

# Exposure Drafts ESRS Social

EFRAG & DASB (RJ) Outreach Event

15 June 2022





## ESRS Social in the overall ESRS structure

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# ESRS E in the overall ESRS structure

## CROSS-CUTTING STANDARDS

**ESRS 1**  
General Principles

**ESRS 2**  
General, strategy, governance and materiality  
assessment disclosure requirements

## ENVIRONMENT

**ESRS E1**  
Climate change

**ESRS E2**  
Pollution

**ESRS E3**  
Water and marine  
resources

**ESRS E4**  
Biodiversity and  
ecosystems

**ESRS E5**  
Resource use and  
circular economy

## SOCIAL

**ESRS S1**  
Own workforce

**ESRS S2**  
Workers in the value  
chain

**ESRS S3**  
Affected communities

**ESRS S4**  
Consumers and end-  
users

## GOVERNANCE

**ESRS G1**  
Governance, risk management and internal controls

**ESRS G2**  
Business conduct

## APPENDICES

**Appendix I**  
Navigating  
the ESRS

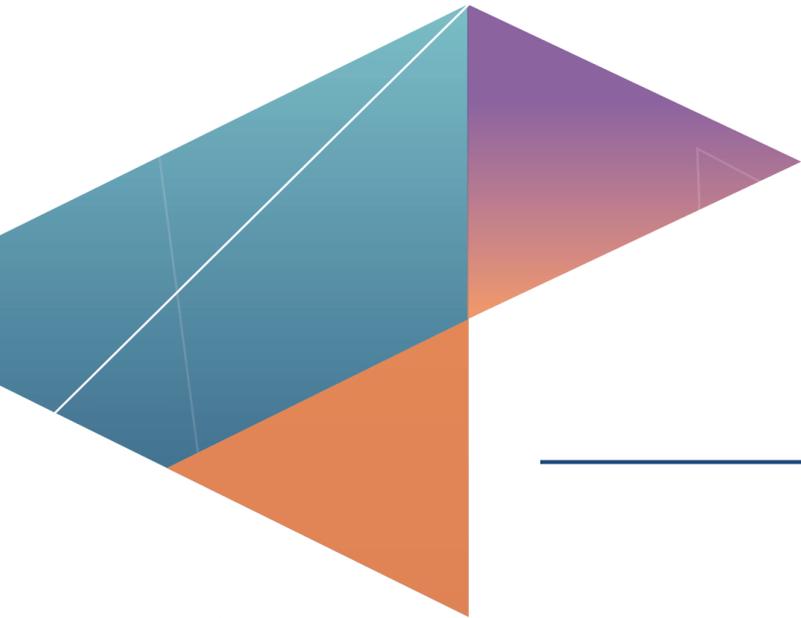
**Appendix II**  
CSRD  
Requirements

**Appendix III**  
SFDR Adverse  
Impacts in  
the ESRS

**Appendix IV**  
TCFD and  
ESRS  
reconciliation  
table

**Appendix V**  
IFRS S1+2 /  
ESRS  
reconciliation  
table

**Appendix VI**  
Acronyms and  
glossary  
terms



## **Social:**

S1 Own workforce

S2 Workers in the value chain

S3 Affected communities

S4 Consumers and end-users

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# [draft] CSRD Mandate on Social sustainability matters

