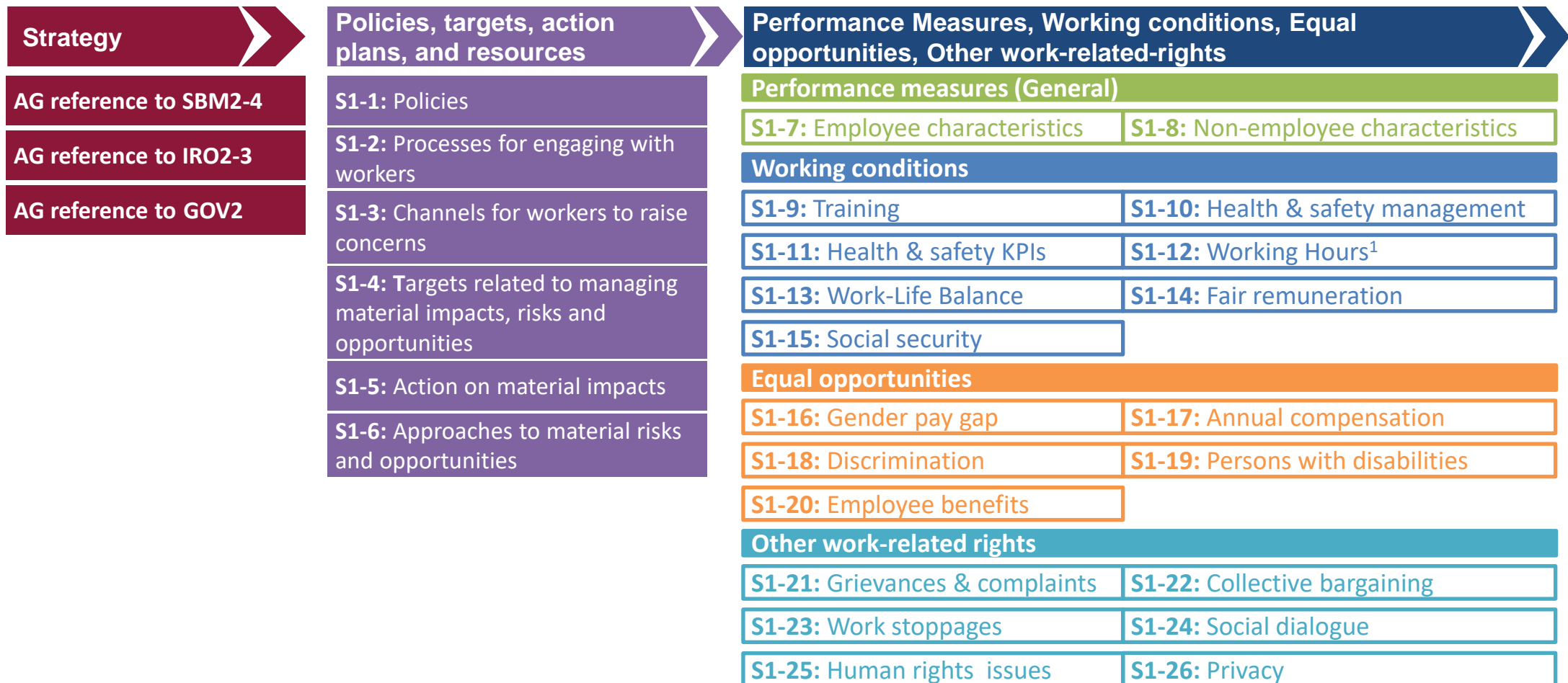
Architecture of the Workforce Standards (I/III)



