

This paper has been prepared by the EFRAG Secretariat for discussion at a meeting of SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Exposure Draft

DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD

LSME ESRS SECTION 5 SOCIAL DISCLOSURES

DISCLAIMER (to be revised)

The working paper ESRS LSME Section 5 is set out in paragraphs X-X and Appendix A: Application Requirements. Appendix A has the same authority as the main body of this section. Each Disclosure Requirement is stated in a bold paragraph that illustrates the objective of the disclosures. This section also uses terms defined in other sections and should be read in the context of its objective.

CONTENT AND STATUS OF THIS DRAFT

This draft has to be read in conjunction with the Agenda Papers on LSME discussed in SR TEG and SRB meeting in between January and June 2023.

This draft has been developed as a markup from version 3.1 LSME as sent to SR TEG and SR Board during the internal consultation period. The changes are made based on the feedback and comments received and the public discussions at SR TEG (12 and 18 September) and SRB (13 September).

Parts in grey are changes done based on the EC DA ESRS of Set 1 (July 2023).

Parts in green are changes done based on the SR TEG / SRB written feedback and the discussions held on 18 September. Please refer in addition to the "track changes" version of this document for the overview of the changes adopted from the SR TEG / SRB feedback.

To reflect the principle of proportionality, the following key simplifications have been implemented in this document (on the basis of the SR TEG discussions/ approach presented by the EFRAG Secretariat at those meetings):

- The text of SET 1 standards has been integrally considered and amended where appropriate, so that LSME will be a standalone document.
- EFRAG will consult on the applicability of each Sector specific ESRS to LSMEs, as part of the consultation on that ESRS. A question on the general approach to sector standards in LSME will also be included in LSME Exposure Draft. Pending the definition of such an approach, in this draft the references to sector-specific ESRS has been eliminated.
- The reporting covers material impacts and risks. Opportunities are voluntary.
- The undertaking shall disclose negative impacts. Positive impacts are voluntary.
- The approach to entity-specific disclosure is unchanged from Set 1 ('shall').
- Targets to disclose whether the undertaking has targets, and if it has targets, the requirement to specify whether they are science-based. The undertaking may additionally report on how they are calculated and implemented.
- The proposal to centralise all disclosures on policies, actions and targets in Section II needed specific adjustments for the social topics. While in the environmental ESRSs most of the disclosure requirements are related to metrics, in the social ESRSs they are mostly related to policies and actions. Some SR TEG members have highlighted that the centralised approach significantly reduces the content that is mandated by due diligence in human rights requirements. It was also indicated that it is important to keep the entire due diligence cycle, being a better option to tone down the level of the requirements rather than skipping steps.
- Regarding the metrics in Own workforce (S1), it has also been suggested to simplify the content and reduce the granularity/breakdowns, rather than eliminating whole disclosure requirements. This is particularly important considering that the LSME ESRS will be the cap on value chain for large undertakings. However, there might be more space for simplification.
- Regarding the human rights due diligence, it was agreed to reinstate the content of the two disclosure requirements related to (i) processes for engaging with stakeholders about impacts, and (ii) processes to remediate negative impacts and channels to raise concerns; after insight received from the European Commission. After EFRAG SR TEG suggestions, these two disclosure requirements were moved to Section 2 as Application Requirements. Only metrics related to S1 remain in this section.

Following the SR TEG meeting on 18 September, the following agreed changes have been included in this Section:

- Characteristics of own employees: Datapoint on employee turnover was reintroduced.
- Training metrics: A phase-in for gender breakdown was introduced in Section 1 (Appendix C).
- Incidents and severe human rights impacts: A sentence was included for cases where a proper reconciliation is not feasible. In addition, a phase-in was introduced in Section 1 (Appendix C) for the reconciliation datapoints (only for undertakings that do not opt-out).

- The acronyms and defined terms in LSME will be merged together with all sections, as a mandatory appendix.

DRAFT

Table of contents

Objective	6
OWN WORKFORCE (S1)	8
Metrics	8
Disclosure Requirement S1-1 – Characteristics of the undertaking’s employees	8
Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking’s own workforce	8
Disclosure Requirement S1-3 – Collective bargaining coverage	9
Disclosure Requirement S1-4 – Adequate wages	10
Disclosure Requirement S1-5 – Social protection	10
Disclosure Requirement S1-6 – Training metrics	11
Disclosure Requirement S1-7 – Health and safety metrics	11
Disclosure Requirement S1-8 – Remuneration metrics (pay gap and total remuneration)	11
Disclosure Requirement S1-9 – Incidents and severe human rights impacts	12
Disclosure Requirement S1-10 – Diversity metrics	13
Voluntary Disclosure S1-11 – Work-life balance metrics	13
Application Requirements	15
Objective	15
Own workforce	15
Value chain workers	16
Affected communities	16
Consumers and end-users	16
Metrics and targets for Own workforce	17
Disclosure Requirement S1-1 – Characteristics of the Undertaking’s Employees	17
Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking’s own workforce	19
Disclosure Requirement S1-3 – Collective bargaining coverage and social dialogue	20
Disclosure Requirement S1-4 – Adequate Wages	20
Disclosure Requirement S1-5 – Social protection	21
Disclosure Requirement S1-6 – Training metrics	21
Disclosure Requirement S1-7 – Health and safety metrics	22
Disclosure Requirement S1-8 – Remuneration metrics (pay gap and total remuneration)	23
Disclosure Requirement S1-9 – Incidents and severe human rights impacts	25
Disclosure Requirement S1-10 – Diversity metrics	25
Voluntary Disclosure S1-11 – Work-life balance	26

