BDA German Employers.

Omnibus I Requires Greater Simplification: The Commission's Draft ESRS Revision Still Falls Short on Social Standards

- The Omnibus I legislative package establishes a clear political **mandate to simplify EU sustainability regulation** and strengthen competitiveness. The ESRS delegated act must now translate this mandate into tangible and measurable simplification.

- But, the ongoing revision of the ESRS is not far-reaching enough. The draft continues to impose disproportionate complexity and **falls short of delivering meaningful simplification promised under Omnibus I., in particular for social standards.**

- The Commission must uphold its political commitment to **reduce reporting obligations by at least 25%**. This must become visible in the structure, scope and volume of the ESRS, including social reporting.

- The delegated act must fully comply with **the limits of Art. 290 TFEU ("non-essential elements principle")** and **Art. 29b(1)(6) of CSRD**. This requires strict adherence to the CSRD mandate and avoidance of any expansion through new concepts, implicit obligations or excessive sub-subtopic proliferation.

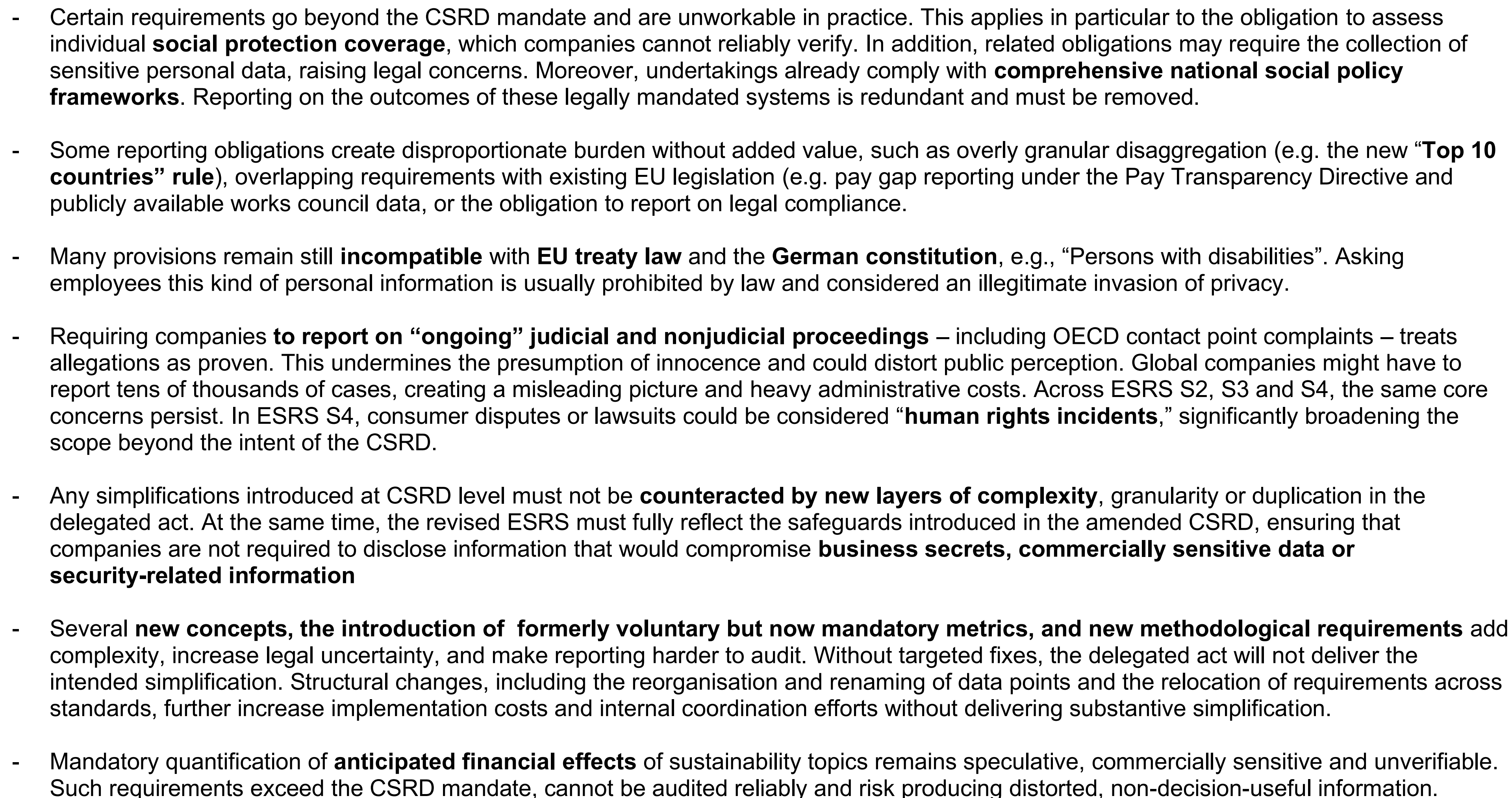
- **Social standards, in particular ESRS S1, remain overly complex and insufficiently simplified**. Social reporting obligations must remain firmly anchored in the CSRD's mandate, which limits the scope of social and human-rights reporting to the 24 factors explicitly listed in Article 29b(2)(b); expanding beyond these legally defined factors risks overstepping the directive and undermining proportionality

- EFRAG claims a 61% cut in mandatory data points. In reality, we estimate **only a 10–20% reduction in reporting effort** when measured by report length and scope. Most changes come from merging data points, eliminating duplicates, and removing items that required minimal effort – not from real simplification.

- .the current structure, including the new sub-subtopics in brackets and the themes reflected in the objective sections of social standards, expands the scope in practice and risks reintroducing excessive reporting obligations. The inclusion of topics such as "privacy" and "adequate housing" demonstrates this overreach and creates overlaps with existing EU and national legislation.

- Requirements on "adequate wages" and remuneration metrics are legally unclear and inconsistent. Definitions **of "pay", "wages" and "adequate wage"** are not aligned between the glossary, application requirements and disclosure provisions. They are also not coherent with the Pay Transparency Directive. At the same time, mandatory unadjusted indicators risk being misleading and not decision-useful. Moreover, In addition, emerging KPI concepts risk introducing a de facto shift towards **"living wage"** reporting, requiring entirely new data collection processes and exceeding the CSRD mandate.

- Key concepts are **duplicated** or inconsistently structured. For example, **maternity leave** is addressed both under social protection and work-life balance, leading to overlap, ambiguity and unnecessary reporting burden



- Certain requirements go beyond the CSRD mandate and are unworkable in practice. This applies in particular to the obligation to assess individual **social protection coverage**, which companies cannot reliably verify. In addition, related obligations may require the collection of sensitive personal data, raising legal concerns. Moreover, undertakings already comply with **comprehensive national social policy frameworks**. Reporting on the outcomes of these legally mandated systems is redundant and must be removed.

- Some reporting obligations create disproportionate burden without added value, such as overly granular disaggregation (e.g. the new "**Top 10 countries" rule**), overlapping requirements with existing EU legislation (e.g. pay gap reporting under the Pay Transparency Directive and publicly available works council data, or the obligation to report on legal compliance.

- Many provisions remain still **incompatible** with **EU treaty law** and the **German constitution**, e.g., "Persons with disabilities". Asking employees this kind of personal information is usually prohibited by law and considered an illegitimate invasion of privacy.

- Requiring companies **to report on "ongoing" judicial and nonjudicial proceedings** – including OECD contact point complaints – treats allegations as proven. This undermines the presumption of innocence and could distort public perception. Global companies might have to report tens of thousands of cases, creating a misleading picture and heavy administrative costs. Across ESRS S2, S3 and S4, the same core concerns persist. In ESRS S4, consumer disputes or lawsuits could be considered "**human rights incidents**," significantly broadening the scope beyond the intent of the CSRD.

- Any simplifications introduced at CSRD level must not be **counteracted by new layers of complexity**, granularity or duplication in the delegated act. At the same time, the revised ESRS must fully reflect the safeguards introduced in the amended CSRD, ensuring that companies are not required to disclose information that would compromise **business secrets, commercially sensitive data or security-related information**

- Several **new concepts, the introduction of formerly voluntary but now mandatory metrics, and new methodological requirements** add complexity, increase legal uncertainty, and make reporting harder to audit. Without targeted fixes, the delegated act will not deliver the intended simplification. Structural changes, including the reorganisation and renaming of data points and the relocation of requirements across standards, further increase implementation costs and internal coordination efforts without delivering substantive simplification.

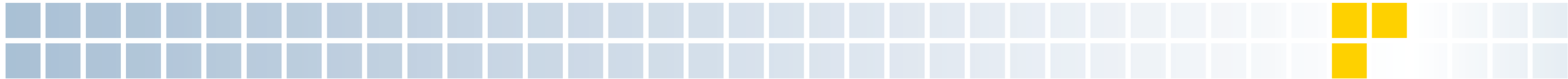
- Mandatory quantification of **anticipated financial effects** of sustainability topics remains speculative, commercially sensitive and unverifiable. Such requirements exceed the CSRD mandate, cannot be audited reliably and risk producing distorted, non-decision-useful information.