## Background and methodology

### 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;

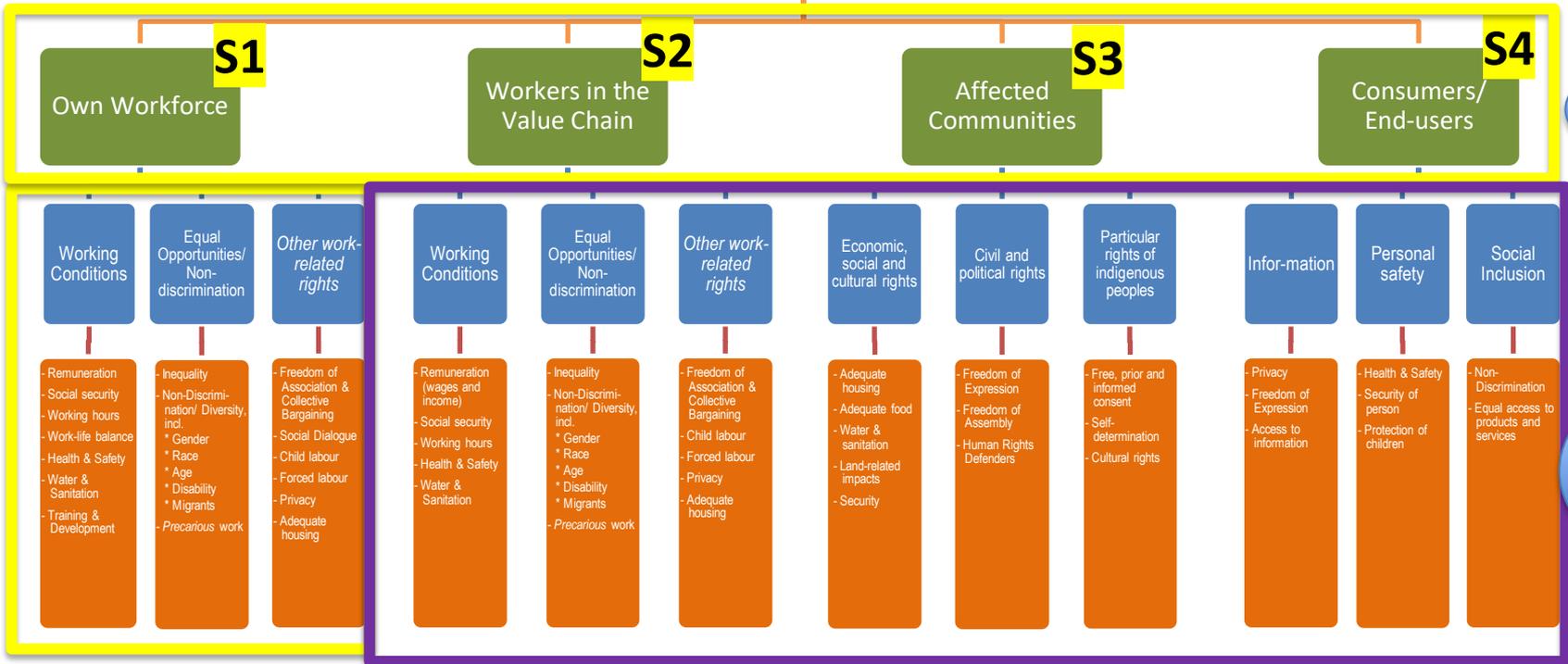
#### (iii) Respect for the human rights

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.”

# Social standards: Structure of the social pillar

- S1 Own Workforce
- S2 Workers in the value chain
- S3 Affected communities
- S4 Consumers and end-users