Appendix B.1: Application Requirements for Section 2 related disclosures [TO BE MOVED TO SECTION 2]	28
Appendix B.2: Application Requirements for IR-3 on Policies related to own workforce [TO BE MOVED TO SECTION 3]	30
Appendix B.3: Application Requirements for IR-4 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 [TO BE MOVED TO SECTION 3]	32
Appendix B.4: Application Requirements for Voluntary Disclosure IR-5 Targets related to managing material negative impacts and material risks [TO BE MOVED TO SECTION 3]	34

DRAFT

Objective

1. The objective of this [draft] Section is to specify disclosure requirements which will enable users of the sustainability statement to understand:
 - (a) how the undertaking affects its own workforce, workers in its value chain, affected communities and consumers and end-users; 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 on its own workforce, workers in its value chain, affected communities and consumers and end-users; and how the undertaking manages them;
 - (d) the financial effects on the undertaking over the short-, medium- and long-term ~~time horizons~~ of material risks arising from the undertaking's impacts and dependencies on its own workforce, workers in its value chain, affected communities and consumers and end-users.
2. These [draft] Disclosure Requirements also require the provision of an explanation by the undertaking of how such impacts, as well as the undertaking's dependencies on its own workforce, workers in the value chain, affected communities and consumers and end-users can create material risks for the undertaking.
3. For Own Workforce (S1):
 - (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 workforce~~ 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 is understood to include both people who are in an employment relationship with the undertaking ("employees") and non-employees who 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). See Application Requirement 3 for examples of who falls under own workforce. The information required to be disclosed with regard to non-employees shall not affect in any way the employment status pursuant to 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 ~~total workforce that serves the purpose of the undertaking, 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~~.

- (d) The objective of these [draft] Disclosure Requirements is also to enable users to understand the extent to which the undertaking ~~applies the (focus on specific Guidelines, such as OECD Guidelines for Responsible Business Practices and UNGPBHR) would help and add more details in the AR~~ or aligns or complies with international and European human rights instruments and conventions, including the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions, the UN Convention on Persons with Disabilities, the European Convention of Human Rights, the revised European Social Charter, the Charter of Fundamental Rights of the European Union, the EU policy priorities as set out by the European Pillar of Social Rights, and EU-Union legislation.
4. For Workers in the value chain (S2):
- (a) These [draft] Disclosure Requirements relate to the following sustainability matters: (a) working conditions (for example, secure employment, working time, adequate wage, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety); (b) equal treatment and opportunities for all (for example, gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and diversity); (c) other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).
- (b) These [draft] Disclosure Requirements cover all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking, including the impacts that are connected with the undertaking's own operations, products and or services, ~~this including also includes~~ the value chain through its business relationships. This includes also all the workers who are not included in the scope of "own workforce" ("own workforce" includes employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities') and are or can be significantly affected by the undertaking. See AR 3 for examples of what is included in the scope of this [draft] Standard.
5. For Affected communities (S3), these [draft] Disclosure Requirements relate to the following sustainability matters: (a) communities' economic, social and cultural rights (for example, adequate housing, adequate food, water and sanitation, land-related and security-related impacts); (b) communities' civil and political rights (for example, freedom of expression, freedom of assembly, impacts on human rights defenders); (c) particular rights of indigenous peoples (for example, free, prior and informed consent, self-determination, cultural rights).
6. For Consumers and end-users (S4), these [draft] Disclosure Requirements relate to the following sustainability matters: (a) information-related impacts on consumers and/or end-users (for example, privacy, freedom of expression and access to (quality) information); (b) personal safety of consumers and/or end-users (for example, health and safety, security of a person and protection of children); (c) social inclusion of consumers and/or end-users (for example, non-discrimination, access to products and services and responsible marketing practices).

OWN WORKFORCE (S1)

Metrics

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

7. **The undertaking shall describe key characteristics of employees in its own workforce.**
8. 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.
9. The disclosure required by paragraph 7 shall include:
- (a) 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;
 - (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.
- ~~(e)~~(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.
- ~~(d)~~(e) where applicable, a cross-reference of the information reported under (a) above to the most representative number in the financial statements.
10. An undertaking may disclose by head count or full time equivalent (FTE) the following information:
- (a) full-time employees, and breakdown by gender; and
 - (b) part-time employees, and breakdown by gender.

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

11. **The undertaking shall describe key characteristics of non-employees in its own workforce.**
12. 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.

13. The disclosure required by paragraph 11 shall include:
- (a) a disclosure of 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 people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78).
 - (b) an explanation of 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.
14. For the information specified in point (a) of paragraph 13, 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.

