

 EXPOSURE DRAFT

ESRS S2

WORKERS IN THE
VALUE CHAIN

 JULY 2025

UNAPPROVED DRAFT

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Revised structure and drafting conventions

As compared to the ESRS Set 1 (Delegated Regulation (EU) 2023/2772 adopted by the European Commission in July 2023), the structure of the Standards has been revised and streamlined.

- All the ‘shall disclose/shall include/shall report/shall describe/shall explain’ are presented in the main body of the Standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement (‘DR’) in topical standards (or chapter for [Draft] Amended-ESRS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named ‘Application Requirements’ (‘ARs’). This includes ‘shall consider’ as element of methodology for preparing the disclosure, and ‘may (present)’ for presentation options—which does not represent voluntary disclosure but brings flexibility on how to present the disclosure.
- All the ‘may’ disclosures have been either eliminated or redrafted as application requirements (which do not include separate datapoints but methodology content).
- A minority of the deleted datapoints is gathered in a document named ‘Non-Mandatory Illustrative Guidance’ (‘NMIG’) and has been redrafted to fit this classification. While the content of ‘shall disclose’ datapoints in the main body of the standard and of application requirements are drafted to become part of the delegated act, the legal status of the NMIG (either as appendices in the Delegated Act or as document to be issued by EFRAG independently of the Delegated Act) will be considered by the European Commission (‘EC’) in due course. EFRAG recommends NMIG not to be part of the Delegated Act.
- The ESRS use several terms to indicate similar concepts: matters, topic, sub-topic, sub-sub-topic. In Amended ESRS ‘sub-subtopics’ have been eliminated. In addition, to simplify the content and eliminate one term (matter), the Standards only refer to topics and sub-topics. For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure. When used in this way, the bold italic format is used (topic), as this is a defined term. When used to express one of the 10 topics in Appendix A of [Draft] Amended ESRS 1, a normal font is used.
- The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the paragraph number of the 2023 Delegated Act is indicated in brackets—for example, ‘4. (24)’ or ‘4 (24 amended)’ in paragraph [Draft] Amended ESRS 1.

ESRS S2 – Workers in the Value Chain - V1

November 2025

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Objective

1. ~~When reporting in accordance with the ESRS, The~~ **sustainability statement** shall ~~cover~~**include** information in relation to ~~[Draft] Amended ESRS S2 Workers in the value chain, when if this topic~~ relates to material **impacts, risks** and **opportunities**. ~~The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions and targets (if in place), dependencies when relevant, metrics and financial effects cover the reporting areas listed in paragraph 5 of ESRS 1. When only one particular sub-topic prescribed by this Standard is material, paragraph 30 of ESRS 1 applies.~~
2. The objective of this Standard is to ~~specify Disclosure Requirements (‘DRs’)~~ **set out DRs providing information** in relation to the ~~items of information mentioned in paragraph 1 reporting areas referred above that are not covered in [Draft] Amended~~ **implement and complement the cross-cutting provisions of ESRS 1 General Requirements and ESRS 2 – It General Disclosures**. The objective of this **standard** is also to enable **users** ~~an understanding of to~~ **understand** the extent to which the undertaking 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 on Human Rights and the revised European Social Charter, the Charter of Fundamental Rights of the European Union.
 3. ~~When only one of the sub-topics covered by this Standard is material, the undertaking shall report only on that sub-topic.~~
3. ~~In this Standard, each DR is introduced by a disclosure objective, with the exception of policies, actions and targets, for which the provisions in ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.~~
4. This Standard sets out the DRs related to **workers in the value chain** ~~and~~, in particular, with respect to the following **sub-topics**:
 - (a) working conditions (~~including~~ **adequate wages, work-life balance**, working time, secure employment, **social protection**);
 - (b) **social dialogue**, freedom of association, works councils, participation rights of workers and **collective bargaining**;
 - (c) health and safety;
 - (d) **training** and skills development;
 - (e) diversity and **equal treatment** ~~and diversity~~ (~~including~~ gender equality, equal **pay** for equal work, employment and inclusion of people with disabilities, non-discrimination, anti-harassment); and
 - (f) other labour-related ~~to~~ human rights (~~including~~ **child labour, forced labour**, privacy, adequate housing and water and sanitation).
 5. ~~The undertaking shall apply the provisions of [Draft] Amended ESRS 2, paragraphs 29 to 32, and GDR-P, GDR-A, GDR-T and GDR-M. In particular:~~
 - (a) ~~if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact; and~~
 - (b) ~~the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative.~~
 6. ~~In this Standard, each DR is introduced by a disclosure objective, with the exception of policies, actions and targets, for which the provisions in~~

