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SRB approval - amended explanation ID 32

Table of Contents

ID 32 – Methodology for presenting information on employees	2
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ID 32 – Methodology for presenting information on employees

Category

Social

Question asked

Is there a materiality approach for the people reporting in place (for example, if 99% of the workforce are full-time employees, the difference between our existing FTE reporting and head count is negligible. Does an additional head count reporting have to be set up or can we keep FTE reporting and provide background information for the users?)

The question has been reworded as follows to be clearer:

- 1) Are both FTE and headcount figures to be reported?
- 2) Can FTE be used as a proxy for head counts if 99% of the workforce are full-time?
- 3) Is there a materiality lens to reporting of characteristics of own workforce?

ESRS reference

- ESRS S1 paragraph 50(a), ESRS S1 paragraph 50(b) and (d), ESRS S1 paragraph 52(a) and (b); ESRS S1 paragraph 55(b)(i), ESRS S1 paragraph AR 55; ESRS 1 paragraph 34
- Key terms: Methodology to compile data; FTE

Background

Disclosure Requirement S1-6 on characteristics of the undertaking's employees requires information on the number of employees and the number of breakdowns. The objective of S1-6 is for the undertaking to provide insight into its approach to employment, to provide contextual information that aids an understanding of the information reported in other disclosures and to serve as the basis for calculating quantitative metrics to be disclosed under other disclosure requirements in this Standard.

ESRS S1 paragraph 50(a) requires the disclosure of 'the total number of employees by head count, and breakdowns by gender and by country for countries in which the undertaking has 50 or more employees representing at least 10% of its total number of employees.' This requirement on number of employees is consistent with ESRS 2 SBM-1, paragraph 40(a)(ii), whereby headcount data is also required.

This disclosure requirement allows the undertaking to select between two methodologies to calculate the number of employees, either head count or full-time equivalent (FTE), for the following breakdowns in ESRS S1-6:

- (i) permanent employees and breakdown by gender;
- (ii) temporary employees and breakdown by gender; and
- (iii) non-guaranteed hours employees and breakdown by gender.

The voluntary disclosures in ESRS S1 paragraph 52(a)(b) follow the same approach as detailed above whereby there is the option of disclosing information on full-time and part-time employees by either head count or FTE.

ESRS S1 paragraph 50(d) requires 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).'

Furthermore, ESRS S1 paragraph AR55, Table 3 and 4 provide the relevant tables to present this information (Table 3: 'Template for presenting information on employees by contract type, broken down by gender (head count or FTE)'; Table 4: 'Template for presenting information on employees by contract type, broken down by region (head count or FTE)').

Answer

1) Are both FTE and headcount figures to be reported?

The data point on the total number of employees (ESRS 1 paragraph 50(a)) shall be reported in terms of head count, since headcount is the relevant metric for labour law and social policy (as head count triggers many rights in social and labour law) and this is also consistent with the requirements in ESRS 2 SBM-1 paragraph 40 (a)(iii).

Recognising that it is common in some countries to report detailed employee information in full-time equivalent (FTE) terms, S1-6 allows undertakings the option to report other data points (permanent, temporary and non-guaranteed hours contract types, and full- and part-time contract types) in either head count or full time equivalent (FTE). According to ESRS S1 paragraph 50(b) and paragraph 52 (a)(b), the undertaking has two options to report the information of employees by contract type: head count or full time equivalent. (ESRS S1 paragraph AR 55, tables 3 and 4 contain the templates that undertakings are to use to disclose this information.)

The option to report employee numbers in either head count or FTE metrics is explicitly allowed only in S1-6 and in S1-7 in reporting on non-employees in own workforce. For the other metrics in ESRS S1 (i.e., from ESRS S1-8 to ESRS S1-17), the disclosures requirements and their related application requirements define the methodology to be followed for calculating quantitative information on employees (for example, ESRS S1-14 AR80 on health and safety).

2) Can FTE be used as a proxy for head counts if 99% of the workforce are full-time?

For ESRS 1 para 50 (a) the ESRS adopted text does not provide an option. The undertaking is expected to comply with the text of ESRS by providing the unit of account as defined in the disclosure requirement. Practical considerations leading to the use of a different unit of account need to be compatible with the qualitative characteristics of information as defined in Appendix B of ESRS 1.

ESRS S1 paragraph 50(d) requires disclosures on the applied methodology, and ESRS S1 paragraph 50(e) on contextual information permits the undertaking to disclose relevant facts and circumstances for the users of the sustainability statement subject to the provisions of ESRS 1 chapter 3 *Double materiality* as the basis for sustainability disclosures.

3) Is there a materiality lens to reporting of characteristics of own workforce?

The general materiality principle also applies when disclosing the data on ESRS S1-6. Hence, the materiality provisions on ESRS 1 para 31 together with the provision of not omitting information that is needed to meet the objective of a Disclosure Requirement (refer to ESRS 1 para 34) are to be complied with.