2. Structure of the social ESRs

ESRS S1 – Overview

Standard Architecture



¹ Optional Disclosure Requirement

2. Structure of the social ESRs

Reference frameworks

STRATEGY (complemented by ESRS 2)	IMPLEMENTATION
<p>AG on ESRS 2-SBM2: Interaction between material impacts, risks and opportunities and the strategy and business model</p>	<p>DR S1-1: Policies, targets, action plans and resources</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM3: Workforce matters on people and the adaptation of its strategy and business model(s) to such material sustainability impacts</p>	<p>DR S1-2: Processes for engaging with own workers and workers' representatives about impacts</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM4: Workforce matters that originate from or are connected to the undertaking's strategy and business model(s) and of the adaptation of its strategy and business model(s) to such material risks and opportunities</p>	<p>DR S1-3: Channels for own workers and workers' representatives to raise concerns</p> <p>SFDR UNGP</p>
<p>AG on ESRS 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS</p>	<p>DR S1-4: Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</p> <p>UNGP GRI</p>
<p>AG on ESRS 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an ESRS (entity-specific) level</p>	<p>DR S1-5: Taking action on material impacts on own workforce and effectiveness of those actions</p> <p>OECD UNGP GRI</p>
<p>ESRS 2-GOV2: Information of administrative, management and supervisory bodies about sustainability matters</p>	<p>DR S1-6: Approaches to mitigating material risks and pursuing material opportunities related to own workforce</p> <p>SASB OECD</p>