~~[Draft] Amended ESRS 2 GDR-P, GDR-A and GDR-T provide the necessary framing for the relevant disclosures.~~

- ~~75.~~ This Standard covers all workers in the undertaking's upstream and downstream **value chain** who are or can be materially impacted by the undertaking, ~~including. Such impacts that are may be~~ connected with the undertaking's own operations ~~and/or its~~ upstream and downstream value chain, ~~including through its. They include impacts connected to the undertaking's~~ products ~~or and~~ services, as well as through its **business relationships**. This ~~includes all standard covers~~ 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 as set out in 'ESRS S1 (people who are in an employment activities' relationship with the undertaking ('employees') and people who, for the purposes of ESRS reporting, are called non-employees in the undertaking's own workforce).~~
- ~~86.~~ Examples of workers who could fall within the scope of this 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 or workers for a 'downstream' entity which purchases goods or services from the undertaking;
 - (c) 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
 - (d) (AR 3 amended) workers deeper in the **supply chain** who are extracting commodities that are then processed into components that go in the undertaking's products.

Interaction with other topical ESRS

- ~~9.~~ The reporting under this Standard shall be consistent, coherent ~~7. Social~~ and, where relevant, clearly linked ~~environmental topics~~ closely interact with reporting on each other. The main points of interaction between ESRS S2 and the other topical standards are the following:
- (a) ~~All the social standards, i.e. ESRS S1 Own Workforce, ESRS S2 Workers in the value chain, ESRS S3 Affected Communities, ESRS S4 Consumers and End-Users, are aligned in terms of content and structure and are closely related to each other. ESRS S2 Workers in the value chain covers the same sub-topics as ESRS S1 Own Workforce for those workers in the upstream and downstream value chain that are not in the undertaking's own workforce under [Draft] Amended ESRS S1 Own workforce. The disclosures in the Social Standards address material information needed for reporting on impacts on people, risks and opportunities related to each stakeholder group, including in relation to sustainability due diligence.~~
 - (b) This Standard interacts with ESRS E1 *Climate change* to the extent that the transition to a climate-neutral economy is a source of impacts, risks and opportunities for ESRS S2 *Workers in the Value Chain*.

Disclosure Requirements

Impact, risk and opportunity management

*Disclosure Requirement S2-1 – Policies related to **workers in the value chain** ~~workers~~*

- ~~108.~~ (16 amended) The undertaking shall describe its **policies** for managing the material **impacts, risks** and **opportunities** related to **workers in the value chain** ~~workers~~ in accordance with ~~[Draft] Amended ESRS 2 GDR-P~~. It shall state whether these policies cover specific groups of **workers in the value chain** ~~workers~~ (e.g. particular age groups or workers in a particular factory or country) or all **workers in the value chain** ~~workers~~.

~~119.~~ (18 amended) The undertaking shall state whether its **policies** in relation to **workers in the value chain** ~~workers explicitly~~ address trafficking in human beings¹, **forced labour** or compulsory labour and **child labour**.

~~1210.~~ (18 amended) The undertaking shall also state whether it has a **supplier** code of conduct.²

APPLICATION REQUIREMENTS

AR 1 for para. 108 (Policies related to workers in the value chain workers)	(AR 16 amended) The channels means of communication the undertaking uses to communicate its policies to the individuals, groups of individuals or entities for whom they are relevant, either because they are expected to implement them (e.g. the undertaking's employees , contractors and suppliers), or because they have a direct interest in their implementation, are examples of policy aspects to disclose.
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Disclosure Requirement S2-2 – Engagement with workers in the value chain ~~workers~~, existence of channels for workers in the value chain ~~workers~~ to raise concerns or needs and approaches to remedy

~~1311.~~ (21 amended) The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with ~~value chain workers; in the value chain~~ **workers in the value chain**, including the availability of channels to raise concerns or **needs, such as grievance mechanisms**, and **approach to remedy**.

~~1412.~~ (22 amended) The undertaking shall disclose how it engages, as part of its ongoing due diligence process, directly with ~~workers in the value chain workers or~~ **workers in the value chain** ~~workers~~ or with **credible proxies**, and how the perspectives of its ~~workers in the value chain workers~~ **workers in the value chain** inform its decisions or activities aimed at managing the **actual** and **potential impacts** on **workers in the value chain** ~~workers~~ during the reporting year. This shall include ~~where relevant~~:

- (a) (23 amended) how ~~the undertaking~~ **the undertaking** gains insight into the perspectives of workers in the value chain who may be particularly vulnerable to **impacts** and/or are marginalised (for example, women workers, migrant workers, workers with disabilities); **if the undertaking takes action to understand those perspectives**; and
- (b) (~~2222d~~ amended) ~~where applicable~~, the **Global Framework Agreements ('GFA')** or other outcomes that the undertaking has reached with **workers in the value chain** ~~workers~~ **workers'** representatives related to the respect of human rights of **workers in the value chain** ~~workers~~, **if there are any such agreements or outcomes**.