## Social



Standards developed in first set

Standards/disclosures to be developed in second set

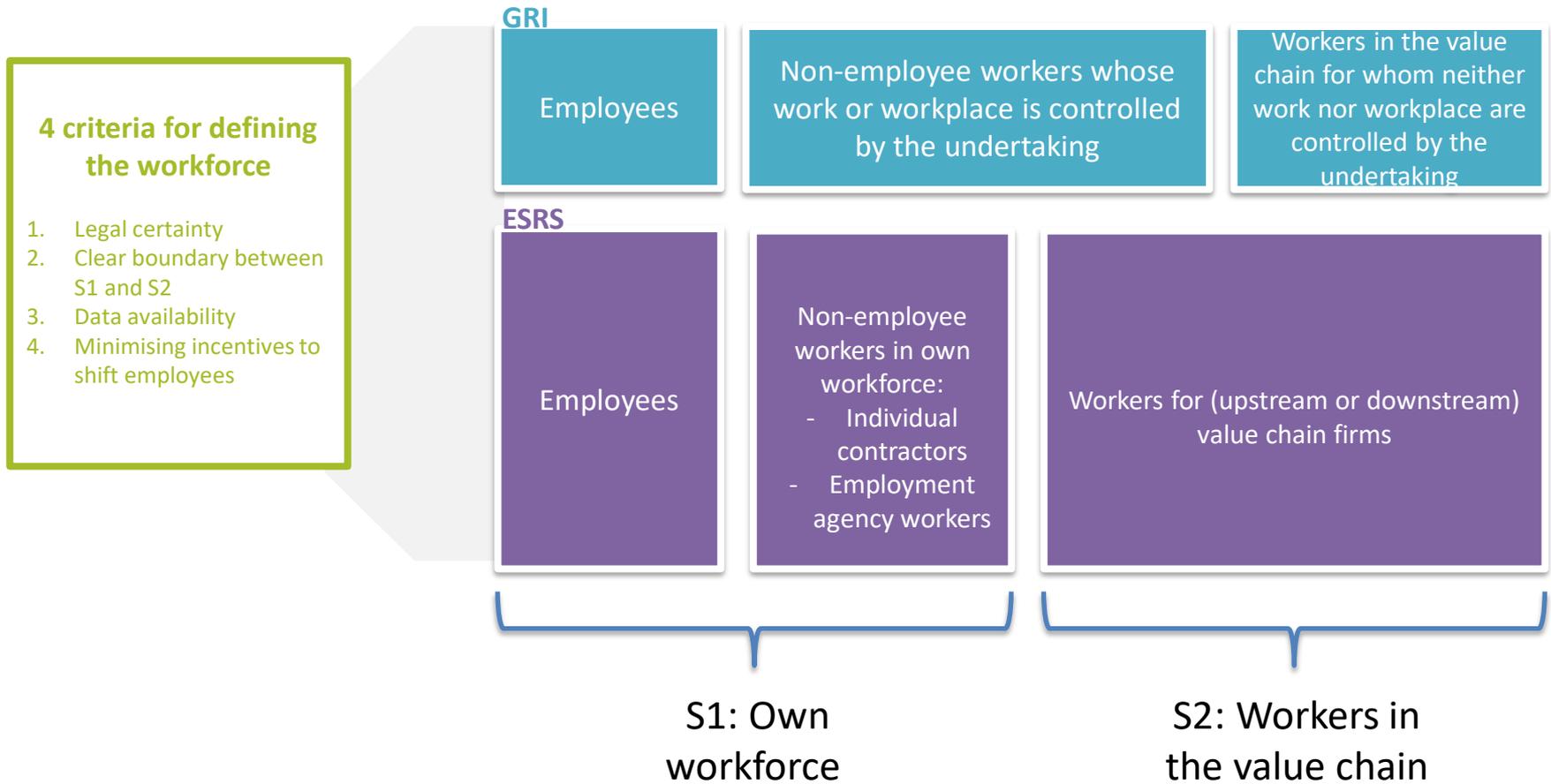
Topic

Sub-Topic

Sub-Sub-Topic

Specific issues / matters

# Social standards: Definition of workforce

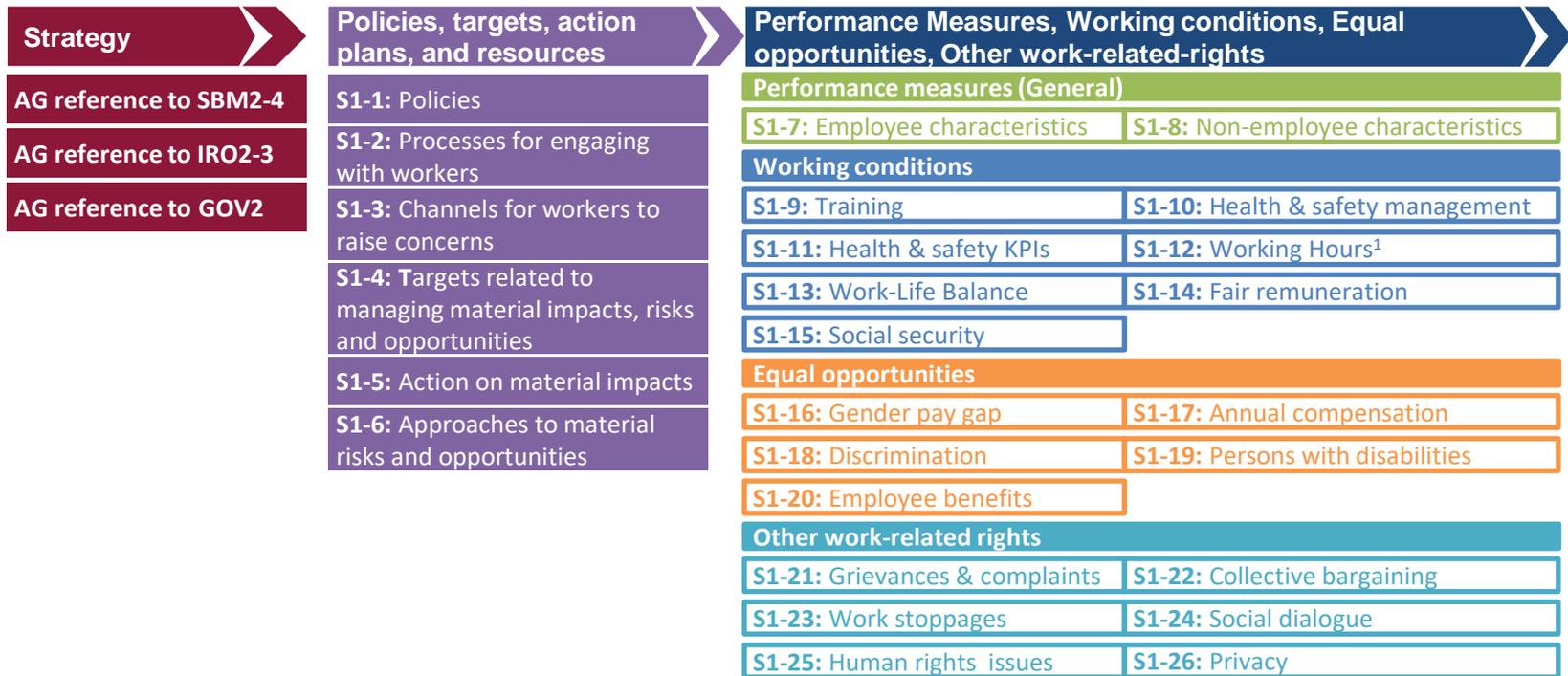


# S1 Own workforce: Overview (I/IV)



# S1 Own workforce: Overview (II/IV)

Standard Architecture



<sup>1</sup> *Optional Disclosure Requirement*

# S1 Own workforce: Overview (III/IV)

## Reference frameworks

STRATEGY (complemented by ESRS 2)	IMPLEMENTATION
<p>AG on ESRS 2-SBM2: Interaction between <b>material impacts, risks and opportunities</b> and the strategy and business model</p>	<p>DR S1-1: <b>Policies</b>, targets, action plans and resources</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM3: Workforce matters on people and the <b>adaptation</b> of its <b>strategy</b> and <b>business model(s)</b> to such material sustainability impacts</p>	<p>DR S1-2: <b>Processes</b> 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 <b>material risks</b> and <b>opportunities</b></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 <b>sector-agnostic</b> and <b>sector-specific</b> level ESRS</p>	<p>DR S1-4: Targets related to <b>managing</b> material negative impacts, <b>advancing</b> 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 <b>ESRS (entity-specific)</b> level</p>	<p>DR S1-5: Taking action on <b>material impacts</b> on own workforce and effectiveness of those actions</p> <p>OECD UNGP GRI</p>
<p>ESRS 2-GOV2: Information of <b>administrative, management</b> and <b>supervisory</b> bodies about sustainability matters</p>	<p>DR S1-6: <b>Approaches</b> 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

EPSR – European Pillar of Social Rights

SFDR – Sustainable Finance Disclosure Regulation

# S1 Own workforce: Overview (IV/IV)

## Reference frameworks

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

# S2-4 Workers in the value chain / Affected communities / Consumers and end-users: Overview

## STRATEGY (complemented by ESRS 2)

AG on ESRS 2-SBM2: Interaction between **material impacts, risks and opportunities** and the strategy and business model

AG on ESRS 2-SBM3: Workforce matters on people and the **adaptation** of its **strategy** and **business model(s)** to such material sustainability impacts

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**

SFDR

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

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)

## IMPLEMENTATION

DR S2-1: **Policies**, targets, action plans and resources GRI OECD UNGP SFDR

DR S2-2: **Processes for engaging** with own workers and workers' representatives about impacts GRI OECD UNGP

