

 EXPOSURE DRAFT

# ESRS S2

WORKERS IN THE  
VALUE CHAIN

 JULY 2025

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 For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure.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

## [Draft] ESRS S2 *Workers in the Value Chain*

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## Objective

1. ~~When reporting in accordance with the ESRS, the~~ 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~~ all the reporting areas listed in paragraph 5 of ESRS 1 General Requirements. If not all the sub-topics prescribed by this Standard are to be reported following the materiality assessment, paragraph 30 of ESRS 1 General Requirements applies.
2. The objective of this Standard is to ~~specify Disclosure Requirements ('DRs') in~~ 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.
3. In this Standard, each DR is introduced by a disclosure objective except for **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 DRs.
4. The objective of this Standard is also to enable ~~users~~ an understanding of the extent to which the undertaking aligns or complies with the international and European human rights instruments and conventions, including the International Bill of Human Rights;<sup>1</sup> the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises;<sup>2</sup> the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and ILO fundamental conventions;<sup>3</sup> the UN Convention on Persons with Disabilities;<sup>4</sup> the European Convention on Human Rights and ~~the revised European Social Charter;~~ and 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.~~
- 4.5. This Standard sets out the DRs related to **workers in the value chain** ~~and~~, in particular;<sup>5</sup> 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 work of equal ~~work~~value, 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.~~
- ~~7~~<sup>6</sup>. 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~~<sup>may be</sup> 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~~<sup>and</sup> services, as well as through its **business relationships**. This ~~includes all~~<sup>standard covers</sup> 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 Own Workforce** (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)).
- ~~8~~<sup>7</sup>. 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. for example,~~ 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~~<sup>of</sup> 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. for example,~~ 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~~<sup>8. Social</sup> and, ~~where relevant, clearly linked~~ **environmental topics** ~~interact with reporting on each other. The points of interaction between ESRS S2 Workers in the Value Chain 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 and ESRS S4 Consumers and End-users, are aligned in terms of content and structure and are 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 who 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 low-carbon and climate-resilient economy is a source of impacts, risks and opportunities for ESRS S2 Workers in the Value Chain; and~~
  - (c) ~~this Standard interacts with ESRS E2 Pollution to the extent that pollution can cause material negative impacts with regard to health and safety at the workplace.~~

## Disclosure Requirements

~~Impact, risk~~<sup>Impacts, risks</sup> and ~~opportunity~~<sup>opportunities</sup> management

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

- ~~10~~<sup>9</sup>. (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. (for example, particular age groups or workers in a particular factory or country) or all workers in the value chain-workers.~~

~~1110.~~ (18 amended) The undertaking shall state whether its **policies** in relation to workers in the value chain ~~workers explicitly~~ address trafficking in human beings<sup>1</sup>, **forced labour** or compulsory labour, and **child labour**.

~~1211.~~ (18 amended) The undertaking shall also state whether it has a **supplier** code of conduct.<sup>2</sup>

#### APPLICATION REQUIREMENTS

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| <p><b>AR 1 for para. <del>109</del></b></p> <p><b>(Policies related to <u>workers in the value chain</u> <del>workers</del>)</b></p> | <p>(AR 16 amended) <del>The channels</del> <u>Examples of policy aspects to disclose are the means of communication</u> 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 (<del>e.g. for example,</del> the undertaking's <b>employees</b>, contractors and <b>suppliers</b>), or because they have a direct interest in their implementation, <del>are examples of policy aspects to disclose. (for example, workers in the value chain, investors).</del></p> |
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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*

~~1312.~~ (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 use~~ value chain, including the availability of channels to raise concerns or needs such as grievance mechanisms, and its approach to remedy.

~~1413.~~ (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,~~ their **legitimate representatives** or with **credible proxies**, and how the perspectives of its workers in the value chain ~~workers~~ 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 ~~it~~ the undertaking gains insight into the perspectives of workers in the value chain who may be particularly vulnerable to impacts and/or who are marginalised (for example, women workers, migrant workers, workers with disabilities); ~~if the undertaking takes action to understand those perspectives;~~ and
- (b) (22(d) amended) ~~where applicable,~~ the **Global Framework Agreements ('GFA')** or other outcomes that the undertaking has reached with workers in the value chain ~~workers~~<sup>2</sup> representatives related to the respect of human rights of workers in the value chain ~~workers~~ if there are any such agreements or outcomes.

~~1514.~~ (27(b)(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~~ its attention and have them addressed.

<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').



In particular, it shall state whether it has a ***grievance mechanism in place***.<sup>3</sup> It shall also explain how it assesses the effectiveness of these channels.

~~16. (27a)~~ 15. (27(a) 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~~.