~~15. Where data is not available, the undertaking shall estimate the number and state that it has done so. When the undertaking performs estimates, it shall describe the basis of preparation of this estimation. If such estimate cannot be produced following the characteristics of information detailed in Section 1, the undertaking shall state this to be the case.~~

Disclosure Requirement S1-3 – Collective bargaining coverage and social dialogue

~~16.15. The undertaking shall disclose information on the extent to which the working conditions and terms of employment of its employees are determined or influenced by collective bargaining agreements and to the extent to which its employees are represented in social dialogue, in the EEA at the establishment and European level.~~

~~17.16. The objective of this Disclosure Requirement is to enable an understanding of the coverage of collective bargaining agreements and social dialogue for the undertaking's own employees.~~

~~18.17. The undertaking shall disclose:~~

- (a) the percentage of its total employees covered by collective bargaining agreements;
- ~~(b) in the European Economic Area, whether it has one or more collective bargaining agreements and, if so, the overall percentage of its employees covered by such agreement(s).~~

~~19.18. 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.~~

~~20.19. 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

24.20. The undertaking shall disclose whether or not its employees are paid an adequate wage, and if they are not all paid an adequate wage, the countries and percentage of employees concerned.

22.21. The objective of this Disclosure Requirement is to enable an understanding of whether or not all the undertaking's employees are paid an adequate wage, in line with applicable benchmarks.

23.22. The undertaking shall disclose whether all its employees are paid an adequate wage, in line with applicable benchmarks. If so, stating this will be sufficient to fulfil this disclosure requirement and no further information is needed.

24.23. If not all its employees are paid an adequate wage in line with applicable benchmarks, the undertaking shall disclose the countries where employees earn below the applicable adequate wage benchmark and the percentage of employees that earn below the applicable adequate wage benchmark for each of these countries.

25.24. The undertaking may disclose the information specified in this disclosure requirement with regard to non-employees in this workforce.

Disclosure Requirement S1-5 – Social protection

26.25. The undertaking shall disclose whether its employees are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case.

27.26. The objective of this Disclosure Requirement is to enable an understanding of whether the undertaking's employees are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case.

28.27. The undertaking shall disclose whether all its employees are covered by social protection, through public programs or through benefits offered by the undertaking, against loss of income due to any of the following major life events:

- (a) sickness;
- (b) unemployment starting from when the own worker is working for the undertaking;
- (c) employment injury and acquired disability;
- (d) ~~maternity parental~~ leave; and
- (e) retirement.

If so, stating this is sufficient to fulfil this disclosure requirement and no further information is needed.

29.28. If not all of its employees are covered by social protection in accordance with paragraph 26, the undertaking may in addition disclose ~~[TO BE DISCUSSED]~~:

- (a) the countries where employees do not have social protection with regard to one or more of the types of events listed in paragraph 28; and,
- (b) for each of those countries, the types of employees who do not have social protection with regard to each applicable major life event.

30.29. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.

Disclosure Requirement S1-6 – Training ~~and skills development~~ metrics

- 31.30.** The undertaking shall disclose the extent to which training ~~and skills development~~ is provided to its employees.
- 32.31.** 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.
- 33.32.** The disclosure required by paragraph **34-30** shall include the average number of training hours per employee and by gender.

Disclosure Requirement S1-7 – Health and safety metrics

- 34.33.** The undertaking shall disclose information on the extent to which its own workforce is covered by its health and safety management system and the number of incidents associated with work-related injuries, ill health and fatalities of its own workforce. ~~In addition, it shall disclose the number of fatalities as a result of work-related injuries and work-related ill health of other workers working on the undertaking's sites.~~
- 35.34.** 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.
- 36.35.** The disclosure required by paragraph 33 shall include the following information, where applicable broken down between employees and non-employees in the undertaking's own workforce:
- the number of fatalities¹ as a result of work-related injuries and work-related ill health;
 - the number and rate² of recordable work-related accidents;
 - with regard to 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 health³.
- 37.36.** The undertaking may also disclose the information specified in point (c) of paragraph 36 with regard to non-employees.

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

- 38.37.** The undertaking shall disclose the percentage gap in pay between its female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees.

¹ 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.

² 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.

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #3 in Table 3-III of Annex 1-I of Commission the-related Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Number of days lost to injuries, accidents, fatalities or illness").

39.38. The objective of this Disclosure Requirement is twofold: 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 and whether wide pay disparities exist.

40.39. The disclosure required by paragraph 37~~6~~ shall include:

- (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees⁴; the gender pay gap in between its female and male employees expressed as percentage. The gender pay gap is defined as the difference of average pay levels between female and male employees;
- (b) the annual total remuneration ratio of the highest paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)⁵.

41.40. The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph 39~~40~~ (a) by employee category and/or by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components.

42.41. In relation to paragraph 39~~40~~ (b), the undertaking may report this figure adjusted for purchasing power differences between countries, in which case it shall report the methodology used for the calculation.

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

43.42. The undertaking shall disclose the number of work-related incidents ~~and/or complaints~~ and severe human rights impacts within its own workforce, and any related material fines, sanctions or compensation for the reporting period.

44.43. The objective of this Disclosure Requirement is to allow an understanding of the extent to which work-related incidents and severe cases of human rights impacts are affecting its own workforce.