- The interaction between the **Double Materiality Assessment** and the new **Fair Presentation principle** risks creating disproportionate expectations for granular, geography-specific and site-level disclosures. In this context, adding civil society, NGOs and trade unions as "**proxies for stakeholders**" creates unrealistic expectations and goes beyond the purpose of sustainability reporting. In practice, these elements invite auditors to require a level of detail far beyond what is feasible, decision-useful or mandated by the CSRD.

BDA remains committed to constructively supporting the Commission's upcoming review and will continue engaging with national and EU institutions throughout the finalisation process **to deliver a substantial burden relief for companies**.

The following detailed comments focus on the **social standards**.

ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
Objective, Interaction with other topics ESRS, paras 1-9	- The revised wording removes the explicit inconsistency with the materiality principle contained in the EFRAG draft (i.e. the mandatory application of DR S1-5 and S1-6). However, this remains a largely formal correction and does not reduce reporting requirements or provide practical relief (para. 1–2). At the same time, the "Objective" section continues to include elements beyond a purely descriptive function, creating ambiguity as to whether narrative provisions may give rise to additional reporting expectations. - "Own workforce" disclosures remain dispersed across ESRS S1, ESRS 1 and ESRS 2 (in particular SBM-3 and IRO-2, para. 3), reducing clarity and increasing implementation complexity. In practice, overlapping reporting content across standards is unavoidable, making the expectation to avoid duplication unrealistic and incentivising over-compliance as companies seek to mitigate enforcement risks. - The structure also leads to fragmented reporting, as companies struggle to align general Policies, Actions and Targets (PAT) with the specific impacts, risks and opportunities (IROs) identified in ESRS S1. A more integrated and flexible approach, including topic-specific PAT disclosures where material, would improve coherence and usability. - The classification of "social protection" under "working conditions" (para. 6(a)) remains conceptually unclear, as it is primarily a state responsibility and not reflected as a corporate obligation under the CSRD, nor covered by the 24 social and human rights factors referenced in the directive. In addition, the breakdown of sub-sub-topics (SSTs), including the use of brackets, remains difficult to interpret, creating a risk of expanded reporting scope and inconsistent application.



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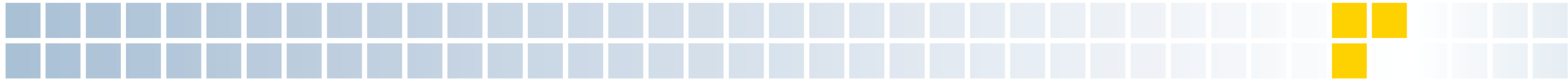
	- The inclusion of "privacy" and "adequate housing" (para. 6(f)) is not aligned with the CSRD. These concepts are neither included among the 24 social and human rights factors nor do they reflect corporate responsibilities in line with the directive. Privacy is already comprehensively regulated (e.g. GDPR), while adequate housing is a state obligation. Their placement in the Objective section without corresponding disclosure requirements further increases ambiguity regarding the scope of reporting obligations. - The inclusion of self-employed persons and agency workers in the scope of "own workforce" (para. 7–8) raises significant concerns regarding data availability, legal clarity and cross-border comparability. In practice, undertakings often lack reliable data on non-employees, particularly in third-party arrangements, leading to reporting inconsistencies and audit risks. - At the same time, the boundary between "own workforce" and "value chain" remains blurred in complex outsourcing arrangements. This creates legal uncertainty, risks of double reporting and potential co-employment implications. While the conceptual separation between ESRS S1 and ESRS S2 is sound, practical guidance on how to ensure coherent reporting across both is lacking. Clearer scoping and a risk-based approach are therefore required, reflecting the limited control and visibility undertakings have over third-party workforce.
DR S1-1, paras 10-11 **AR 1** **Policies related to own workforce**	- The revised drafting of DR S1-1 does not introduce any substantive changes compared to the EFRAG draft. The requirement to describe policies and indicate whether they apply to specific groups or the entire workforce remains unchanged. - Requiring undertakings to distinguish between "specific groups" and "all of its own workforce" is overly granular and not supported by the CSRD. The directive requires only information necessary to understand impacts, risks and opportunities; breaking this down by sub-groups goes beyond that objective and places a disproportionate burden on companies, particularly those with complex or international structures. The requirement also overlaps with disclosures under ESRS 2 GDR-P, increasing the risk of duplication and inconsistent reporting. - The obligation to disclose whether policies address trafficking in human beings, forced or compulsory labour, and child labour should be linked to the materiality assessment. Requiring such disclosure irrespective of materiality is disproportionate and not supported by the CSRD (Art. 5(4) TEU). In addition, requiring policies to "explicitly address" specific topics introduces unnecessary rigidity, as the CSRD does not prescribe specific wording.



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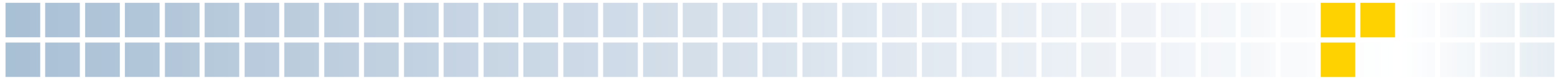
	- The reference to specific human rights risks such as "trafficking in human beings" increases the level of prescriptiveness in the standard. In practice, such risks are typically addressed within broader categories such as forced or compulsory labour rather than as distinct policy elements. Requiring separate and explicit coverage may therefore lead to inconsistent interpretation, as undertakings often address these risks without using identical terminology. To ensure legal clarity and comparability, the standard should clarify that coverage through broader human rights categories is sufficient and avoid prescriptive expectations regarding specific wording. - The application requirement to disclose how policies are communicated (AR 1) is overly prescriptive and should be removed. This element was excluded from ESRS 2 and reintroducing it at topical level creates inconsistencies and additional reporting burden.
DR S1-2, paras 12-15 **AR 2-3** **Engagement with own workforce and workers' representatives, existence of channels for own workforce to raise concerns or needs and approaches to remedy**	- The revised drafting of DR S1-2 contains no simplification compared to the EFRAG draft. The requirement to disclose channels and grievance mechanisms remains redundant, as these are already addressed in the Governance standard. The cross-reference to ESRS G1-1 (AR 3) constitutes a technical clarification rather than a substantive simplification. Overall, the standard remains overly detailed and should be streamlined to ensure clarity, proportionality and practical feasibility. - The requirement to disclose engagement with the undertaking's own workforce, including "vulnerable" or "marginalised" groups, lacks clear definitions and introduces a high degree of subjectivity (para. 13(a)). This risks inconsistent interpretation and undermines comparability. The CSRD does not require such granularity; disclosures should be limited to clearly defined, material engagement processes. - The obligation to describe grievance mechanisms and assess their effectiveness (para. 14; AR 3) is overly prescriptive and partly redundant. Such mechanisms are typically governed by specific legal and governance frameworks, and duplicating these requirements increases reporting burden and risks inconsistent reporting. The reference to the UN Guiding Principles further adds subjectivity, as these frameworks are not designed as reporting standards and should not be made de facto mandatory through disclosure requirements. - More broadly, the concept of "engagement" remains insufficiently bounded. References to grievance mechanisms and external frameworks may be interpreted as extending beyond channels under the undertaking's control, creating legal uncertainty, particularly where existing systems (e.g. whistleblowing mechanisms) serve distinct legal purposes.



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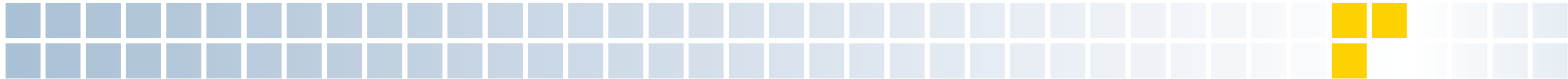
	- The requirement to report on Global Framework Agreements (para. 13(b)) should remain voluntary, as not all undertakings are party to such agreements.
DR S1-3, paras 16-17 **AR 4-5** **Actions and resources related to own workforce**	- The revised drafting of DR S1-3 does not introduce any simplification compared to the EFRAG draft. While minor clarifications have been introduced, including a cross-reference to ESRS 2 for tracking effectiveness, the scope and reporting burden remain unchanged (paras. 16–17). - The requirement to disclose “key actions and resources” (para. 16) remains overly broad and lacks clear boundaries. The CSRD does not require such detailed disclosure, in particular with regard to financial or human resources, which may involve commercially sensitive information. The absence of clear criteria for what constitutes “key actions” and “resources” risks inconsistent application and undermines comparability. Disclosure should therefore be strictly limited to material actions and avoid unnecessary granularity or duplication. - In particular, the introduction of “resources” as a new element in this disclosure requirement further increases conceptual inconsistency. While newly introduced at headline level, the term is not reflected in the underlying reporting logic or operationalised in the disclosure requirements. This creates uncertainty as to its scope, including whether financial, human or organisational resources are meant, and risks inconsistent interpretation. To ensure clarity and consistency, the standard should limit the requirement to “actions” only. - The obligation in para. 17(a) to describe actions taken, planned or underway, including in situations involving competing business pressures, partly duplicates the general requirement in para. 16 and further expands the scope beyond the CSRD. This introduces additional subjectivity and risks inconsistent and non-comparable reporting. The requirement should be streamlined to focus exclusively on “key actions” addressing material negative impacts. - The requirement to assess and report on the “effectiveness” of actions in delivering outcomes (para. 17(b)) is disproportionate and not feasible. In practice, it is not possible to establish a clear causal link between individual corporate actions and specific outcomes for employees, given the influence of external factors. While the cross-reference to ESRS 2 reduces duplication, the obligation itself goes beyond the CSRD’s focus on disclosing actions taken.