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| <b>AR 2 for para. <del>14</del><u>13</u></b><br>(Engagement)                      | (AR 18 amended) <del>The</del> Engagement with <u><i>workers in the value chain</i></u> <del>workers</del> can take different forms, such as information <u><i>sessions</i></u> , consultation or participation, and <del>occur</del> <u><i>take place</i></u> at different <del>frequencies</del> <u><i>intervals</i></u> .   |
| <b>AR 3 for para. 15</b><br>(Channels for raising concerns)                       | (AR 22 amended) <del>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.</del> |
| <b>AR <del>43</del> for para. <del>15</del><u>14</u></b><br>(Grievance mechanism) | (AR <del>28</del> <u>27</u> amended) The ‘effectiveness criteria for non-judicial <b><u><i>grievance mechanisms</i></u></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.<br><br>( <u>28 amended</u> ) If the undertaking has <b><u><i>policies</i></u></b> for protecting individuals that use these channels against retaliation, and they are disclosed <del>in [Draft]</del> <u>Amended under</u> ESRS G1-1, <del>it</del> <u>the undertaking</u> may refer to that disclosure.   |
| <b>AR 5 for para. 16</b><br>(Remedy)  | (AR 22 amended) ‘Processes’ for providing or contributing to <b><u><i>remedy</i></u></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><u><i>actual impacts</i></u></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.  |

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

~~17~~16. (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~~17. (32(a)(b)(d) amended) In relation to material ***negative impacts*** ~~related to~~ *on workers in the value chain* ~~workers~~, the undertaking shall describe:

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

<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’).

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 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.

~~19~~18. (36 amended) For the sub-topics assessed as material for this Standard, subject to the relevant privacy regulation, the undertaking shall ~~also~~ disclose ~~whether 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.~~<sup>4</sup>

#### APPLICATION REQUIREMENTS

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| <p><b>AR <del>64</del> for para. <del>18</del><u>17</u></b></p> <p><b>(Key actions)</b></p>        | <p>(<del>AR 29 and</del> 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 <u>DR</u> also applies to key actions to provide <del>for, contribute to, cooperate in</del>, or enable <del>remedy</del> <u>remediation</u> in cases of actual negative impacts. Key actions to prevent, mitigate or remediate impacts <del>encompass</del> <u>include</u> the use of <u>different types of leverage</u> <del>and/or</del> collective actions taken through <del>multistakeholder and/multi-stakeholder</del> or industry initiatives.</p>   |
| <p><b>AR <del>75</del> for para. <del>18</del><u>17</u></b></p> <p><b>(Climate transition)</b></p> | <p>(<del>11c</del><u>11(c)</u> amended) The undertaking shall present its <b>actions</b> in a way that allows an understanding of the connections that exist between <del>the interaction of</del> different <b>topics</b>, in accordance with Chapters 3.<del>23</del> and 9.1 of <del>[Draft] Amended</del> ESRS 1 <u>General Requirements</u>. 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 <del>greener, low-carbon and climate-neutral</del> <u>resilient</u> economy. <del>In cases where</del> <u>For example</u>, innovation and restructuring <del>occur, this could</del> <u>can</u> lead to mine closures or increased mining of minerals needed for the transition to a sustainable economy <del>and solar panel production</del>. Conversely, positive impacts may arise from initiatives such as updating purchasing practices, <del>capacity-building to or training</del> <u>supply chain</u> workers. <del>In addition, present</del> <u>Other examples include</u> <u>current</u> and/or expected external developments that influence <del>whether dependencies turn into risks for that are sources of</del> just transition <del>is another aspect that could lead to actions.</del> <u>risks</u>.</p> |
| <p><b>AR 6 for para 18</b></p> <p><b>(Human rights incidents)</b></p>                              | <p>(New) The <u>human rights incidents</u> in scope for this disclosure are those that relate to not respecting internationally recognised human rights as defined in CSRD Art. 29b (2) (b) (iii). These incidents are understood as the substantiated instances of:</p> <p><u>(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</u></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.

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|   | <u>(b) incidents registered by the undertaking, including those it identified through its internal processes.</u>   |
| <u>AR 7 for para. 18</u><br><u>(Human rights incidents)</u> | <u>(New) When applying the filter of information materiality (paragraph 23 of ESRS 1 General Requirements) to the information about incidents referred to under paragraph 18, the undertaking's assessment is primarily based on the severity of the <b>impacts</b> on its <b>workers in the value chain</b>.</u>   |
| <u>AR 8 for para. 18</u><br><u>(Human rights incidents)</u> | <u>(New) The undertaking is not expected to disclose a list of each <b>human rights incident</b>, and may aggregate the information provided, such as by relevant types of incidents and/or <b>workers in the value chain</b> affected.</u>   |
| <u>AR 9 for para. 18</u><br><u>(Cross-referencing)</u>      | <u>(New) If the undertaking considers that changes in <b>human rights incidents</b> are relevant for understanding the effectiveness and availability of <b>channels to raise concerns or needs</b>, including <b>grievance mechanisms</b>, it may cross-reference paragraph 18 and paragraph 14.</u><br><br><u>(New) The way the undertaking has addressed or is addressing human rights incidents may be cross-referenced to information disclosed in accordance with paragraph 17.</u> |

## Metrics and Targets

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

~~2019.~~ (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.

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| <u>AR <del>810</del> for para. <del>24-19</del></u><br><u>(Tracking performance against targets)</u> | <del>In the context of tracking the undertaking's performance against <b>targets</b>, (42(b)(c) amended)</del> Engagement with <b>workers in the value chain</b> , their <b>legitimate representatives</b> , or with <b>credible proxies</b> can inform <del>its</del> <u>the</u> undertaking's tracking and assessment of the effectiveness of its <b>actions</b> disclosed under paragraph 17(b), including the development of <b>metrics</b> , target-setting or tracking of performance against those metrics and <b>targets</b> .<br><br><u>In particular, in relation to the tracking of performance, such engagement can inform the understanding of the effectiveness of <del>its</del>the undertaking's management of material negative <b>impacts</b> and the identification of lessons learnt or improvements.</u> |
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