45.44. The disclosure required by paragraph 41 shall include, subject to the relevant privacy regulations, work-related incidents of discrimination 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 in the reporting period. This includes incidents of harassment as a specific form of discrimination.

46.45. The undertaking shall disclose:

- (a) the total number of incidents of discrimination, including harassment, reported in the reporting period⁶;

⁴ 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.

⁵ 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").

⁶ 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

- (b) the total amount of ~~material~~ fines, penalties, and compensation for damages as a result of the incidents ~~and complaints~~ disclosed above, and a reconciliation of such monetary amounts disclosed with the most relevant amount presented in the financial statements. If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements these monetary amounts can be found.

47.46. The undertaking shall disclose the following information regarding identified cases of severe human rights incidents (e.g., forced labour, human trafficking or child labour):

- (a) the number of severe human rights incidents 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 this⁷; and
- (b) the total amount of fines, penalties and compensation for damages for the issues and incidents described in (a) above, and a reconciliation ~~[TO BE DISCUSSED]~~ of the monetary amounts disclosed in the most relevant amount in the financial statements. If it is not possible to provide a reconciliation after making reasonable efforts to do so, the undertaking shall provide an explanation of where in the financial statements these monetary amounts can be found.

Disclosure Requirement S1-10 – Diversity metrics

48.47. The undertaking shall disclose the gender distribution at top management and the percentage of its ~~own~~ employees with disabilities.

49.48. 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.

50.49. The undertaking shall disclose:

- (a) the gender distribution in number and percentage at top management level ~~amongst its employees~~; and,
- (b) the percentage of persons with disabilities amongst its employees subject to legal restrictions on the collection of data.

Voluntary Disclosure S1-11 – Work-life balance metrics

51.50. The undertaking may disclose the extent to which employees are entitled to and make use of family-related leave.

the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Incidents of discrimination").

⁷ 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.

52.51. The objective of this Disclosure Requirement is to provide an understanding of the entitlement and actual practices amongst the employees to take family-related leave in a gender equitable manner, as it is one of the dimensions of work-life balance.

53.52. The undertaking may disclose:

- (a) the percentage of employees entitled to take family-related leave; and
- (b) the percentage of entitled employees that took family-related leave, and a breakdown by gender.

54.53. If all of the undertaking's employees are entitled to family-related leave through social policy and/or collective bargaining agreements, it is sufficient to disclose this in order to meet the requirement of paragraph 523 (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.

Objective

Own workforce

~~AR 1. In addition to the issues listed in paragraph 3 (a) [TO UPDATE IN FINAL VERSION], the undertaking may also consider disclosing information about other issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of its own workforce during a pandemic.~~

~~AR 2.~~ **AR 1.** Examples of how the undertaking's impacts in the relation to sustainability matters, as well as the undertaking's and dependencies on the specific stakeholder groups, can create material risks for the undertaking, are: For instance, on the matter of equal opportunities, discrimination in hiring and promotion against women can reduce the undertaking's access to qualified labour and harm its reputation; negative impacts on value chain workers may disrupt the undertaking's operations (through customers refusing to buy its products or state agencies impounding its goods) and harm its reputation; negative relationships with affected communities may disrupt the undertaking's own operations or harm its reputation; negative impacts on the reputation of the undertaking's products and/or services can deteriorate its business performance.

~~AR 3.~~ **AR 2.** The overview of social matters provided in paragraph 3 (a) is not meant to imply that all of these issues should be reported on in each Disclosure Requirement in this [draft] Standard. Rather, they provide a list of matters derived from the CSRD that undertakings shall consider for the ESRS 2 materiality assessment related to own workforce and, subsequently, report as material impacts and risks within the scope of this [draft] Standard.

~~AR 4.~~ **AR 3.** Examples of people that fall within the scope of "Own workforce 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')

Value chain workers

~~AR 5. The undertaking may highlight special issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of workers in the value chain during a pandemic.~~

~~AR 6-AR 4.~~ The overview of social and human rights matters provided in paragraph 4 (a) is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 *Double materiality as the basis for sustainability disclosures* and ESRS 2 IRO-1) related to workers in the value chain and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.

~~AR 7-AR 5.~~ Examples of workers that fall within the scope of this [draft] Standard are:

- (a) workers of outsourced services working in the workplace of the undertaking (e.g., third party catering or security workers);
- (b) workers of a supplier contracted by the undertaking who work on the supplier's premises using the supplier's work methods;
- (c) workers for a 'downstream' entity which purchases goods or services from the undertaking;
- (d) workers of an equipment supplier to the undertaking who, at a workplace controlled by the undertaking, perform regular maintenance on the supplier's equipment (e.g., photocopier) as stipulated in the contract between the equipment supplier and the undertaking; and
- (e) workers deeper in the supply chain who are extracting commodities that are then processed into components that go in the undertaking's products.

Affected communities

~~AR 8-AR 6.~~ The overview of social and human rights matters provided in paragraph 5 is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this [draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 *Double materiality as the basis for sustainability disclosures* and ESRS 2 IR-1) related to affected communities and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.