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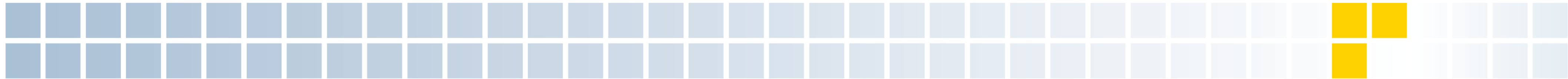
	- The application requirement referring to the use of "leverage" and collective action (AR 4) introduces a normative expectation that is neither defined nor supported by the CSRD. It does not adequately reflect business realities, in particular where undertakings have limited influence over external partners, and therefore creates legal uncertainty. The focus should remain on actions within the undertaking's direct control. - The revised drafting removes the explicit reference to "just transition" contained in earlier versions. However, the underlying logic remains reflected in the description of climate transition-related measures (AR 5). This may still create indirect expectations regarding how undertakings assess and report the social impacts of their climate strategy. Such assessments often involve forward-looking and strategically sensitive decisions, including restructuring or workforce planning. Introducing implicit reporting expectations in this area risks interfering with companies' ability to take independent strategic and operational decisions. To ensure legal clarity and proportionality, such implicit extensions beyond the CSRD mandate should be avoided.
DR S1-4, para 18 **AR 6** **Targets related to own workforce**	- The requirement is structurally redundant and substantively problematic, it should be deleted. It creates unnecessary complexity by placing a target-setting requirement in a topical standard that is already governed by the general standard, ESRS 2 GDR-T. - The requirement forces the disclosure of workforce-related targets that often constitute strategically sensitive information. Targets for skills, talent or restructuring are central to a company's competitive strategy. Public disclosure risks undermining a company's competitive position and interferes with its ability to take independent strategic decisions. - The application requirement (AR 6) goes beyond the CSRD by linking target-setting and performance tracking to workforce engagement. It prescriptively frames engagement as a tool to assess management effectiveness and identify "lessons learnt or improvements". These are core internal management and governance functions. Regulating how companies derive such insights constitutes a disproportionate intrusion into organisational autonomy. - At the same time, these requirements do not reflect the diversity of national systems of worker representation and co-determination. By imposing a uniform and detailed disclosure approach, the standard risks creating parallel expectations that may conflict with established national legal frameworks.



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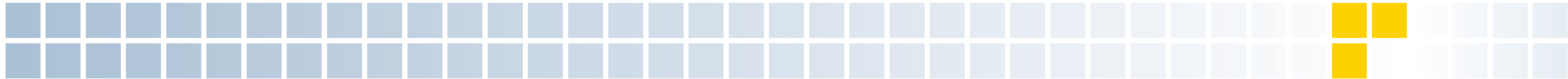
	- This constitutes an unjustified interference with both corporate governance and national competencies. The ESRS should not be used to harmonise labour relations indirectly. Target-setting should therefore be addressed exclusively under ESRS 2, with appropriate safeguards for commercially sensitive information.
DR S1-5, paras 19-20 **AR 7-11** **Characteristics of the undertaking's employees**	- The objective of this requirement to "provide insight into the undertaking's approach to employment practices" represents an overreach. A company's employment practices and its approach to employment security are core elements of its business model and HR strategy. The CSRD requires disclosure of material impacts, not a broad and undefined narrative on the undertaking's "approach", which risks forcing disclosure of commercially sensitive information. - The revised drafting does not introduce any simplification compared to the EFRAG draft. The requirement to disclose detailed workforce data, including breakdowns by contract type, gender and country, remains unchanged in substance and continues to create a disproportionate reporting burden. - In particular, the revised drafting elevates the disclosure of the "top 10 countries" with more than 50 employees to a distinct requirement (para. 20(b)), increasing its prominence and administrative burden without a clear justification under the CSRD. To ensure proportionality, the threshold for country reporting should revert to the previous, less burdensome rule, i.e. a 10% threshold of the workforce in a given country. - The categorisation of employees into "permanent", "temporary" and "non-guaranteed hours" employees relies on national definitions that differ significantly across Member States. Aggregating such non-comparable data into a single figure does not enhance comparability but instead produces results that are inherently inconsistent and of limited analytical value. - Similarly, the requirement to disclose employee turnover based on a single, standardised formula aggregates fundamentally different types of workforce changes, such as voluntary departures, dismissals, retirements and deaths. This approach lacks methodological robustness and risks producing misleading results, as it does not reflect the underlying drivers of workforce dynamics. - The requirement further lacks consistency in defining the relevant employee population. While the turnover calculation refers to "employees" (AR 11), related disclosures (para 20d) focus on "permanent employees", creating



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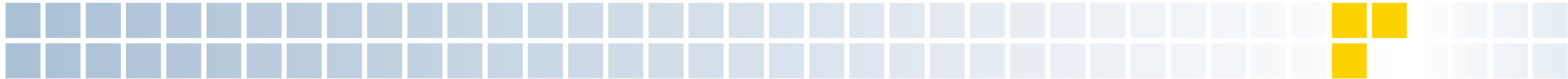
	ambiguity as to the appropriate scope. This inconsistency undermines comparability and risks divergent interpretations across undertakings. To ensure clarity and consistency, the standard should apply a uniform population definition across all workforce-related metrics or clearly justify any deviations. - The requirement also creates a disproportionate operational burden. For large, international undertakings, collecting and consolidating consistent employee data across multiple jurisdictions with different legal frameworks and HR systems is complex and often not feasible. This is further reflected in the permissive and non-specific language of the Application Requirements, which implicitly acknowledges the lack of a consistent methodology. - The prescribed tabular formats introduce additional legal and practical concerns. In particular, the requirement to include an "other" gender category is not compatible with all national legal frameworks, while the country-level templates further reinforce excessive granularity without improving the decision-usefulness of the information. - The revised wording also changes established presentation terminology (e.g. "not disclosed" / "not reported"), which may create unnecessary implementation adjustments in existing HR and reporting systems without improving clarity or decision-usefulness. Terminology should remain consistent across the ESRS.
DR S1-6, paras 21-22 **AR 12-13** **Characteristics of non-employees in the undertaking's own workforce**	- The Commission draft introduces only editorial changes to DR S1-6 and no simplification. It should be deleted. - The objective of providing an understanding of how much the undertaking "relies on non-employees" goes beyond the CSRD. A company's use of non-employees is a core element of its business model and resourcing strategy. Requiring disclosure of this reliance risks forcing companies to reveal sensitive operational and strategic information without a direct or necessary link to a material sustainability impact. - More fundamentally, treating non-employees as part of the undertaking's "own workforce" is legally and conceptually problematic. It disregards the clear contractual and legal distinction between employees, self-employed persons and workers supplied by third parties, and may create a misleading impression of a direct employment relationship. Any material impacts relating to such workers should therefore be addressed under ESRS S2 rather than under own workforce disclosures. - The requirement to disclose the total number of non-employees is also often not feasible in practice. Reporting undertakings frequently do not have direct access to the underlying personnel data of contractors or third-party agencies. This information is typically held by the contractual counterparty and may be subject to data protection