~~15.~~ (~~2713.~~ (27b and d amended) The undertaking shall describe the channels available to **workers in the value chain** ~~workers~~ to bring their concerns or needs directly to ~~their~~ **their** attention and have them addressed. In particular, it shall state whether it has a **grievance mechanism in place**.³ It shall also explain how it assesses the effectiveness of these channels.

¹ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by Indicator #11 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of processes and measures for preventing trafficking in human beings').

² This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ('Lack of a supplier code of conduct').

³ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by Indicator #11 in Table I of

~~1614.~~ (27a amended) The undertaking shall describe its general approach to and processes ~~for providing to~~ ~~provide~~ or ~~contributing to remedy~~ *cooperate in remediation* where it has caused or contributed to a material negative *impact* on *workers in the value chain* ~~workers~~.

APPLICATION REQUIREMENTS

AR 2 for para. 1412 (Engagement)	(AR 18 amended) The Engagement with <i>workers in the value chain</i> workers can take different forms, such as information, consultation or participation, and occur at different frequencies.
AR 3 for para. 15 (Channels for raising concerns)	(AR 22 amended) Channels for raising concerns or needs are formal structures by the undertaking or a third party (for example, governments, NGOs or industry associations), including business relationships, with dedicated processes to which value chain workers can raise such concerns or needs. They include grievance mechanisms, hotlines, trade unions, works councils, dialogue processes, as well as, under certain circumstances, whistleblowing mechanisms. They can be channels provided by the undertaking itself or channels provided by the entities where the value chain workers are working, in addition to any other mechanisms it may use to gain insight into the management of impacts on workers, such as compliance audits.
AR 43 for para. 1513 (Grievance mechanism)	(AR 2827 amended) The ‘effectiveness criteria for non-judicial <i>grievance mechanisms</i> ’, as laid out in the UN Guiding Principles on Business and Human Rights, in particular principle 31, can be used for assessing the effectiveness of the channels. (28 amended) If the undertaking has <i>policies</i> for protecting individuals that use these channels against retaliation, and they are disclosed in [Draft] <i>Amended under DR</i> ESRS G1-1, it <i>the undertaking</i> may refer to that disclosure.
AR 5 for para. 16 (Remedy)	(AR 22 amended) ‘Processes’ for providing or contributing to remedy may also be used to respond to harms identified. Such processes typically include formalised steps or criteria that are followed to ensure that concerns, complaints or needs are adequately addressed, including, where relevant, providing or contributing to remedy for actual impacts. This can include channels to raise concerns or needs as reported under paragraph 15 if they are used for providing or contributing to remedy.

Disclosure Requirement S2-3 – Actions and resources related to *workers in the value chain* ~~workers~~

~~1715.~~ (31 amended) The undertaking shall describe the key *actions* and resources used to manage its material *positive and negative impacts, risks and opportunities* related to *workers in the value chain* ~~workers~~ in accordance with ~~[Draft]~~ *Amended* ESRS 2 GDR-A.

~~18.~~ (3216. (32a, b and d amended) In relation to material *negative impacts* ~~related to~~ *workers in the value chain* ~~workers~~, the undertaking shall describe:

- (a) key *actions* *to provide remediation* in relation to *actual material negative impacts* or taken, planned or underway, to prevent, and mitigate ~~and remediate potential~~ material negative impacts on *workers in the value chain* ~~workers~~, including its approach in situations where tensions

Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (‘Lack of processes and compliance mechanisms to monitor compliance with the UNGPs and the OECD Guidelines for Multinational Enterprises’).

arise between such actions and other business pressures (for example, in procurement or sales); and

- (b) how it tracks and assesses the effectiveness of these actions ~~and initiatives~~ in delivering outcomes for workers in the value chain ~~workers~~. This disclosure can be omitted if the undertaking discloses how it tracks the effectiveness of its actions in accordance with ~~[Draft] Amended~~ ESRS 2 GDR-T or GDR-M. In that case, a reference to that disclosure is sufficient.