~~AR 9. The undertaking may highlight special issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the impacts on communities related to the undertaking's operations due to extreme and sudden weather conditions.~~

Consumers and end-users

~~AR 10. The undertaking may highlight special issues relevant to a material impact for a shorter period of time, for instance initiatives regarding the health and safety of consumers and/or end-users in relation to contamination of a product or severe breach of privacy due to a massive data leak.~~

~~AR 11-AR 7.~~ The overview of social and human rights matters provided in paragraph 6 is not meant to imply that all of these issues should be disclosed in each Disclosure Requirement in this

[draft] Standard. Rather, it provides a list of matters that the undertaking shall consider in its materiality assessment (ref. to ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosures and ESRS 2 IRO-1) related to consumers and/or end-users and, subsequently, disclose as material impacts and risks within the scope of this [draft] Standard.

Metrics and targets for Own workforce

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

~~AR-12-AR 8.~~ This Disclosure Requirement covers all employees who perform work for any of the undertaking’s entities included in its sustainability reporting.

~~AR-13.~~ **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 workers’ representatives, both in the EU labour law acquis (for example, the European Works Councils Directive and the Information and Consultation Directive) and in national law (for example, rights to establish a works council or to have board level employee representation). Providing a breakdown of employees by gender and type of employment relationship gives insight into gender representation across the undertaking.**

~~AR-14-AR 9.~~ The undertaking shall disclose the requested disclosures in the following tabular formats:

~~AR-15-AR 10.~~ 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-16-AR 11.~~ 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. However, if the undertaking is disclosing data about employees where this is not possible, it may explain this and indicate that the “other” category is not applicable.

~~AR-17-AR 12.~~ Table 2: Template for presenting employee head count in countries **withwhere the undertaking has with**—at least 50 employees representing at least 10% of **the undertaking’s/sits** total number of employees

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

~~AR 18-AR 13.~~ 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 19-AR 14.~~ 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 shall 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 shall 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 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 20-AR 15.~~ The undertaking may provide an additional breakdown of the information disclosed as per paragraph 9 (b), by region.

~~AR 21-AR 16.~~ 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.

~~AR 22-AR 17.~~ Quantitative data, such as the number of temporary or part-time employees, is unlikely to be sufficient on its own. For example, a high proportion of temporary or part-time employees could indicate a lack of employment security for employees, but it could equally signal workplace flexibility when offered as a voluntary choice. For this reason, the undertaking **may disclose contextual information** to help information users interpret the data. The undertaking can explain the reasons for temporary employment. An example of such a reason is the recruitment of employees to undertake work on a temporary or seasonal project or event. Another example is the standard practice of offering a temporary contract (for example, six months) to new employees before an offer of permanent employment is made. The undertaking may also explain the reasons for non-guaranteed hours employment.

~~AR 23.~~ ~~Where data is not available for detailed information, the undertaking shall use an estimation [TO BE DISCUSSED] of the employee number or ratios, in accordance with Section I, and clearly identify where the use of estimates has taken place.~~

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

~~AR-24-AR 18.~~ 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. ~~This disclosure covers both individual contractors supplying labour to the undertaking (“self-employed people”) and workers provided by undertakings primarily engaged in “employment activities” (NACE Code N78).~~ 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; notwithstanding, the undertaking may state this fact when disclosing the information required by Disclosure Requirement ~~DR~~-S1-6 as contextual information as this information can be relevant for the users of the Sustainability Statement.

~~AR-25-AR 19.~~ 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’). Examples of value chain workers (and thus of workers not in the undertaking’s own workforce and reported under the scope of ESRS S2) 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-26.~~ ~~If the undertaking cannot report exact figures, it shall use estimates [TO BE DISCUSSED] according to the provisions in Section 1 to disclose the number of people in its own workforce who are not employees to the nearest ten or, where the number of people who are not employees is greater than 1,000, to the nearest 100, and explain this. In addition, it shall clearly identify the information that derives from actual data and estimates.~~

~~AR-27-AR 20.~~ 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.

~~AR-28-AR 21.~~ The information disclosed by the undertaking allows users to understand how the number of non-employees in the undertaking’s own workforce varies during the reporting period or compared to the previous reporting period (i.e., whether the numbers have increased or decreased). The undertaking may also disclose the reasons for the fluctuations. For example, 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 and social dialogue

Collective bargaining coverage

~~AR 29~~-AR 22. 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 30~~-AR 23. 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 means that if none of the employees are covered by a collective bargaining agreement, the percentage reported is zero. An employee in the undertaking's own workforce covered by more than one collective bargaining agreement only needs to be counted once.

~~AR 31~~-AR 24. This requirement is not aimed at obtaining the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members. Alternatively, the percentage of employees covered by collective bargaining agreements can be lower than the percentage of unionised employees. This may be the case when there are no collective bargaining agreements available or when the collective bargaining agreements do not cover all unionised employees.

Disclosure Requirement S1-4 – Adequate Wages

~~AR 32~~-AR 25. 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 33~~-AR 26. The adequate wage benchmark used for comparison with the lowest wage shall not be lower than:

- (a) in the EEA: the minimum wage set in accordance with Directive (EU) 2022/2041 of ~~19 October 2022~~ the European Parliament and of the Council⁸ on adequate minimum wages in the European Union; ~~and. In the period until Directive 2022/2041 enters into application, where 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 neighboring 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.~~

⁸ 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).

