

 EXPOSURE DRAFT

# ESRS S2

WORKERS IN THE  
VALUE CHAIN

 JULY 2025

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## About EFRAG

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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-subtopic. 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 For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure.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.

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## Objective

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1. When reporting in accordance with the ESRS, the **sustainability statement** shall cover information in relation to [Draft] Amended ESRS S2 *Workers in the value chain*, when 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**.
2. The objective of this Standard is to specify Disclosure Requirements ('DRs') in relation to the items of information mentioned in paragraph 1 that are not covered in [Draft] Amended ESRS 2. It is also to enable **users** an understanding of 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.
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 (**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 (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 (**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.
7. 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 **impacts** that are connected with the undertaking's own operations and upstream and downstream **value chain**, including through its products or services, as well as through its **business relationships**. This includes all 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').
8. 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 and, where relevant, clearly linked with reporting on the undertaking's **own workforce** under [Draft] Amended ESRS S1 *Own workforce*.

## Disclosure Requirements

### Impact, risk and opportunity management

#### Disclosure Requirement S2-1 – Policies related to value chain workers

10. (16 amended) The undertaking shall describe its **policies** for managing the **material impacts, risks and opportunities** related to **value chain workers** in accordance with [Draft] Amended ESRS 2 GDR-P. It shall state whether these policies cover specific groups of value chain workers (e.g. particular age groups or workers in a particular factory or country) or all value chain workers.
11. (18 amended) The undertaking shall state whether its **policies** in relation to **value chain workers** explicitly address trafficking in human beings<sup>1</sup>, **forced labour** or compulsory labour and **child labour**.
12. (18 amended) The undertaking shall also state whether it has a **supplier** code of conduct.<sup>2</sup>

#### APPLICATION REQUIREMENTS

<p><b>AR 1 for para. 10</b></p> <p><b>(Policies related to value chain workers)</b></p>	<p>(AR 16 amended) The channels the undertaking uses to communicate its <b>policies</b> 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 <b>employees</b>, contractors and <b>suppliers</b>), or because they have a direct interest in their implementation, are examples of policy aspects to disclose.</p>
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#### Disclosure Requirement S2-2 – Engagement with value chain workers, existence of channels for value chain workers to raise concerns or needs and approaches to remedy

13. (21 amended) The objective of this DR is to enable an understanding of the undertaking's general approach to engagement with **value chain workers**, the use of channels to raise concerns or **grievance mechanisms** and **remedy**.
14. (22 amended) The undertaking shall disclose how it engages, as part of its ongoing due diligence process, directly with **value chain workers** or their legitimate representatives or with **credible proxies**, and how the perspectives of its value chain workers inform its decisions or activities aimed at managing

<sup>1</sup> 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').

<sup>2</sup> 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').

the **actual** and **potential impacts** on value chain workers during the reporting year. This shall include, where relevant:

- (a) (23 amended) how it 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); and
  - (b) (22 amended) where applicable, the **Global Framework Agreements ('GFA')** or other outcomes that the undertaking has reached with **value chain workers' representatives** related to the respect of human rights of value chain workers.
15. (27 amended) The undertaking shall describe the channels available to **value chain workers** to bring their concerns or needs directly to their attention and have them addressed. In particular, it shall state whether it has a **grievance mechanism**<sup>3</sup>. It shall also explain how it assesses the effectiveness of these channels.
16. (27a amended) The undertaking shall describe its general approach to and processes for providing or contributing to **remedy** where it has caused or contributed to a material negative **impact** on **value chain workers**.

#### APPLICATION REQUIREMENTS

<b>AR 2 for para. 14 (Engagement)</b>	(AR 18 amended) The engagement with <b>value chain workers</b> can take different forms such as information, consultation or participation, and occur at different frequencies.
<b>AR 3 for para. 15 (Channels for raising concerns)</b>	(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 <b>value chain workers</b> can raise such concerns or needs. They include <b>grievance mechanisms</b> , 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.
<b>AR 4 for para. 15 (Grievance mechanism)</b>	<p>(AR 28 amended) The 'effectiveness criteria for non-judicial <b>grievance mechanisms</b>', 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.</p> <p>If the undertaking has <b>policies</b> for protecting individuals that use these channels against retaliation and they are disclosed in [Draft] Amended ESRS G1-1, it may refer to that disclosure.</p>
<b>AR 5 for para. 16 (Remedy)</b>	(AR 22 amended) 'Processes' for providing or contributing to <b>remedy</b> 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 <b>actual impacts</b> . This can include channels to raise concerns or needs as reported under paragraph 15 if they are used for providing or contributing to remedy.

<sup>3</sup> 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 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').

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

17. (31 amended) The undertaking shall describe the key **actions** and resources used to manage its **material impacts, risks** and **opportunities** related to **value chain workers** in accordance with [Draft] Amended ESRS 2 GDR-A.
18. (32 amended) In relation to material **impacts** related to **value chain workers**, the undertaking shall describe:
- (a) key **actions** taken, planned or underway, to prevent, mitigate and remediate material negative **impacts** on **value chain workers**, including its approach in situations where tensions 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 **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.
19. (36 amended) Subject to the relevant privacy regulation, the undertaking shall also disclose whether human rights **incidents** connected to workers in its upstream and downstream **value chain** have been reported and, if applicable, disclose these.<sup>4</sup>

**APPLICATION REQUIREMENTS**

<p><b>AR 6 for para. 18</b> <b>(Key actions)</b></p>	<p>(AR 30 amended) The <b>actions</b> taken by the undertaking differ depending on its connection to the <b>impact</b> (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 <b>remedy</b> in cases of actual negative impacts. Key actions to prevent, mitigate or remediate impacts encompass the use of <b>leverage</b> and/or collective actions taken through multistakeholder and/or industry initiatives.</p>
<p><b>AR 7 for para. 18</b> <b>(Climate transition)</b></p>	<p>(11c amended) The undertaking shall present its <b>actions</b> in a way that allows an understanding of the connections that exist between the interaction of different <b>topics</b> in accordance with Chapters 3.2 and 9.1 of [Draft] Amended ESRS 1. This applies to measures taken to mitigate negative <b>impacts</b> on its <b>workers in the value chain</b> that arise from the transition to a greener, climate-neutral economy. In cases where innovation and restructuring occur, this could 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 <b>supply chain</b> workers. In addition, present and/or expected external developments that influence whether <b>dependencies</b> turn into <b>risks</b> for just transition is another aspect that could lead to actions.</p>

<sup>4</sup> 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.



## Metrics and Targets

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

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20. (41 amended) The undertaking shall disclose the qualitative and/or quantitative **targets** related to **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

<b>AR 8 for para. 21</b> <b>(Tracking performance against targets)</b>	In the context of tracking the undertaking's performance against <b>targets</b> , engagement with <b>workers in the value chain</b> , their legitimate <b>representatives</b> , or with <b>credible proxies</b> can inform its understanding of the effectiveness of its management of material negative <b>impacts</b> and the identification of lessons learnt or improvements.
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