OECD - Organization for Economic Co-operation and Development

SASB – Sustainability Accounting Standards Board

GRI – Global Reporting Initiative

ILO – International Labour Organization

UNGP – United Nations Global Compact

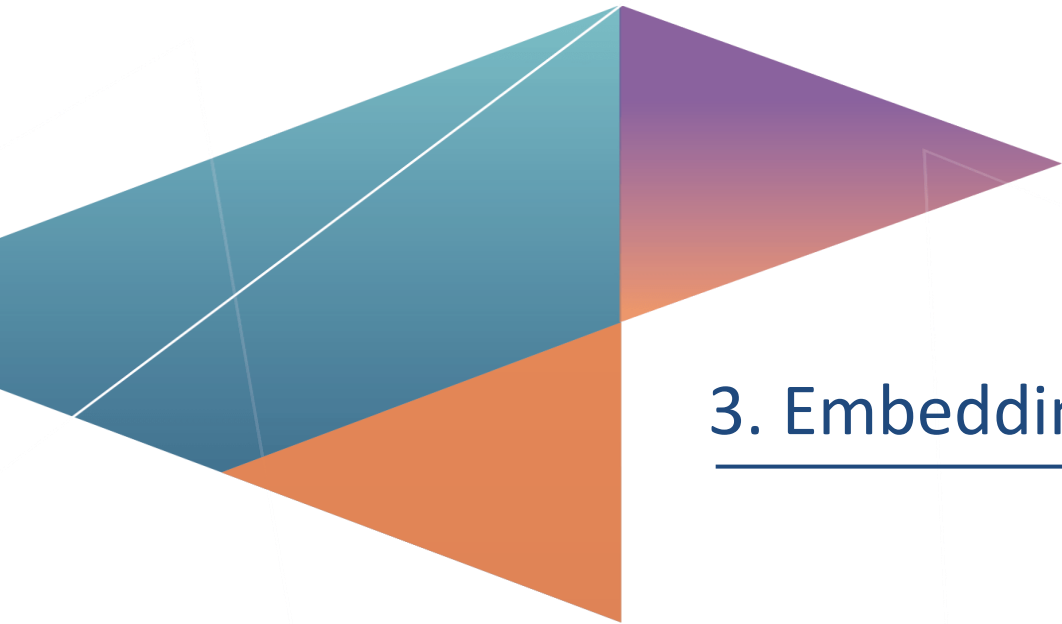
ESPR – European Pillar of Social Rights

SFDR – Sustainable Finance Disclosure Regulation

2. Structure of the social ESRs

Reference frameworks

PERFORMANCE MEASURES	
<u>General</u>	
DR S1-7: Characteristics of the Undertaking's Employees	GRI
DR S1-8: Characteristics of non-employee workers in the undertaking's own workforce	GRI
<u>Working Conditions</u>	
DR S1-9: Training and Skills Development indicators	GRI
DR S1-10: Coverage of the health and safety management system	ILO, OECD, GRI
DR S1-11: Performance of the health and safety management system	SFDR, ILO, GRI
DR S1-12: Working Hours	ILO, EPSR
DR S1-13: Work-Life Balance indicators	ILO, EPSR
DR S1-14: Fair remuneration	EPSR, GRI
DR S1-15: Social security eligibility coverage	EPSR
<u>Equal Opportunities</u>	
DR S1-16: Pay gap between women and men	EPSR, GRI, SFDR
DR S1-17: Annual total compensation ratio	EPSR, GRI, SFDR
DR S1-18: Discrimination incidents related to equal opportunities	EPSR, GRI, SFDR
DR S1-19: Employment of persons with disabilities	EPSR, GRI
DR S1-20: Differences in the provision of benefits to employees with different employment contract types	EPSR, GRI
<u>Other Work-related Rights</u>	
DR S1-21: Grievances and other work-related rights	GRI
DR S1-22: Collective bargaining coverage	SASB, GRI, ILO
DR S1-23: Work stoppages	SASB, ILO
DR S1-24: Social dialogue	
DR S1-25: Identified cases of severe human rights issues and incidents	SFDR, GRI, ILO
DR S1-26: Privacy at work	ILO