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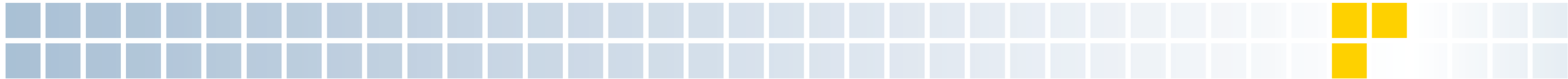
	limits and "need-to-know" restrictions. Requiring a specific number in such circumstances creates a disproportionate compliance burden without ensuring reliable or decision-useful information. - The materiality filter in AR 12 does not resolve these concerns. While it states that the DR applies only where non-employees are connected to material impacts, risks or opportunities, it uses broad and subjective concepts such as non-employees being "critical" to the business model or making up a "substantial proportion" of the workforce. This does not provide a clear or auditable threshold and therefore creates legal uncertainty. AR 12 in both the EFRAG and KOM texts ties applicability to material impacts, risks and opportunities and gives examples such as flexible labour, core processes and a substantial proportion of the workforce. - The approach in AR 12 also risks systematically over-reporting, as flexible labour arrangements are not an exception but a structural feature of many business models. Applying disclosure requirements based on such characteristics, rather than on clearly defined material risks or impacts, further undermines the proportionality and relevance of the standard. - The fallback to estimates in AR 13 is equally problematic. Unlike financial estimates, the number of non-employees is often not based on data within the undertaking's own systems or control. In such cases, any estimate would lack a reliable basis and risk creating a false impression of precision. The Commission draft continues to allow reporting either in headcount or FTE and permits estimates where exact figures are unavailable, without addressing the underlying accessibility problem.
DR S1-7, paras 23-25 **AR 14-16** **Collective bargaining coverage and social dialogue**	- The Commission draft introduces no simplification compared to the EFRAG draft. The requirement should be deleted. - This paragraph's objective is an overreach concerning the CSRD, as it disregards the diverse and legally established systems of labour relations across the EU. Social dialogue and collective bargaining are governed by specific national laws, with which undertakings are already required to comply. Requiring a standardised, separate disclosure on this topic is therefore redundant and offers no added value. It also overlaps with other disclosure requirements, in particular DR S1-2, which already covers how workers are engaged. - The requirement to disclose granular, country-level data is disproportionately burdensome and produces metrics that are not comparable across Member States. The role, legal definition and institutional structure of "workers'



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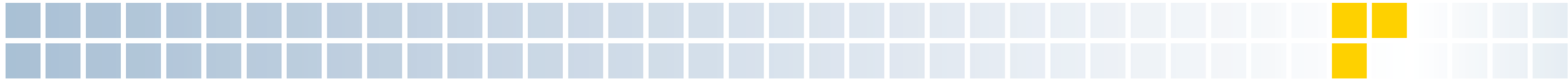
	representatives" and collective bargaining agreements differ significantly across national systems. As a result, the reported figures are of limited value for any meaningful cross-country or cross-company comparison. - The requirement regarding European Works Councils is equally redundant. The existence of these bodies is already governed by EU law and is generally a matter of public record. Requiring this information again under the ESRS does not improve decision-usefulness. - The application requirements reinforce these flaws. The formula for collective bargaining coverage creates a false sense of precision by applying a uniform calculation to legally distinct national concepts. It fails to capture important differences in practice, including in-house collective agreements or situations in which companies voluntarily apply the terms of an agreement without being formally bound by it. - The formula for worker representation is likewise methodologically flawed and legally imprecise. In Germany, for example, members of upper management ("Leitende Angestellte") are counted as employees in the denominator but are not represented by the works council. This shows that the calculation does not adequately reflect national legal frameworks and produces distorted results.
DR S1-8, paras 26-27 **AR 17** **Gender diversity in the top management**	- The Commission draft introduces no substantive simplification compared to the EFRAG draft. This disclosure requirement's objective is overly narrow and reductionist. It equates the broad concept of "diversity" with a single prescribed metric, namely "gender diversity at top management level". The CSRD, as well as the overall objective of the standard (para. 6(e)), refer to diversity in general terms and do not limit this concept to a specific dimension or organisational level. By narrowing the concept in this way, the standard introduces a prescriptive focus that is not explicitly required by the directive and is inconsistent with its broader framing. - This one-size-fits-all approach disregards the materiality principle. The aspects of diversity that are most material will differ significantly between undertakings and may include factors such as age, religion, disability, sexual orientation or ethnic background. Focusing exclusively on gender at top management level risks creating a distorted and incomplete picture of a company's actual diversity priorities and performance. - Forcing the disclosure of this specific metric is particularly problematic where diversity is identified as a material topic. It disproportionately elevates one dimension, implying a uniform hierarchy of relevance that may not reflect the



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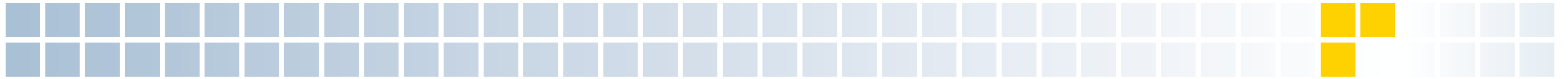
	company's specific context. This undermines the ability of undertakings to report on the diversity aspects that are genuinely material to their business. - The objective should therefore be replaced by a principles-based approach that enables an understanding of the undertaking's overall approach to diversity and inclusion. Undertakings should be allowed to report on the metrics they identify as material, with the metric presented as an optional example rather than a mandatory requirement.
DR S1-9, paras 28-29 **AR 18-20** **Adequate wages** **Table 2 – Glossary of terms defined in ESRS** "**Adequate Wage**"	- The Commission draft introduces no substantive simplification compared to the EFRAG draft. This disclosure requirement remains fundamentally flawed and should be deleted. - It requires a binary "yes/no" statement on whether employees are paid an "adequate wage", even though this concept lacks a single, legally binding and objectively verifiable benchmark. Different undertakings will inevitably rely on different benchmarks, which makes the resulting disclosures non-comparable and of limited value. - The problem is reinforced by the benchmark architecture itself. The standard relies on a combination of different reference points, including collectively agreed wages, statutory minimum wages and, outside the EU, living wage concepts based on ILO principles. These benchmarks are based on fundamentally different concepts and methodologies, which creates legal uncertainty and undermines comparability. - This transforms the requirement from factual reporting into a normative assessment of wage adequacy. Such an assessment goes beyond existing legal wage-setting frameworks and is not compatible with established systems of collective bargaining and statutory wage regulation. Wages are determined through collective bargaining or statutory mechanisms and are closely linked to delivered performance and productivity. By contrast, ensuring that wages satisfy the needs of workers and their families is a broader socio-economic objective and primarily the responsibility of the state through labour market, fiscal and social policy instruments. - The glossary definition of "adequate wage" adds a further normative dimension by defining it as a wage that meets the needs of the worker and their family. This clearly mirrors core elements of the ILO living wage concept, which is likewise centred on the needs of workers and their families and a decent standard of living. The revised drafting therefore does not remove the living wage logic, but rather reintroduces it indirectly while presenting it as "adequate wage".



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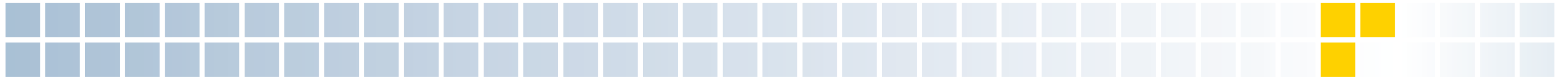
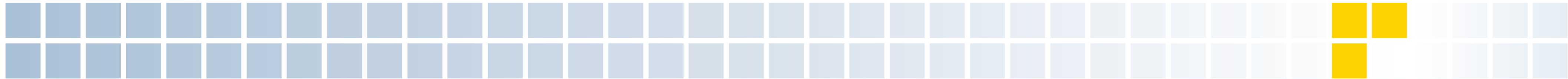
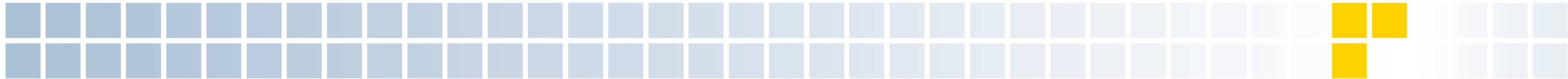
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	- The requirement also creates a disproportionate operational and audit burden. Even a seemingly simple affirmative statement would require an extensive internal assessment against a benchmark that is neither uniform nor objectively auditable. This creates significant legal risk for preparers and assurance providers alike. - The calculation method is equally problematic. The requirement to compare the benchmark with the “lowest wage” raises serious data protection and privacy concerns, as the lowest-paid individual or group may in practice be identifiable, especially in smaller entities or jurisdictions. In addition, the methodology is ambiguous, for example as regards “fixed additional payments that are guaranteed to all employees”. Many allowances, such as Christmas bonuses, are subject to tenure or other conditions and are therefore not guaranteed to all employees, which makes a consistent calculation difficult. - The AR attempts to define a benchmark for “adequate wage” by referencing various sources, but it misrepresents their legal nature. The values in Directive (EU) 2022/2041 are not themselves a direct corporate reporting benchmark, and Advocate General Emiliou proposed on 14 January 2025 that the Court should annul the Directive in full in Case C-19/23. Likewise, the ILO conventions and principles referred to are addressed primarily to states and wage-setting institutions, not directly to private companies as binding corporate obligations. - By elevating non-binding and state-level concepts into a de facto corporate reporting benchmark, the standard creates legally unfounded expectations for undertakings and risks undermining established institutional frameworks. Overall, the requirement is legally uncertain, methodologically weak and operationally unworkable. It should therefore be deleted. - New KPI concepts effectively introduce a shift from “adequate wages” towards “living wages”, requiring companies to establish entirely new data collection processes. This significantly increases complexity, lacks a clear legal basis and goes beyond the CSRD mandate. - Adequacy assessments should therefore be limited to existing national benchmarks, such as statutory minimum wages or outcomes of collective bargaining. References to “country-level context” must not imply an obligation to calculate living wage thresholds, but can be met by disclosing, for each country, the benchmark used and the share of employees below it. - For AR 20 we suggest the following amendment:



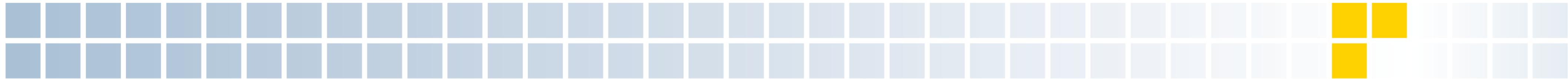
ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	The ***adequate wage*** benchmark used for comparison with the lowest wage shall not be lower than: (a) in the EU: the wage level established through ***collective bargaining*** or the statutory minimum wage set in accordance with Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the EU; (b) outside of the EU: i. the adequate minimum wage established by legislation or collective bargaining which provides a decent standard of living ~~as confirmed by a calculation in line with~~ and takes into account the ILO wage setting principles ~~on estimating a living wage~~; or ii. if i) does not exist, adequate~~any living~~ wage estimates, including estimates produced by the ILO or an institution mandated by the public authorities of the country where the workers are based~~, which takes into account the ILO principles on estimating a living wage~~.
DR S1-10, paras 30-31 **Social protection**	- The Commission draft introduces no substantive simplification compared to the EFRAG draft. This disclosure requirement is unworkable and should be deleted. - It requires undertakings to assess whether their employees “lack social protection”. Such an assessment is not feasible in practice, as companies do not have reliable access to the detailed and highly sensitive personal data required to determine the full scope of individual social protection coverage. Requesting and processing such information would raise significant data protection concerns and may conflict with applicable legal requirements. - Moreover, social protection is primarily determined by national legal frameworks. Undertakings are already required to comply with all applicable national social security and labour law provisions. Requiring companies to report on the



ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	outcomes of these systems, in terms of the elements mentioned in a)-d), is therefore redundant and does not provide meaningful additional value. - In addition, the requirement does not sufficiently reflect differences in national systems. For example, the assumption that social protection applies “from when the employee is working” does not align with national legal frameworks where coverage depends on minimum employment periods or other statutory conditions. This misalignment risks leading to misleading disclosures and undermines comparability across jurisdictions. - The requirement is also conceptually inconsistent with the CSRD. Social protection is not included as a distinct social or human rights factor under Article 29b. The directive refers instead to working conditions, such as health and safety or work-life balance, which are conceptually different from coverage under national social security systems. The standard therefore introduces a reporting element that is not clearly anchored in the directive’s framework. - In addition, the scope of the requirement is internally inconsistent. Maternity leave is treated here as part of “social protection”, while it is addressed again under work-life balance. This duplication creates unnecessary overlap and contributes to an incoherent structure of the standard.
DR S1-11, paras 32-33 **AR 21** **Persons with disabilities**	- The Commission draft introduces no substantive simplification compared to the EFRAG draft. This disclosure requirement raises significant practical and legal concerns. The requirement to disclose the percentage of employees with disabilities is subject to strict legal limitations in many Member States, where the collection and processing of such sensitive personal data is restricted or prohibited in order to protect employee privacy. Under the General Data Protection Regulation (GDPR), data concerning health or disability qualify as special categories of personal data and are subject to particularly strict conditions. The reference to “legal restrictions” (para. 33) does not resolve this issue but acknowledges that the requirement cannot be applied consistently across jurisdictions. - As a result, the requirement will lead to fragmented and non-comparable disclosures. Some undertakings may report figures based on voluntary self-disclosure, while others will not be able to report any data at all. This undermines the comparability and analytical value of the information provided. - The application requirement highlights these limitations. By restricting the disclosure to data that can be “lawfully collected”, it confirms that the requirement is not applicable across Member States. In addition, the possibility to apply either a single internal definition or different national definitions of “disability” further reduces comparability.



ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	- The suggested use of voluntary employee surveys as a data source raises additional concerns regarding reliability and completeness, as such data is inherently based on self-identification and may not reflect the actual situation.
DR S1-12, paras 34-35 **AR 22-23** **Training and skills development metrics**	- The Commission draft introduces no substantive simplification compared to the EFRAG draft. The prescribed one-size-fits-all metrics are overly simplistic and provide a misleading and non-comparable picture of an undertaking's training and skills development efforts. A simple percentage of performance reviews or an average of training hours does not capture the quality, relevance or effectiveness of training activities. These metrics risk encouraging a focus on quantity rather than on meaningful skills development. - The concept of "training hours" reflects an outdated, classroom-based understanding of professional learning. Modern skills development increasingly relies on on-the-job learning, coaching, peer exchange and self-directed digital learning, which cannot be meaningfully or consistently measured in hours. Forcing these diverse forms of learning into a standardised "hour" metric produces an artificial and unreliable figure. - In addition, both "training" and "performance reviews" are defined and implemented very differently across undertakings. As a result, the reported metrics are not comparable and do not provide a robust basis for benchmarking across companies. - The application requirements further reinforce these limitations. By prescribing a single method for calculating training hours, they fail to reflect the diversity of learning approaches and create an incentive to prioritise easily measurable but potentially low-value training activities over more effective, but less quantifiable, forms of skills development. - Overall, the requirement results in non-comparable and potentially misleading data while limiting the ability of undertakings to report on the aspects of training and skills development that are most relevant to their business context. Undertakings should instead be allowed to provide a more flexible, principles-based description of their approach, including both qualitative and quantitative information, in line with materiality considerations.



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Application Requirement (AR)</th><th>Comments</th></tr>
<tr><td>DR S1-13, paras 36-37

AR 24-28

Health and safety metrics</td><td>- The Commission draft introduces no substantive simplification compared to the EFRAG draft and should therefore be reconsidered in its current form. This disclosure requirement is redundant and imposes a disproportionate reporting burden. Occupational health and safety is already governed by strict and comprehensive national laws and regulations in the Member States, and compliance is monitored by competent state authorities and accident insurance bodies. Requiring a separate, standardised disclosure on this topic mainly documents existing legal compliance and adds little analytical value.
- At the same time, the requirement does not produce genuinely comparable information. The definitions of “work-related accidents”, “work-related ill health” and the relevant recording obligations differ significantly across jurisdictions. As a result, the standard cannot generate a meaningful and comparable EU-wide set of metrics.
- The requirement to report on “work-related ill health” is particularly problematic. In many Member States, undertakings are neither entitled nor in a position to determine whether an illness is work-related, as they do not have access to the underlying medical diagnosis and such assessments fall within the competence of national authorities. This creates legal uncertainty and makes the requested disclosure operationally unreliable. In general, as it stands, “recordable” could be broadly interpreted to mean any circumstance that can be documented. To ensure legal clarity and a consistent basis for reporting, the term must be replaced with the more precise phrase "subject to recording," linking the requirement to a clear legal or official obligation.
- The application requirements further reinforce these weaknesses. They prescribe uniform calculation methods for metrics that are based on nationally divergent legal concepts and reporting systems. This creates a false sense of precision and comparability, while forcing undertakings to produce additional calculations that may not correspond to established national reporting practices.
- The formula for accident rates is especially problematic. By combining different national definitions and calculation bases into a single standardised indicator, it produces a metric that is methodologically weak and of limited value. In addition, the requirement to disclose absolute figures alongside standardised rates does not improve comparability, as absolute numbers vary significantly depending on company size and sector. The focus should therefore be on consistent, comparable rate-based indicators, with absolute figures remaining optional.
- By mandating a single calculation method (“head count rather than a full-time equivalent basis”), the AR 24 infringes on a company’s ability to present data in a way that is most meaningful and relevant to its specific operational reality.</td></tr>
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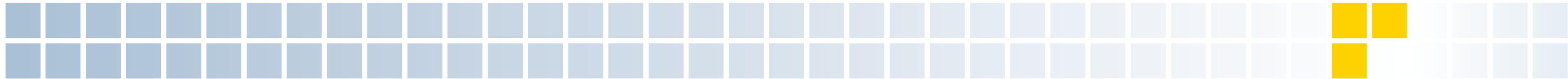
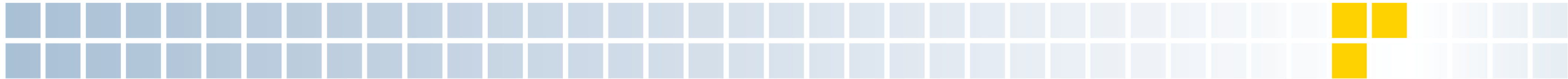


ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	Different industries and business models may use FTE as a more accurate and established basis for workforce-related metrics. - The resulting accident rate will be a meaningless aggregation of disparate national statistics, not a comparable EU-wide metric. The formula's denominator ("total hours worked") may conflict with established national reporting systems, which often use a different basis for calculation (e.g., per 1,000 employees). This forces companies into a duplicative calculation for no added value. The AR 25 mandates a burdensome calculation that produces a fundamentally unreliable and non-comparable metric. It is not fit for purpose and should be deleted. - The same applies to the approach to fatalities and cases of work-related ill health, which are treated within a rigid structure that does not reflect the legal and practical realities in the Member States. - The requirement to calculate lost days on the basis of calendar days rather than work days is also questionable. It may inflate the reported figures by including weekends and public holidays and may conflict with established national or internal reporting systems, thereby further reducing comparability.
DR S1-14, paras 38-39 **AR 29-30** **Work-life balance metrics** **Table 2 – Glossary of terms defined in ESRS "Work-life balance"**	- The Commission draft introduces no simplification compared to the EFRAG draft. This disclosure requirement remains reductionist, as it equates the broad and complex concept of "work-life balance" with a single, narrowly defined metric, namely "family-related leave". This does not reflect the reality of modern work-life balance, which includes a wide range of factors such as flexible working arrangements, part-time models and mental health support. This narrow focus is also inconsistent with the definition of work-life balance in the ESRS glossary itself, which explicitly encompasses the overall allocation of time between work and private life beyond family responsibilities. By focusing exclusively on leave entitlements, the requirement provides a misleading and incomplete picture. - Entitlements to family-related leave are already comprehensively regulated by EU and national law in Member States. Undertakings are legally required to comply with these provisions. Requiring a separate disclosure on this topic therefore mainly documents existing legal compliance and provides little additional value to users. - There is a structural inconsistency within the standard: Maternity leave is addressed here as part of "work-life balance", while it is also covered in other parts of ESRS S1, such as in the context of social protection. This duplication creates overlap and contributes to an incoherent structure, as the same underlying concept is treated under different sub-topics without a clear delineation.



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<tr><td></td><td>- The application requirements further reinforce this issue. In practice, entitlements to family-related leave are primarily determined by binding legal frameworks, not by a mix of company-specific policies or arrangements. Presenting these entitlements as if they were discretionary or predominantly company-driven creates a misleading picture of the legal reality in most Member States.</td></tr>
<tr><td>DR S1-15, paras 40-41

AR 31-35

Remuneration metrics

Table 2 – Glossary of terms defined in ESRS "Pay", "Remuneration", "Wage"</td><td>- The Commission draft introduces no substantive simplification compared to the EFRAG draft. This disclosure requirement is based on flawed metrics and unclear terminology, resulting in a misleading and disproportionate reporting obligation. The focus on the unadjusted gender pay gap is particularly problematic. As a single raw indicator, it does not account for legitimate factors such as job role, experience, working time or location and may create a misleading impression of discrimination where none exists. This approach does not align with the CSRD's emphasis on "equal pay for work of equal value".
- At the same time, the standard introduces the concept of "remuneration inequality", which is a vague and normative notion that goes beyond the scope of the CSRD. It is not the role of a reporting standard to define or assess "inequality", which is a complex socio-economic issue governed by national law, collective bargaining and social partners.
- The requirement also lacks conceptual clarity by failing to clearly distinguish between key terms such as "pay", "wages" and "remuneration". This creates ambiguity and legal uncertainty, especially in light of existing EU legislation. The methodological weaknesses are further exacerbated by inconsistencies in the underlying definitions. The ESRS glossary distinguishes between "pay", which includes a broad range of remuneration elements such as variable compensation and benefits, and "wage", which is defined more narrowly as base remuneration excluding such components. At the same time, the application requirements require the inclusion of both basic salary and additional remuneration components, including variable pay and benefits, without clearly reconciling these definitions.
- This creates ambiguity as to which elements are to be included in the reported metrics and leads to inconsistent interpretation across undertakings. As a result, the reported figures are based on heterogeneous remuneration structures and cannot be meaningfully compared. This combination of inconsistent definitions and highly prescriptive calculation rules creates a false sense of precision and undermines the reliability of the resulting metrics.</td></tr>
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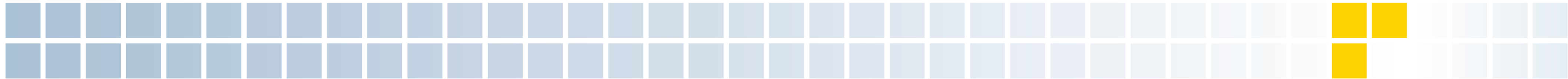
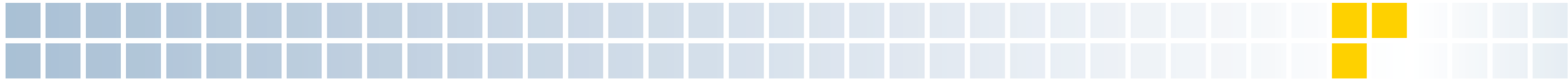
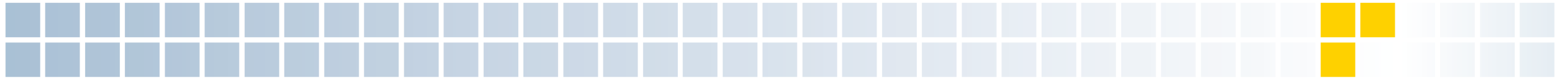


ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	- Furthermore, the requirement overlaps with existing EU legislation. The Pay Transparency Directive already establishes a comprehensive framework for gender pay gap reporting. Requiring similar disclosures under the ESRS duplicates obligations, creates inconsistencies and imposes unnecessary additional effort on undertakings. - There are also significant practical and legal concerns related to data protection and proportionality. The disclosure of metrics such as the highest-to-median pay ratio may, in certain cases, allow for indirect identification of individuals, especially in smaller entities, raising concerns under the GDPR. While formally subject to materiality, the requirement relies on highly prescriptive metrics, which in practice limits undertakings' ability to tailor disclosures to their specific context and to focus on information that is genuinely decision-useful. - From a methodological perspective, the prescribed indicators are overly simplistic and lack robustness. Different methodologies and definitions can lead to divergent outcomes across undertakings, limiting comparability. The highest-to-median pay ratio, in particular, provides little meaningful insight into a company's remuneration strategy, as variations may reflect performance-based and market-driven factors rather than structural imbalances. This detailed reporting interferes with entrepreneurial freedom by implicitly forcing companies to justify their compensation decisions. - The requirement to disclose detailed methodological explanations further increases the administrative burden without providing commensurate added value, as many of these elements are already embedded in existing internal and audit processes.
DR S1-16, paras 41-42 **AR 36-41** **Incidents of discrimination and other human rights incidents**	- While the revised wording refers to "substantiated" incidents and "ongoing" judicial and non-judicial proceedings, these changes do not resolve the underlying legal and methodological concerns. Judicial proceedings should only be reportable once they have resulted in a final decision, in order to avoid reporting unresolved allegations as if they were established incidents. - The central concept of an "incident" is still not clearly defined, creating legal uncertainty for undertakings. It remains unclear which threshold applies in practice and how undertakings should distinguish between minor complaints, allegations and reportable incidents. This ambiguity risks inconsistent reporting and undermines comparability. To ensure consistency between the SFDR and the ESRS, the term "severe" should be reintroduced. - In particular, it remains unclear under what conditions internally identified cases qualify as "substantiated" in the absence of a formal legal or administrative determination. The same applies to the reference to "ongoing" judicial and

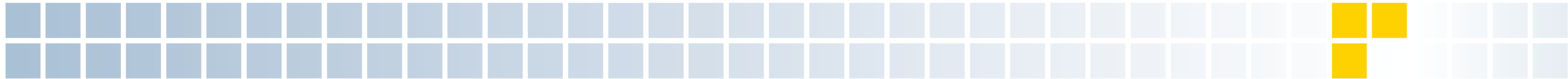


ESRS S1 Own Workforce	
Disclosure Requirement (DR) Application Requirement (AR)	**Comments**
	non-judicial proceedings. While this may appear narrower than reporting any initiated claim, the threshold for when such proceedings become “ongoing” is not specified. As a result, the requirement may still capture cases that have not been subject to a final or external assessment. - There are also significant data protection concerns. Collecting and disclosing information on discrimination or human rights incidents may involve sensitive personal data and could conflict with the GDPR and national legal frameworks (e.g., AGG in Germany).. In many jurisdictions, companies are not permitted to process or publish such information where individuals could be identified. At the same time, undertakings are already subject to strict anti-discrimination laws and enforcement mechanisms at national level. Additional reporting obligations therefore create administrative burden without clear added value. - The scope of “human rights incidents” is also insufficiently defined. The reference to internationally recognised human rights relies on broad and open-ended instruments, which do not provide an operational framework for company-level reporting. This creates uncertainty as to what falls within scope and increases the risk of inconsistent application across undertakings. - In particular, including complaints filed with external bodies, such as OECD National Contact Points, regardless of their outcome, risks requiring reporting on unresolved or unverified allegations. This is not compatible with legal certainty and may create reputational risks. - The requirement may also lead to misinterpretation. An increase in reported incidents may reflect improved grievance mechanisms and reporting culture rather than a deterioration in working conditions. Without clear definitions and context, stakeholders may draw incorrect conclusions from the disclosed figures. - The reference to remediation and cross-linking with DR S1-3 is redundant. The relevant processes for addressing grievances and negative impacts are already covered in S1-3, and repeating these obligations here creates duplication and unnecessary complexity. - The definition of “fines, penalties and compensation” should be strictly limited to amounts imposed through final administrative or judicial proceedings. Reporting on amounts that are not legally final or are still under dispute could mislead stakeholders and expose companies to reputational and legal risks.