DR S2-3: **Channels** for own workers and workers' representatives to raise concerns SFDR UNGP

DR S2-4: **Targets** related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities GRI UNGP

DR S2-5: **Taking action** on material impacts on own workforce and effectiveness of those actions GRI OECD UNGP

DR S2-6: **Approaches to mitigating** material risks and pursuing material opportunities related to own workforce OECD UNGP

## PERFORMANCE MEASURES

### First set:

Focus on developing the disclosures that can be expected of **all entities** under the scope of the CSRD. These standards provide **high-level disclosures** regarding an undertaking's impacts on value chain workers / affected communities / consumers and end users and related risks and opportunities, when viewed in general across an undertaking's operations and upstream and downstream value chain.

### Subsequent standards:

Subsequent standards are expected to expand on these standards by providing more detailed disclosures in relation to the sub-topics and specific issues that would be identified as material through the **sector-specific** or **entity-specific** materiality determination, which will include actions to address specific impacts and risks, along with related targets and performance measures to cater for the diversity in value chains.

### SFDR/CSDDD structural alignment

Initiatives from the Platform for Sustainable Finance (incl. announced guidance on the Minimum Safeguards), as well as the proposal for an EU Corporate Sustainability Due Diligence Directive, were taken into consideration to ensure that the structure of the reporting would be compatible with upcoming developments in this area.

# Social standards: 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)



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

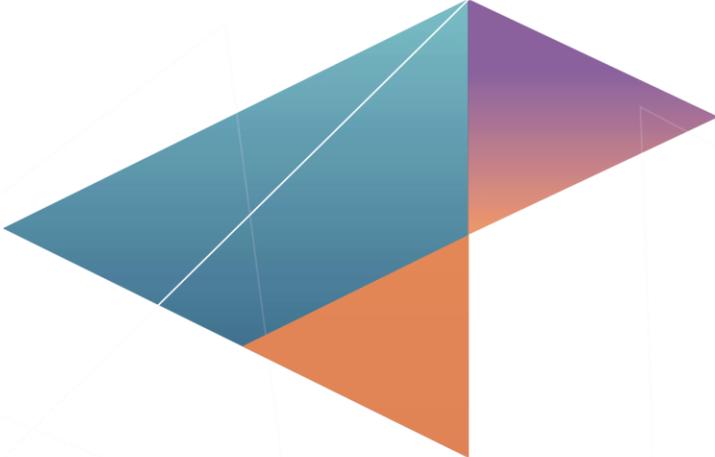


3. ESRS 1 on targets, progress and tracking effectiveness and ESRS S2 – DR 4: **track** performance



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

*Approach developed in co-construction with Shift*



## Polling questions to the audience

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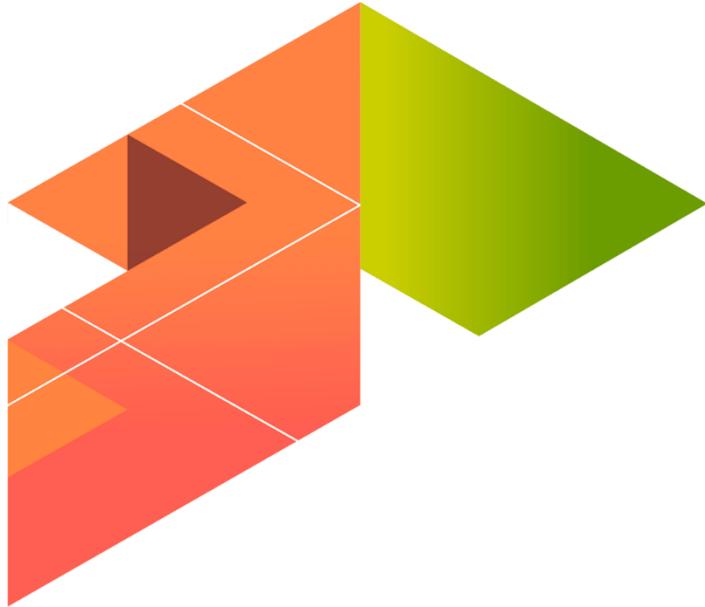
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