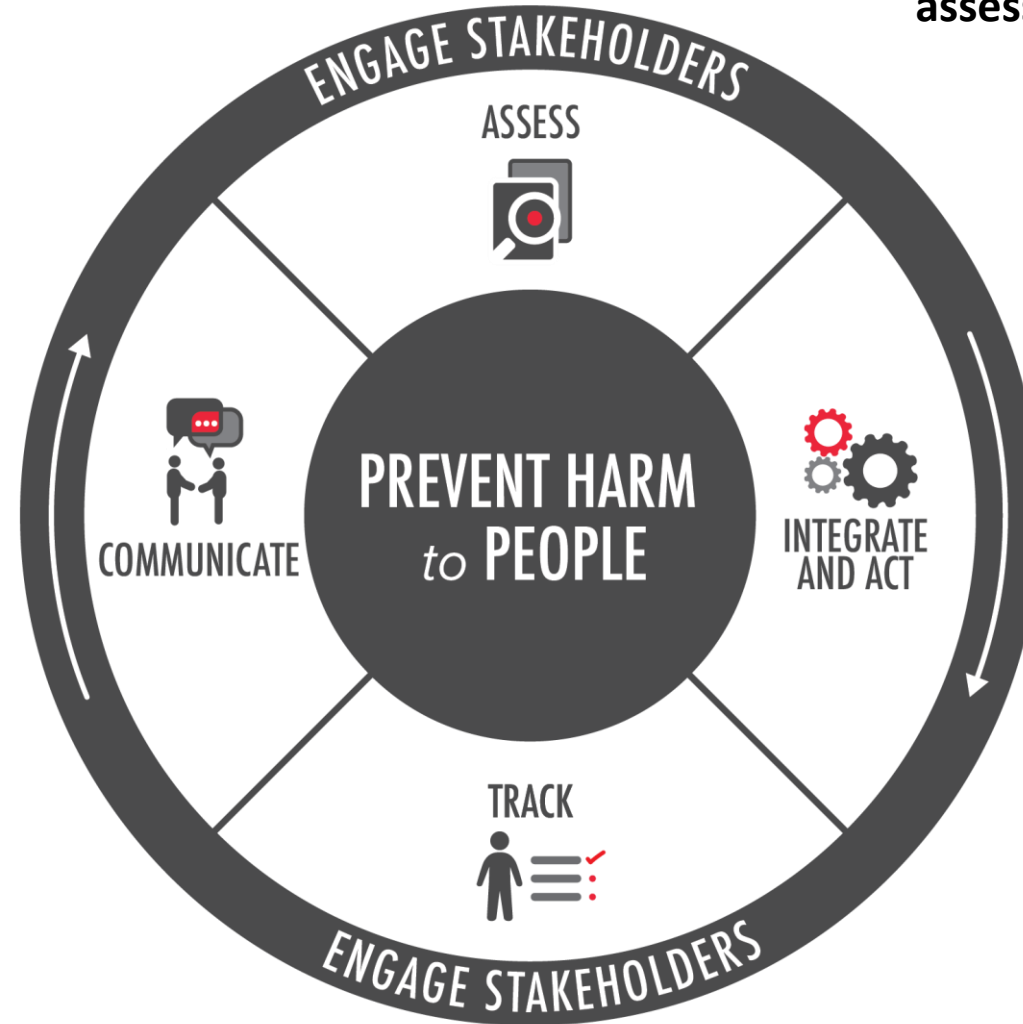
3. Embedding Due Diligence

3. Embedding Due Diligence

Alignment of social standards with OECD Due Diligence

0. ESRS S1 - DRs 2 and 3:
engage stakeholders and
ESRS 2 DRs (SBM, IROs)

4. The standards in their
entirety contribute to the
reporting obligation required
by the draft CSRD:
communicate

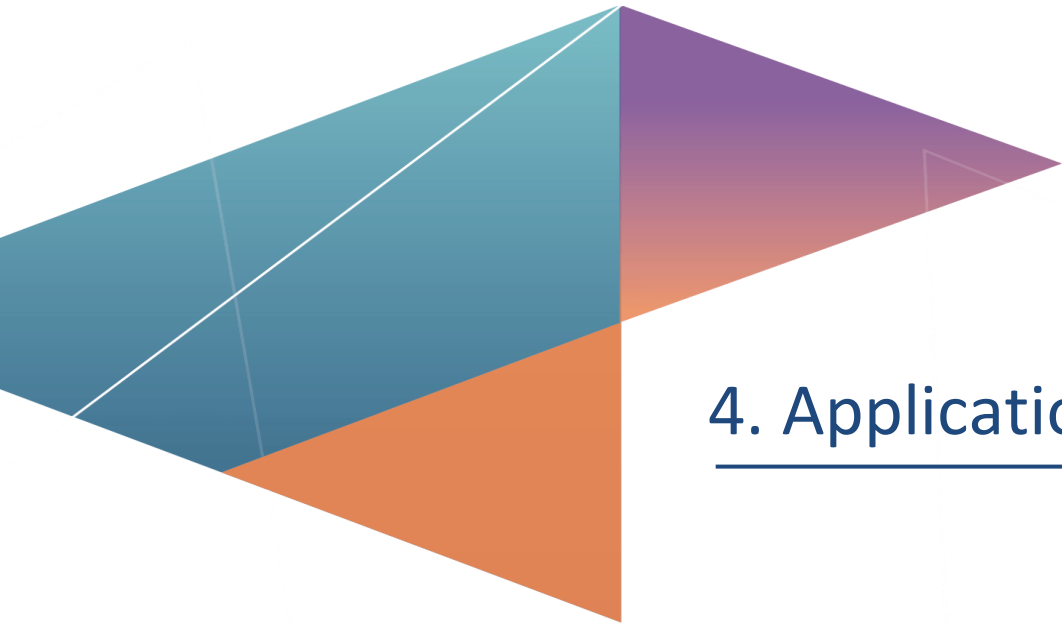


1. ESRS 2 (cross cutting) and AG 3 – 12/13:
assess impacts, risks and opportunities

2. ESRS S1 DRs 1, 2, 5 and 6:
integrate and act by
developing policies, setting
targets and taking action

3. ESRS 1 on targets,
progress and tracking
effectiveness and ESRS S2 –
DR 4: **track** performance

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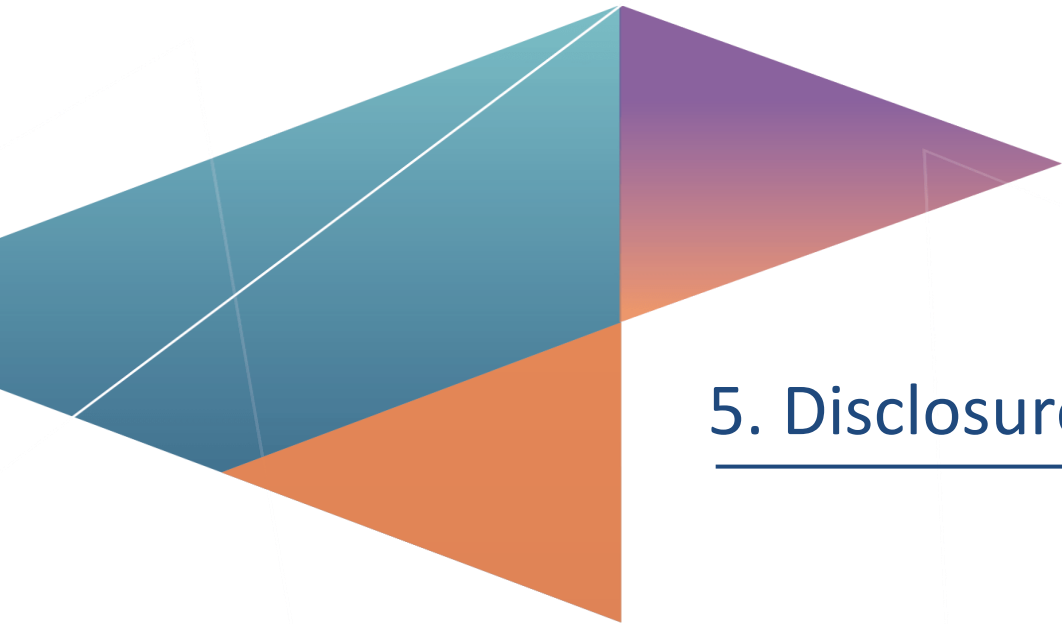


4. Application Guidance related to ESRS S1

4. Application Guidance related to ESRS 2

Aggregation of Disclosure Requirements due to references from the AG to ESRS 2





5. Disclosure Requirements for ESRS S1

5. Disclosure Requirements

Policies, targets, action plans, and resources

Disclosure Requirements

DR S1-1: Policies, targets, action plans and resources

SFDR

The undertaking shall state its policies that address the management of its material impacts on own workforce, material risks and opportunities.

DR S1-2: Processes for engaging with own workers and workers' representatives about impacts

SFDR

The undertaking shall explain its general processes for engaging with its own workers and workers' representatives about actual and potential material impacts on its own workforce.

DR S1-3: Channels for own workers and workers' representatives to raise concerns

SFDR

The undertaking shall describe channels for own workers/ representatives to raise concerns, processes that support channels, monitoring of issues raised and addressed.

DR S1-4: Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The undertaking shall explain any outcome-oriented targets it may have related to reducing negative impacts, advancing positive impacts, managing material risks and opportunities related to its own workforce.

DR S1-5: Taking action on material impacts on own workforce and effectiveness of those actions

The undertaking shall explain action planned or underway to prevent, mitigate or remedy material negative impacts connected to operations, products, services, additional initiatives/ processes in place with the primary purpose of delivering positive impacts for its own workforce.

DR S1-6: Approaches to mitigating material risks and pursuing material opportunities related to own workforce

The undertaking shall explain action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workers.