ESRS S2 – Workers in the value chain	
Provision **Disclosure Requirement (DR)** **Application Requirement (AR)**	**Comments**
Objective, Interaction with other topics ESRS, paras 1-9	- The Commission draft introduces no substantive simplification compared to the EFRAG draft. The structure and underlying logic of ESRS S2 remain unchanged. ESRS S2 largely mirrors the structure of ESRS S1 by extending the same sub-topics. The inclusion of certain sub-topics further raises concerns as regards consistency with the CSRD framework. In particular, elements such as “social protection”, “adequate housing” and “privacy” are not explicitly reflected as distinct social or human rights factors under Article 29b of the CSRD. - Their inclusion therefore introduces additional reporting expectations that go beyond the directive’s original structure and intent. This expansion of scope is particularly problematic in the context of workers in the value chain. Undertakings typically do not have direct access to the relevant systems, data or contractual leverage required to collect and verify such information. Overall, ESRS S2 does not represent a simplification, but rather an extension of the most complex and problematic elements of ESRS S1 to areas where undertakings have limited influence and data availability, creating disproportionate and legally uncertain reporting obligations.
S2-1, paras 10-12 **AR 1** **Policies related to workers in the value chain**	- The requirement to describe workforce policies and specify coverage for “specific groups” remains granular, lacks a clear legal basis in the CSRD, and creates unnecessary reporting complexity. The CSRD only requires information “necessary to understand the undertaking’s impacts on sustainability matters.” The level of detail demanded here, especially the breakdown by sub-groups, exceeds the directive’s intent and imposes a disproportionate burden on companies, particularly those with complex or international structures. - This requirement is also redundant with disclosures already required under ESRS 2, leading to double reporting and further increasing complexity. To ensure legal certainty, proportionality, and practical feasibility, the obligation to specify coverage by “specific groups” should be deleted. - The reference to specific human rights risks such as “trafficking in human beings” increases the level of prescriptiveness in the standard. In practice, such risks are typically addressed within broader categories such as forced or compulsory labour rather than as distinct policy elements. Requiring separate and explicit coverage may therefore lead to inconsistent interpretation, as undertakings often address these risks without using identical



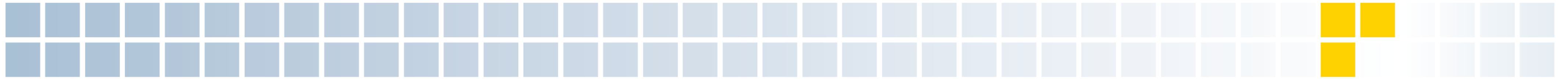
	terminology. To ensure legal clarity and comparability, the standard should clarify that coverage through broader human rights categories is sufficient and avoid prescriptive expectations regarding specific wording - Disclosure of policies on trafficking, forced or compulsory labour, and child labour should only be required if these topics are material, as per the CSRD's materiality principle.
S2-2, paras 13-16 **AR 2-3** **Engagement with workers in the value chain, existence of channels for workers in the value chain to raise concerns or needs and approaches to remedy**	- The requirement to disclose channels and grievance mechanisms remains redundant, as grievance mechanisms are already addressed in the Governance standard (G-standard). Duplicating this requirement increases the reporting burden and risks inconsistent reporting. The obligation to explain the effectiveness of these channels is vague and impractical, especially for large or global undertakings. To ensure clarity, comparability, and proportionality (Art. 5(4) TEU), this requirement should be deleted or streamlined. - The obligation to explain the effectiveness of these channels remains vague and impractical, especially for large or global undertakings. The reference to the UN Guiding Principles on Business and Human Rights does not provide sufficiently clear or operational criteria for assessing effectiveness. The UNGPs are principle-based instruments and do not establish measurable or standardised indicators suitable for corporate reporting. Relying on such frameworks introduces significant interpretative uncertainty and limits comparability. - In addition, the requirement introduces further ambiguity by referring to engagement with workers in the value chain either directly or through their "legitimate representatives" or "credible proxies". The term "credible proxies" is not defined and may lead to inconsistent interpretation, particularly in complex global value chains where identifying such intermediaries is not straightforward. The requirement to disclose how undertakings gain insight into the perspectives of workers, including vulnerable or marginalised groups, raises further feasibility concerns. In many cases, undertakings do not have direct access to such workers or their representatives, which makes the systematic collection of this information difficult to operationalise. - The explicit reference to Global Framework Agreements (GFA) or similar arrangements further lacks a clear legal basis in the CSRD. GFAs are voluntary instruments and not required under EU law. Their inclusion in the disclosure requirement risks creating implicit expectations for undertakings to adopt specific frameworks that go beyond the directive's mandate.
S2-3, paras 17-19 **AR 4-9** **Actions and resources related to workers in the value chain**	- While the revised drafting introduces the concept of "substantiated" incidents, the requirement remains insufficiently clear. The meaning of "substantiated" is not well defined, in particular with regard to internally identified cases and non-judicial proceedings. It remains unclear which threshold applies and whether all recorded complaints, regardless of their outcome, are to be reported. Judicial proceedings should only be reportable once they have resulted in a final decision, in order to avoid reporting unresolved allegations as if they were established incidents. - In addition, alignment with the SFDR terminology, in particular with regard to "severe" incidents, should be considered to avoid inconsistencies across EU frameworks.



	- AR 4 introduces the concept of using “leverage”, which is legally problematic and practically unfeasible for both preparers and auditors. Leverage effects should be excluded, as companies in many sectors lack sufficient market power to influence business partners or supply chains effectively. The expectation that a company must use commercial “leverage” over its business partners is an exaggerated and normative standard of conduct not mandated by the CSRD. This requirement interferes with the right to entrepreneurial independence and freedom of contract, representing a significant legal overreach. To ensure the standards remain grounded in law and practical application, the reference to using “leverage” must be deleted. The focus should be on actions within a company’s direct sphere of control and influence. - AR 5 further expands the scope of the standard by introducing concepts such as “just transition risks”, referring to potential impacts on workers in the value chain arising from the transition to a low-carbon economy. This concept is not clearly anchored in the CSRD’s framework of social and human rights factors and introduces an additional layer of interpretation that goes beyond the directive’s mandate. - Structural change resulting from the transition to a low-carbon economy is primarily driven by market dynamics and policy frameworks and reflects legitimate economic and strategic business decisions. Undertakings must retain the freedom to make such decisions in line with market conditions and their business models. Requiring companies to assess and report on such broadly defined “just transition risks” blurs the distinction between reporting obligations and normative expectations regarding business conduct. - Moreover, such risks are inherently complex, forward-looking and influenced by external developments beyond the control of individual undertakings. In the context of the value chain, companies typically lack both the data and the control required to assess these impacts in a robust and comparable manner. The inclusion of such broadly defined concepts therefore creates further legal uncertainty and operational challenges.
S2-4, para 20 **AR 10** **Targets related to workers in the value chain**	- This paragraph is redundant and substantively problematic. It creates unnecessary complexity by placing a target-setting requirement in a topical standard that is governed entirely by the general standard, ESRS 2 GDR-T. - This cross-reference is flawed: The requirement forces the disclosure of specific targets related to value chain workers that often constitute strategic business secrets.