- (b) ~~outside of the EEA: any existing national or sub-national legislation based on an assessment of an adequate wage needed for a decent standard of living, or absent that, any national or sub-national minimum wage established by legislation or collective bargaining.~~
- ~~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) ('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 34-AR 27. In the period until Directive 2022/2041 enters into application, where 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 neighboring 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.~~

~~AR 35-AR 28. Directive (EU) 2022/2041 of 19 October 2022 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. For countries outside the EEA, any benchmark that meets the criteria set out by the Sustainable Trade Initiative (IDH) (Roadmap on Living Wages, A Platform to Secure Living Wages in Supply Chains) may be used, including applicable benchmarks aligned with the Anker methodology, or provided by the Wage Indicator Foundation or Fair Wage Network. For countries outside the EEA where there are different adequate wage benchmark figures for different sub-national regions, the applicable benchmarks shall be used.~~

Disclosure Requirement S1-5 – Social protection

~~AR 36-AR 29. Social protection refers to all the measures that provide access to health care and income support in cases of challenging life events such as the loss of a job, being sick and in need of medical care, giving birth and raising a child, or retiring and in need of a pension.~~

Disclosure Requirement S1-6 – Training and Skills Development metrics

~~AR 37-AR 30. To disclose the average required per paragraph 30 (a)2, 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 S1-16 shall be used.~~

Disclosure Requirement S1-7 – Health and safety metrics

~~AR 38-AR 31.~~ Fatalities may be reported separately for those resulting from work-related injuries and those resulting from work-related ill health.

Guidance on “work-related”

~~AR 39-AR 32.~~ Work-related injuries and work-related ill health arise from exposure to hazards at work. Notwithstanding, other types of incidents can occur that are not connected with the work itself. For example, the following incidents are generally not considered to be work related, unless otherwise specified in applicable national legislation:

- (a) a person in the workforce suffers a heart attack while at work that it is not connected with work;
- (b) a person in the workforce 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); and
- (c) a person in the workforce with epilepsy has a seizure at work that it is not connected with work.

~~AR 40-AR 33.~~ With regard to travelling for work purposes, 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 business (at the direction of the employer). If the undertaking is responsible for the transport commuting, incidents occurred while commuting are considered to be work-related. Nonetheless, incidents which arise during travel, outside of the undertaking’s responsibility (i.e. regular commuting to and from work), may be reported separately provided that the undertaking has such data available across the undertaking.

~~AR 41-AR 34.~~ With regard to working from home, injuries and ill health that occur when working from home are work-related, if the injury or ill health occurs while the person is performing work from home; and the injury or ill health is directly related to the performance of work rather than the general home environment or setting.

~~AR 42-AR 35.~~ With regard to mental illness, it is considered to be work related, if it has been notified voluntarily by the person concerned and it is supported by an opinion from a licensed healthcare professional with appropriate training and experience; and if such opinion states that the illness is work-related.

~~AR 43-AR 36.~~ 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 44-AR 37.~~ 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 45-AR 38.~~ In computing the rate of work-related injuries, the undertaking shall divide the respective number of cases by the number of total hours worked by people in its own workforce and multiplied by 1,000,000. Thereby, these rates represent the number of respective 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 a one-year timeframe. For comparability purposes a rate of-based on 1,000,000 hours worked shall be used also for undertakings with less than 500 people in the workforce.

~~AR 46-AR 39.~~ 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 47-AR 40.~~ 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 48-AR 41.~~ 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 49-AR 42.~~ In the context of this [draft] Standard, work-related musculoskeletal disorders are covered under work-related ill health (and not injuries).

~~AR 50.~~ The incidents to be disclosed in paragraph 63 relate to cases of work-related ill health notified to the undertaking or identified by the undertaking through medical surveillance, during the reporting period. The undertaking might be notified of cases of work-related ill health through reports by affected workers, compensation agencies, or healthcare professionals. The disclosure may include cases of work-related ill health that were detected during the reporting period among people who were formerly in the undertaking's workforce.

Guidance on the number of days lost

~~AR 51-AR 43.~~ The undertaking shall count the number of days lost as such that the first full day and last day of absence shall be included. Calendar days should be considered for the calculation, thus days on which the affected individual is not scheduled for work (for example, weekends, public holidays) will count as lost days.

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

Pay gap

~~AR 52-AR 44.~~ When compiling the information required under paragraph ~~86-39~~ (a) for the gap in pay between its female and male employees (also known as the “gender pay gap”) the undertaking shall use the following methodology:

- (a) include all employees’ gross hourly pay level; and
- (b) apply the following formula to calculate the gender pay gap:

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

~~AR 53-AR 45.~~ When disclosing the information required under paragraph ~~86-39~~ (a), the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). Information regarding how objective factors such as type of work and country of employment influence the gender pay gap may be reported.

~~AR 54-AR 46.~~ The measure of the undertaking's gender pay gap shall be reported for the current reporting period and, if reported in previous sustainability reports, for the previous two reporting periods.