~~1917.~~ (36 amended) Subject to the relevant privacy regulation, the undertaking shall ~~also~~ disclose ~~whether the~~ human rights incidents connected to workers in its upstream and downstream ~~the value chain~~ have been reported and, if applicable, disclose these identified in the reporting period.⁴

APPLICATION REQUIREMENTS

<p>AR 64 for para. 1816 (Key actions)</p>	<p>(AR 29 and AR 30 amended) The actions taken by the undertaking differ depending on its connection to the impact (causation, contribution, direct linkage), and how it has identified the actions as appropriate for addressing material impacts.</p> <p>This also applies to key actions to provide for, contribute to, or enable remedy in cases of actual negative impacts. Key actions to prevent, mitigate or remediate impacts encompass <u>include</u> the use of <u>different types of leverage</u> and/or collective actions taken through multistakeholder <u>multi-stakeholder</u> and/or industry initiatives.</p>
<p>AR 75 for para. 1816 (Climate transition)</p>	<p>(11c amended) The undertaking shall present its actions in a way that allows an understanding of the connections that exist between the interaction of different topics, in accordance with Chapters 3.2 and 9.1 of [Draft] Amended ESRS 1. This applies to measures taken to mitigate negative impacts on its <u>workers in the value chain</u> that arise from the transition to a greener, climate-neutral economy. In cases where <u>For example</u>, innovation and restructuring occur, this could <u>can</u> lead to mine closures or increased mining of minerals needed for the transition to a sustainable economy and solar panel production. Conversely, positive impacts may arise from initiatives such as updating purchasing practices, capacity building to or training <u>supply chain</u> workers. In addition, present <u>Other examples include</u> <u>current</u> and/or expected external developments that influence whether dependencies turn into risks for <u>that are sources of</u> just transition is another aspect that could lead to actions. <u>risks.</u></p>
<p>AR 6 for para 17 (Human rights incidents)</p>	<p>(NEW) The <u>human rights incidents</u> in scope for this disclosure are those that <u>relate to not respecting internationally recognised human rights as defined in CSRD Art. 29b (2) (b) (iii).</u> These incidents are understood as the <u>number of substantiated instances of:</u></p>

⁴ This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts, as set out by indicator #10 in Table I of Annex I, by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Violations of the UNGPs and the OECD Guidelines for Multinational Enterprises” and “Number of identified cases of severe human rights issues and incidents”), and the information needs of 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 II.

	<p>(a) judicial and non-judicial proceedings that have been initiated (such as cases before domestic courts and tribunals, mediation, complaints filed with the National Contact Points for OECD Multinational Enterprises); and/or</p> <p>(b) incidents registered by the undertaking, including those it identified through its internal processes.</p>
AR 7 for para. 17 (Human rights incidents)	(NEW) When applying the filter of information materiality (paragraph 23 of ESRS 1) to the information about incidents referred to under paragraph 17, the undertaking's assessment is primarily based on the severity of the impacts on its workers in the value chain .
AR 8 for para. 17 (Contextual information)	<p>(NEW) In accordance with GDR-M paragraph 49(c), to allow a proper understanding of the significant changes in performance, whether an increase in incidents being reported by or to the undertaking may reflect improvements in the effectiveness and availability of channels to raise concerns, including <i>grievance mechanisms</i>, can be provided as contextual information.</p> <p>In addition, it shall disclose the methodology it has used to compile the data on the incidents referred to in paragraph 17.</p>
AR 9 for para. 17 (Remedy or actions related to incidents disclosed)	(NEW) The way the undertaking has addressed or is addressing incidents referred to in paragraph 17 may be cross-referenced to paragraph 16.

Metrics and Targets

Disclosure Requirement S2-4 – Targets related to **workers in the value chain workers**

~~2018.~~ (41 amended) The undertaking shall disclose ~~the~~ qualitative and/or quantitative **targets** related to **workers in the value chain workers** in accordance with ~~{Draft} Amended~~ ESRS 2 GDR-T.

~~21.~~ (42 amended) When disclosing in accordance with ~~{Draft} Amended~~ ESRS 2 GDR-T, the undertaking shall disclose whether and how it has engaged directly with **workers in the value chain**, their legitimate representatives, or with ~~credible proxies~~ that have insight into their situation, for the purpose of ~~target~~ setting and/or tracking performance against those targets.

APPLICATION REQUIREMENTS

AR 810 for para. 21-18 (Tracking performance against targets)	<p>In the context of tracking the undertaking's performance against targets, (42b and c amended) Engagement with workers in the value chain, their legitimate representatives, or with credible proxies can inform its the undertaking's tracking and assessment of the effectiveness of its actions disclosed under paragraph 16(b), including the development of target-setting, metrics and/or tracking of performance against those targets.</p> <p>In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of its the undertaking's management of material negative impacts and the identification of lessons learnt or improvements.</p>
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