Full alignment to architecture of ESRS S2 – S4

5. Disclosure Requirements

Performance measures (General)

Disclosure Requirements

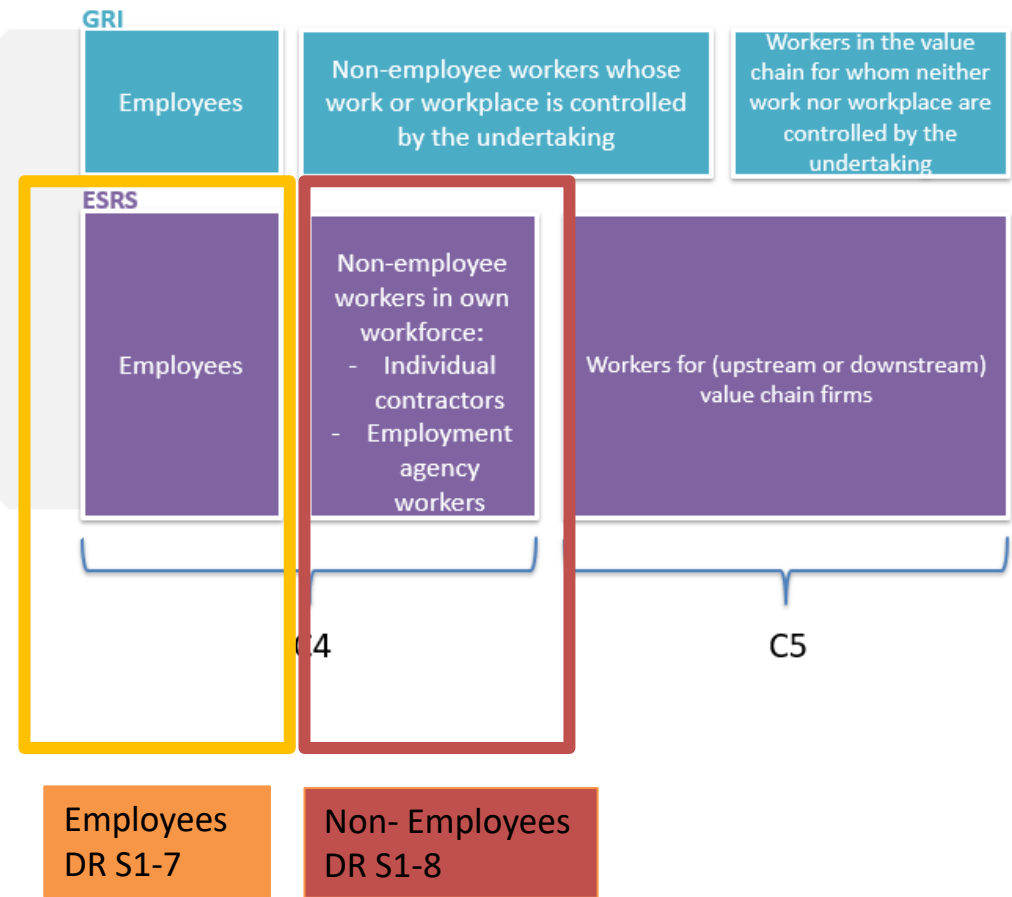
DR S1-7: Characteristics of the Undertaking's Employees

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

DR S1-8: Characteristics of non-employee workers in the undertaking's own workforce

The undertaking shall describe key characteristics of non-employee workers in its own workforce.

- 4 criteria for defining the workforce**
1. Legal certainty
 2. Clear boundary between S1 and S2
 3. Data availability
 4. Minimising incentives to shift employees



5. Disclosure Requirements

Working conditions

Disclosure Requirements

DR S1-9: Training and Skills Development indicators

The undertaking shall disclose the extent to which training, and development is provided to its own workforce.

DR S1-10: Coverage of the health and safety management system

The undertaking shall disclose information on the extent to which its own employees are covered by its health and safety management system.

DR S1-11: Performance of the health and safety management system

The undertaking shall disclose the number of incidents associated with work-related injuries, ill health and fatalities of its own workers.

SFDR

DR S1-12: Working Hours

The undertaking shall disclose the percentage of its own workers that exceed 48 hours of work per week over the applicable reference period.

DR S1-13: Work-Life Balance indicators

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

DR S1-14: Fair remuneration

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

DR S1-15: Social security eligibility coverage

The undertaking shall disclose the percentage of its own workers eligible for soc security.