Total remuneration Ratio

~~AR 55-AR 47.~~ When compiling the information required by paragraph ~~86-39~~ (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, ~~complaints~~ and severe human rights impacts

Discrimination incidents

~~AR 56-AR 48.~~ In addition to the information required by paragraphs 103 and 104, the undertaking may disclose the status of incidents and/or complaints and actions taken with reference to the following:

- (a) incidents reviewed by the undertaking;
- (b) remediation plans being implemented;
- (c) remediation plans that have been implemented, with results reviewed through routine internal management review processes; and
- (d) incidents no longer subject to action.

~~AR 57-AR 49.~~ If the undertaking compiles the information described in AR 105, it shall consider the following:

- (a) an incident is no longer subject to action if it is resolved, the case is completed, or no further action is required by the undertaking. For example, an incident for which no further action is required can include cases that are withdrawn or where the underlying circumstances that led to the incident no longer exist;
- (b) remedial action is directed toward the alleged harasser and the alleged victim. Remedial action toward the victim may include offering to pay his/her expenses for counselling sessions, offering the victim some paid time off, offering to reinstate sick/vacation days if the victim has incurred any expenses due to the harassment (such as having used sick or vacation days); and
- (c) remedial action toward the harasser may include giving the harasser a verbal and/or written warning, mandating anti-harassment counselling or sending the harasser to an appropriate seminar, harassment awareness and prevention training. A suspension without pay may also be an option. If the harasser has been disciplined earlier but his/her harassment does not cease, then more serious discipline may be required.

~~AR 58-AR 50.~~ Severe human rights incidents include instances of 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 59-AR 51.~~ In preparing the disclosure on gender at top management, the undertaking shall use the definition of top management as one and two levels below the administrative and supervisory bodies unless this concept has already been defined with the undertaking's operations and differs from the previous description. If this is the case, the undertaking can use its own definition for top management and disclose that fact and its own definition.

~~AR 60-AR 52.~~ When disclosing the information required regarding persons with disabilities, the undertaking shall provide any contextual information necessary to understand the data and how the data has been compiled (methodology). For example, information about the

impact of different legal definitions of persons with disabilities in the different countries in which the undertaking has operations.

~~AR-64-AR 53.~~ The undertaking may additionally disclose the distribution of employees by age group: under 30 years old, 30-50 years old; over 50 years old.

Voluntary Disclosure S1-11 – Work-life balance

~~AR-62-AR 54.~~ Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this [draft] Standard, these concepts are defined as:

- (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);
- (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;
- (c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;
- (d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.

~~AR-63-AR 55.~~ Employees entitled to family-related leave are those who are covered by regulations, organisational policies, agreements, contracts or collective bargaining agreements that contain family-related leave entitlements and have reported their entitlement to the undertaking or the undertaking is aware of the entitlement.

DRAFT

Appendix B.1: Application Requirements for Section 2 related disclosures

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce*. It supports the application of the requirements from Section 2 and has the same authority as the other parts of this [draft] Standard. It provides a non-exhaustive list of the factors to be considered by the undertaking when complying with Section 2 Disclosure SBM-2 *Interests and views of stakeholders* and Section 2 SBM-3 *Material impacts and risks and their interaction with strategy and business model(s)*. This appendix does not provide definitions of the terms mentioned below. All defined terms can be found in the Acronyms and Glossary of Terms.

Social and human rights matters	Non-exhaustive list of factors to consider in Materiality Assessment
Secure employment	% of employees with temporary contracts, ratio of non-employees to employees, social protection
Working time	% of employees with part time or zero-hour contracts, employee satisfaction with working time
Adequate wages	EU, national or local legal definitions of adequate wages, fair wages, and minimum wages
Social dialogue / existence of work councils / information, consultation and participation rights of workers	Extent of workplace, cross-border and board-level representation through trade unions and/or works councils
Freedom of association/Collective bargaining including the rate of workers covered by collective agreements	% of own workforce covered by collective bargaining agreements, work stoppages
Work-life balance	Family-related leave, flexible working hours, access to childcare
Health and safety	Coverage by H&S system, rate of fatalities, non-fatal accidents, work-related ill health , work days lost
Gender equality and equal pay for work of equal value	% of women in top management and workforce, male-female wage gap
Training and skills development	Amount and distribution of training, % of employees with regular performance and development reviews
The employment and inclusion of people with disabilities	% employment and accessibility measures for employees with disabilities
Measures against violence and harassment in the workplace	Prevalence of violence and harassment
Diversity	Representation of women and /or ethnic groups or minorities in own workforce. Age distribution in own workforce. Percentage of persons with disabilities within the own workforce.

