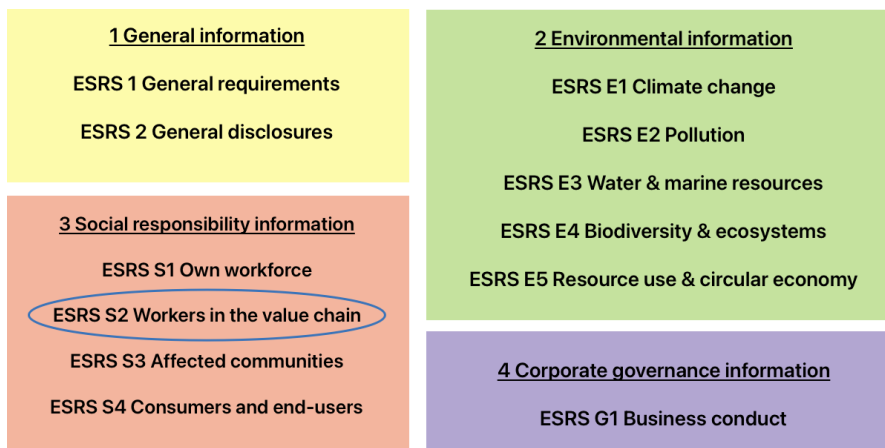




Workers in the value chain

This text is part of the series of brief articles that HållbarTillväxt AB has created to explain, simplify and explore the various steps that are currently most relevant in the area of sustainability; **CSRD** and **ESRS**. The ESRS consists of a total of 12 separate documents, 2 of which relate to general and comprehensive information (ESRS 1 and 2). The remaining 10, so-called topical standards, deal with various sustainability issues divided into **environment**, **social responsibility** and **corporate governance** – in English Environment, Social and Governance, abbreviated **ESG**. Fulfilment of the new requirements in CSRD and reporting according to ESRS is based on the involvement of all functions in a business, including the board and management. The board is ultimately responsible for sustainability reporting just as it is for financial reporting. Like the financial report, the sustainability report must now also be reviewed by an external auditor.



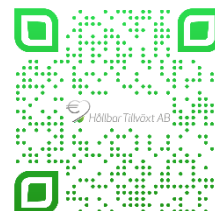
The purpose of the topical standard **ESRS S2 – Workers in the value chain** is to clarify what information the company must report regarding workers in the value chain. The standard provides instructions for how companies should identify, manage and report significant consequences, risks and opportunities for workers in the value chain that arise in connection with the company's own operations, upstream (e.g. with suppliers) or downstream (e.g. with customers). Companies must report which policies, actions, metrics and targets they have or will adopt to review and manage its impact on workers in the value chain. In addition, one is expected to give an account of, among other things, suppliers' and subcontractors' working conditions, working environment and wages, as well as the possibility of representation and dialogue with employers. To improve reporting and review processes, more extensive requirements will be needed for collecting information, verifying data, and reporting from actors in the value chain.

The standard ESRS S2 – *Workers in the value chain* is divided into three sub-topics that consist of different sustainability issues to be evaluated. All sustainability issues deal with different aspects of the workers in the value chain's working conditions. In the sub-topic **working conditions**, the sustainability issues of *secure employment, working times, adequate wages, social dialogue, freedom of association including the existence of works councils, collective bargaining, work-life balance and health and safety* are dealt with. The second sub-topic is **equal treatment and opportunities for all**, this includes the sustainability issues of *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*. In the last sub-topic, **other work-related rights**, the sustainability issues of *child labour, forced labour, adequate housing, water and sanitation and privacy* are dealt with.

What is included in the company's value chain?

The company's value chain includes all activities, resources and connections related to the business model and consists of actors both earlier (upstream) and later (downstream) in the value chain. This includes external operations that the company uses and relies on to create its products and/or services, from conception to delivery, consumption and end of life. This also includes raw material extraction, transport and recycling.

Workers in the value chain are people who perform work upstream and downstream in *the value chain*, regardless of the contractual relationship with the company. In the concept, workers who are



employed by another actor can also be included in the company's own operations. This applies, for example, to subcontractors' personnel. Reporting according to ESRS S2 includes all employees in the company's upstream and downstream value chain who are or may be significantly affected by the company but are not part of the company's own workforce.

Human rights and working conditions

Companies must ensure that human rights are respected throughout the value chain. Within ESRS S2, this means that the company is expected to follow various international standards such as the *UN's guiding principles for business and human rights*, *ILO (International Labour Organization) conventions*, *OECD (The Organization for Economic Co-operation and Development) guidelines for multinational companies* and *European Convention on Human Rights*.



Important aspects to report

- **Working conditions:** Fair and safe working conditions. Working hours, working environment and wages are dealt with here.
- **Non-discrimination:** Equal treatment regardless of gender, race, religion or other personal characteristics.
- **Right to freedom of association and union representation:** Opportunities for workers to organise and bargain collectively without fear of reprisals.
- **Training and development:** Information about training and development programs offered to workers in the value chain.
- **Child labour and forced labour:** Description of the measures that prevent and stop child labour and forced labour in the value chain.

To succeed with this reporting, systems are required to identify and manage work-related issues in the value chain, companies will need to maintain a regular and close dialogue with relevant stakeholders, including workers and their representatives. Grievance mechanisms and other forms of regular dialogue including follow-up and feedback of these are a good way to understand and follow up the conditions of workers and other stakeholders in the value chain. Companies must be transparent about how they track information regarding workers in the value chain and their working conditions in their reports.

Advice for companies prior to reporting according to ESRS S2

1. **Map the value chain:** Identify the different process steps in your value chain and which employees are involved in each step.
2. **Collaborate with suppliers:** Work closely with your suppliers to ensure and in some cases even help them comply with your sustainability requirements.
3. **Implement mechanisms for dialogue:** Create systems for a systematic and regular dialogue with the employees in your value chain. (This also needs to include a description of the complaint mechanisms that the company has implemented).
4. **Regular follow-up:** Be sure to follow up on any complaints or questions received.
5. **Educate and engage:** Educate both internal and external stakeholders about their rights and obligations. Ensure that the stakeholders who need the information receive and understand it. Explain what risks and opportunities exist so that people involved understand why this is being done.
6. **Use digital, scalable solutions:** Leverage digital tools to collect, sort, verify, analyse and save the data collected from the workers in your value chain.