5. Disclosure Requirements

Equal Opportunities

Disclosure Requirements

DR S1-16: Pay gap between women and men

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

SFDR

DR S1-17: Annual total compensation ratio

The undertaking shall disclose the ratio between the compensation of its highest paid individual and the median compensation for its employees.

SFDR

DR S1-18: Discrimination incidents related to equal opportunities

The undertaking shall disclose the number of work-related discrimination incidents, any corrective actions taken during the reporting period and any related material fines or sanctions.

SFDR

DR S1-19: Employment of persons with disabilities

The undertaking shall disclose the percentage of persons with disabilities amongst its own workforce.

DR S1-20: Differences in the provision of benefits to employees with different employment contract types

The undertaking shall disclose information on benefits which are standard for full-time permanent employees but are not provided to employees with temporary, part time and non-guaranteed hour contracts.

5. Disclosure Requirements

Other Work-related rights

Disclosure Requirements

DR S1-21: Grievances and other work-related rights

The undertaking shall state the number of grievances and complaints received and resolved relating to workers' other work-related rights.

DR S1-22: Collective bargaining coverage

The undertaking shall disclose information on the extent to which the working conditions and terms of employment of its own workforce are determined or influenced by collective bargaining agreements.

DR S1-23: Work stoppages

The undertaking shall disclose the extent of major work stoppages because of disputes between the undertaking and its own workforce.

DR S1-24: Social dialogue

The undertaking shall disclose the extent and functioning of social dialogue with workers' representatives of its own workforce.

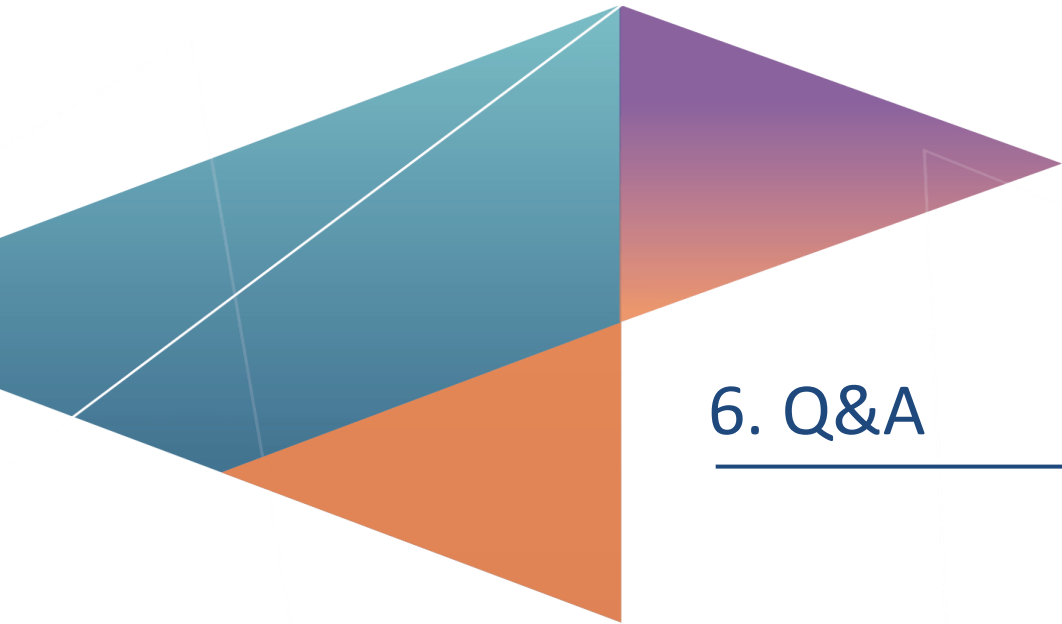
DR S1-25: Identified cases of severe human rights issues and incidents

The undertaking shall disclose the number of severe human rights issues and incidents connected to own workforce which occurred in the reporting year.

SFDR

DR S1-26: Privacy at work

The undertaking shall disclose the right to privacy at work for its own workforce.



6. Q&A



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