Child labour	Type of operations and geographical areas at risk of child labour
Forced labour	Type of operations and geographical areas at risk of forced labour

DRAFT

Appendix B.2: Application Requirements for IR-3 on Policies related to own workforce

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of the requirements from Section 3 for Disclosure Requirement IR-3 for social and human rights matters with examples of disclosures:

Social and human rights matters	Examples of policies:
Secure employment	No-layoff policy, limits on renewing temporary contracts, employer provision of social protection where state provision is lacking
Working time	Limitations on overtime, long and split shifts, and night and weekend work, adequate lead time for scheduling
Adequate wages	Policy to ensure all people in own workforce receive an adequate wage
Social dialogue / existence of work councils / information, consultation and participation rights of workers	Policy to encourage institutions for social dialogue, regular information and consultation with worker representatives, consultation before final decisions on employment-related issues are reached
Freedom of association/Collective bargaining including the rate of workers covered by collective agreements	Non-interference in trade union formation and recruitment (including trade union access to undertakings), bargaining in good faith, recognition of, adequate time off for duties, facilities and dismissal protection for workers' representatives, no discrimination of trade union members and workers' representatives
Work-life balance	Provision of family leave, flexible working time, access to day care facilities for all workers
Health and safety	Coverage of all own workforce in H&S management system
Gender equality and equal pay for work of equal value	Policy for gender equality and equal pay for equal work
Training and skills development	Policy for enhancing skills and career prospects for employees
The employment and inclusion of people with disabilities	Policy for making workplaces accessible to persons with disabilities
Measures against violence and harassment in the workplace	Zero tolerance policy for violence and harassment at workplace
Diversity	Policy for inclusiveness (i.e. ethnic diversity or minority groups) and positive action.
Child labour	Policy for identifying where child labour occurs, identifying where exposure of young workers to hazardous work occurs and preventing risk of exposure

Forced labour

Policy for identifying where forced labour occurs and reducing risk of forced labour

DRAFT

Appendix B.3: Application Requirements for IR-4 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

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of the requirements for Section 3 Disclosure Requirement IR-4 for social and human rights matters with examples of disclosures:

Social and human rights matters	Examples of actions:
Secure employment	Offer permanent contracts to employees with temporary contracts, implement plans for social protection where state provision is lacking
Working time	Shift work rotation, extend advance notice of scheduling, reduction of excessive overtime
Adequate wages	Negotiation of fair wages in collective bargaining agreements, verification that employment agencies pay a fair wage
Social dialogue / existence of work councils / information, consultation and participation rights of workers	Expansion of sustainability issues dealt with in social dialogue, increase in number of meetings, increase in resources for works councils
Freedom of association/Collective bargaining including the rate of workers covered by collective agreements	Expansion of sustainability issues dealt with in collective bargaining, increase in resources for workers' representatives
Work-life balance	Expand family leave eligibility and flexible working time arrangements, increasing provision of day care
Health and safety	Increase health & safety training, investment in safer equipment
Gender equality and equal pay for work of equal value	Targeted recruitment and promotion of women, reduction in pay gap through negotiation of collective bargaining agreements
Training and skills development	Skills audits, training to fill skills gaps
The employment and inclusion of people with disabilities	Increasing accessibility measures
Measures against violence and harassment in the workplace	Improving complaint mechanisms, increasing sanctions against violence and harassment, providing training for prevention to management
Diversity	Training on diversity and inclusion (including ethnicity considerations), targeted recruitment of underrepresented groups

Child labour	Age verification measures, partnerships with organizations to eliminate child labour, measures against worst forms of child labour
Forced labour	Measures ensuring free consent to employment without threat of penalty, contracts in understandable language, freedom to terminate employment without penalty, disciplinary measures should not obligate labour, free consent to overtime, freedom of movement (including to exit workplace), fair treatment for migrant workers, monitoring employment agencies

DRAFT

Appendix B.4: Application Requirements for Voluntary Disclosure IR-5 Targets related to managing material negative impacts and material risks

This appendix is an integral part of the [draft] Section 5 – Social Disclosures related to S1 *Own workforce* and has the same authority as the other parts of this [draft] Standard. It supports the application of the requirements for Section 3 Disclosure IR-5 for social and human rights matters with examples of disclosures:

Social and human rights matters	Examples of targets:
Secure employment	Increasing the % of workforce with employment contracts (especially permanent contracts) and social protection
Working time	Increasing the % of workforce with flexible working time arrangements
Adequate wages	Ensuring that all people in own workforce receive an adequate wage
Social dialogue / existence of work councils / information, consultation and participation rights of workers	Extending social dialogue to more establishments and/or countries
Freedom of association/Collective bargaining including the rate of workers covered by collective agreements	Increasing the % of own workforce covered by collective bargaining, negotiating collective bargaining agreements over sustainability issues
Work-life balance	Extending work-live measures to a greater % of own workforce
Health and safety	Reducing the rate of injuries and worktime lost due to injuries
Gender equality and equal work for equal pay	Increasing the % of women in the workforce and top management, reducing the male-female wage gap
Training and skills development	Increasing the % of employees receiving training and regular skills development reviews
The employment and inclusion of people with disabilities	Increasing the % of persons with disabilities in own workforce
Measures against violence and harassment in the workplace	Extending measures to all workplaces
Diversity	Increasing the % of underrepresented groups in own workforce and top management
Child labour	Extending measures for preventing exposure of young persons to hazardous work to a greater % of operations

Forced labour

Extending measures for preventing forced labour to a greater number of operations

DRAFT

DK
EFT



EFRAG is co-funded by the European Union and EEA and EFTA countries. The contents of the documents are however the sole responsibility of the EFRAG PTF- ESRS and do not necessarily reflect those of the European Union or the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). Neither the European Union nor DG FISMA can be held responsible for them.