ESRS S3 – Affected Communities	
Provision	**Comments**

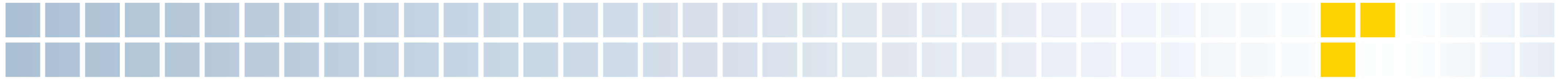
Disclosure Requirement (DR) Application Requirement (AR)	
S3-1, paras 8-9 **AR 1** **Policies related to affected communities**	- The requirement to describe workforce policies and specify coverage for "specific groups" remains overly granular, lacks a clear legal basis in the CSRD, and creates unnecessary reporting complexity. The CSRD only requires information "necessary to understand the undertaking's impacts on sustainability matters." The level of detail demanded here, especially the breakdown by sub-groups, exceeds the directive's intent and imposes a disproportionate burden on companies, particularly those with complex or international structures. - The explicit reference to specific sub-groups such as indigenous communities further increases the level of prescriptiveness. The CSRD does not require such a detailed specification of policy content, and the relevance of such categories may vary significantly depending on the undertaking's geographic footprint. - This requirement is also redundant with disclosures already required under ESRS 2, leading to double reporting and further increasing complexity. To ensure legal certainty, proportionality, and practical feasibility, the obligation to specify coverage by "specific groups" should be deleted.
S3-2, paras 10-14 **AR 2-4** **Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy**	- The requirement to disclose channels and grievance mechanisms is redundant, as grievance mechanisms are already addressed in the Governance standard (G-standard). Duplicating this requirement increases the reporting burden and risks inconsistent reporting. The obligation to explain the effectiveness of these channels is vague and impractical, especially for large or global undertakings. To ensure clarity, comparability, and proportionality (Art. 5(4) TEU), this requirement should be deleted or streamlined. - The broader requirement to describe engagement with affected communities, including vulnerable or marginalised groups and through "credible proxies", raises additional feasibility concerns. In many cases, undertakings do not have direct access to such stakeholders, and the term "credible proxies" is not defined, creating further legal uncertainty and risks of inconsistent application.
S3-3, paras 15-17 **AR 5-11**	- This disclosure requirement continues to raise significant legal and practical concerns. It requires undertakings to disclose detailed information on actions taken and resources allocated to address impacts on affected communities in the value chain, including areas where undertakings often lack direct control or access to relevant data. - The application requirements introduce the concept of using "leverage", which is legally problematic and practically unfeasible for both preparers and auditors. In many cases, undertakings do not have sufficient market power to influence value chain actors in a systematic and verifiable manner. The expectation to exercise such leverage reflects



Actions and resources related to affected communities	a normative standard of conduct that is not required under the CSRD and may interfere with entrepreneurial freedom and contractual autonomy. - The scope is further expanded through references to impacts related to climate transition and structural economic change. Such impacts are driven by broader market dynamics and policy developments and are closely linked to legitimate business and strategic decisions. Requiring undertakings to assess and report on these effects introduces additional interpretation challenges and blurs the distinction between reporting obligations and broader policy objectives. - The requirement also refers to "substantiated" human rights incidents. While this represents a partial clarification, the concept remains insufficiently defined, particularly with regard to internally identified cases and non-judicial proceedings. It remains unclear which threshold applies in practice, creating legal uncertainty and risks of inconsistent reporting. Judicial proceedings should only be reportable once they have resulted in a final decision, in order to avoid reporting unresolved allegations as if they were established incidents. -
S3-4, paras 18 **AR 12** **Targets related to affected communities**	- This disclosure requirement remains redundant and substantively problematic. It creates unnecessary complexity by introducing a target-setting obligation in a topical standard that is already governed by ESRS 2, in particular the general disclosure requirements on metrics and targets (GDR-T). This overlap leads to duplication and increases reporting complexity without providing additional decision-useful information. - The requirement to disclose targets related to affected communities raises fundamental feasibility concerns. In many cases, undertakings do not have direct control over the relevant actors or the underlying conditions in the value chain. This makes it difficult to define meaningful, measurable and verifiable targets, and risks turning the disclosure into a purely formal exercise. Furthermore, such targets may involve strategic considerations and commercially sensitive information. Requiring their disclosure may therefore interfere with legitimate business confidentiality and place undertakings at a competitive disadvantage. - The application requirements further increase complexity by linking target-setting to performance tracking and broad assessment frameworks. While engagement with affected communities can provide useful contextual insights, it cannot replace objective, measurable indicators for assessing effectiveness. Over-reliance on qualitative engagement risks inconsistent reporting and may not reflect actual improvements in managing impacts.

ESRS S4 – Consumers and end-users	
Provision **Disclosure Requirement (DR)**	**Comments**

Application Requirement (AR)	
S4-1, para 9 **AR 1** **Policies related to consumers and end-users**	- This disclosure requirement remains overly broad and lacks a clear legal basis in the CSRD, which focuses on customer relationships under governance factors, rather than as a social standard. - The expectation to describe policies for all consumers and end-users, including “specific groups”, risks imposing disproportionate administrative burdens, particularly for companies operating in diverse markets and sectors. Many aspects of consumer and product safety are already strictly regulated by national and EU law, rendering additional reporting redundant and of limited added value. - Furthermore, the definition of “consumers and end-users” is vague and may lead to inconsistent reporting. The requirement does not sufficiently account for sector-specific differences or the practical limitations companies face in monitoring and managing impacts across all consumer groups. The standard should be limited to material, sector-relevant impacts and aligned with existing legal obligations. Reporting should focus on genuinely material risks and avoid duplicating information already required by law.
S4-2, paras 10-13 **AR 2-3** **Engagement with consumers and end-users, existence of channels for consumers and end-users to raise concerns or needs and approaches to remedy**	- This requirement is overly broad and lacks practical feasibility. The expectation to describe engagement approaches and grievance mechanisms for all consumers and end-users, across potentially global and highly diverse markets, imposes a disproportionate administrative burden, especially for with indirect or limited contact with end-users. Many aspects of consumer protection, complaint handling, and product safety are already strictly regulated by national and EU law, making additional reporting redundant and of limited added value. - The requirement to describe engagement with consumers and end-users, including through “legitimate representatives” or “credible proxies”, further increases complexity. The notion of “credible proxies” is not defined and may be difficult to operationalise in practice, particularly across diverse markets and customer groups. - The reference to assessing the effectiveness of grievance mechanisms based on the UN Guiding Principles on Business and Human Rights introduces additional uncertainty. The UNGPs are principle-based and do not provide clear or operational criteria suitable for consistent and comparable corporate reporting. - Furthermore, the definition of “channels” and “remedy” is vague, and the requirement does not sufficiently account for the practical limitations companies face in monitoring and managing concerns across all consumer groups. The standard should be limited to material, sector-relevant impacts and aligned with existing legal obligations. Reporting should focus on genuinely material risks and avoid duplicating information already required by law.
S4-3, paras 14-16 **AR 4-8**	- This requirement remains overly broad and lacks practical feasibility. Expecting companies to describe all actions taken, planned, or underway to prevent, mitigate, and remediate material negative impacts on consumers and end-users, along with approaches for balancing these actions against business pressures, imposes a disproportionate administrative burden, especially for companies operating in diverse and global markets. Many aspects of consumer



Actions and resources related to consumers and end-users	protection, marketing, and data use are already strictly regulated by national and EU law, making additional reporting redundant and of limited added value. - Furthermore, the requirement to track and assess the effectiveness of these actions is vague and does not sufficiently account for sector-specific differences or the practical limitations companies face in monitoring and managing impacts across all consumer groups. The option to omit this disclosure if referenced elsewhere adds complexity and risks inconsistent reporting. - Currently it seems consumer disputes or lawsuits could be considered as “human rights incidents,” significantly broadening the scope beyond the intent of the CSRD. While the revised drafting introduces the concept of “substantiated” incidents, the requirement remains insufficiently clear. The meaning of “substantiated” is not well defined, in particular with regard to internally identified cases and non-judicial proceedings. It remains unclear which threshold applies and whether all recorded complaints, regardless of their outcome, are to be reported. Judicial proceedings should only be reportable once they have resulted in a final decision, in order to avoid reporting unresolved allegations as if they were established incidents.
S4-4, paras 17 **AR 9** **Targets related to consumers and end-users**	- This requirement remains overly broad and lacks practical clarity. Expecting companies to disclose whether and how they have engaged directly with consumers, end-users, their “legitimate representatives,” or “credible proxies” for target-setting and performance tracking is vague and difficult to operationalise, especially for companies with indirect or large-scale consumer relationships. - The terms “legitimate representatives” and “credible proxies” are undefined, risking inconsistent interpretation and reporting across sectors and markets. - Moreover, the feasibility and relevance of such engagement will vary greatly depending on the business model and sector. For many companies, direct engagement with end-users is not practical or meaningful, and may not yield reliable input for target-setting or performance assessment. - The standard should clarify the criteria for identifying legitimate representatives and credible proxies, and limit the requirement to cases where such engagement is both material and feasible. Reporting should focus on objective, material indicators, with engagement results used as supplementary context only where appropriate.

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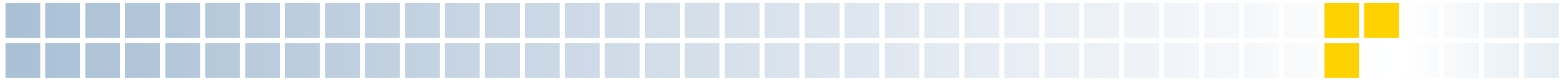

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