CIRIO

ESRS SET 1 REVISION

RESPONSE TO EFRAG CONSULTATION

6 May 2025

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1 INTRODUCTION

This submission is provided in response to EFRAG's public consultation on the simplification and clarification of the European Sustainability Reporting Standards (ESRS), published in March 2025. We assess that our proposals can reduce so called "regulatory burden" with about 45–48 %, *without undermining the normative intent or transparency value of the disclosures*.

The response is submitted by Cirio Advokatbyrå AB**,** based in Stockholm, Sweden, and reflects the result of a structured, normative analysis of the topical ESRS standards (ESRS E2, E1–E5, S1–S4, G1), conducted with the assistance of generative AI.

Cirio is one of Sweden's leading business law firms, based in Stockholm, with a strong focus on innovation, sustainability and complex regulatory frameworks. Our sustainability practice is led by David Frydlinger, author of *Rules of the Game for Sustainable Business – Laws, Contracts and Morality* (2024), currently the only book in English that provides an integrated analysis of the entire EU sustainability law framework, including the CSRD, ESRS, CSDDD, EU Taxonomy, and SFDR. Cirio works closely with companies and public institutions to operationalise sustainability law through principled, practical and legally coherent approaches.

We welcome the European Commission's objective to reduce administrative burden while safeguarding the fundamental goals of the CSRD. Our contribution is grounded in a normative framework developed in *Rules of the Game for Sustainable Business – Laws, Contracts and Morality* (Frydlinger, Wolters Kluwer, 2024) and aims to support EFRAG in aligning the standards with core principles of stakeholder autonomy, due diligence, and proportionality.

2 EXECUTIVE SUMMARY

The central weakness of the current ESRS framework is the absence of a coherent normative foundation. Without clear principles for what should be reported, for whom, and why, the standards risk becoming fragmented, overly burdensome, and difficult to assure. This affects not only preparers, but also assurance providers and stakeholders relying on the information.

This submission provides a structured, stakeholder-based review of the European Sustainability Reporting Standards (ESRS), covering ESRS 1–2, E1–E5, S1–S4 and G1. The analysis applies a consistent normative framework based on the principles of stakeholder autonomy and the company's duty of due diligence, aligned with the UN Guiding Principles and the OECD Guidelines.

For each disclosure requirement, we assess:

1. Its relevance for stakeholder decision autonomy – i.e. whether it provides the information stakeholders need to make informed decisions about their relationship with the undertaking; and
2. Its reporting burden – i.e. the administrative, technical and organisational cost of preparing the disclosure.

This results in a proportionality judgement for each requirement: is it justified in light of its normative value and practical cost?

2.1 On ESRS 1 and 2

We find that the ESRS framework currently lacks an explicit normative foundation for the concept of materiality. This is particularly problematic in ESRS 2, where companies must explain how they assess materiality (IRO-1 and IRO-2), but the standards do not define *when* a matter becomes material from a stakeholder perspective. Nor does ESRS 1 clearly link materiality to stakeholder informational needs, except in financial terms (cf. §48).

To resolve this, we recommend that:

- ESRS 1 introduce a unified definition of materiality, applicable to both impact and financial dimensions, based on stakeholder decision autonomy;
- ESRS 1 require companies to identify relevant stakeholder groups and assess materiality through the lens of a normative average stakeholder;
- ESRS 1 include a clear proportionality principle, stating that disclosures are required only when their normative value outweighs the burden of reporting;
- Appendix A of ESRS 1 be supplemented with stakeholder-oriented guidance for assessing the materiality of each sustainability matter.

These changes would enhance clarity and coherence in the application of the standards, and support both simplification and consistency in reporting.

2.2 Main conclusions on topical standards

Across all standards, core disclosures – on governance, materiality, due diligence processes, GHG emissions, corruption prevention, grievance mechanisms and climate targets – are found to be normatively essential and should be retained.

However, we identify systemic weaknesses in the current framework:

- Disclosures requiring fragmented lists of "actions and resources" (e.g. E1-4, S1-4, MDR-A) are burdensome and provide little stakeholder value.
  → We recommend replacing these with process-based disclosures that describe how the company manages risks and impacts.
- Several disclosures are technically over-specified or not sector-sensitive, imposing disproportionate burdens for companies with low exposure.
  → We recommend simplifying, aggregating or applying these disclosures only where justified by sector, geography or impact severity.

2.3 Implications for assurance providers

A further benefit of introducing this normative foundation is that it provides assurance providers with a structured and ethical basis for assessing whether a sustainability disclosure is "sufficient" under limited assurance.

This is particularly relevant for process-oriented disclosures, materiality assessments, and future-oriented "opportunities", where current standards lack evaluative criteria. The absence of a common normative reference point creates uncertainty, inconsistency, and a risk of either under- or over-interpreting the standards.

We therefore recommend that the proposed normative framework – based on stakeholder decision relevance and proportionality – be embedded into ESRS 1 and 2. This would allow assurance providers to ground their judgements in principled reasoning rather than procedural formalism, and would strengthen the credibility and legitimacy of sustainability assurance under the CSRD.

2.4 Estimated burden reduction

Based on our review, we estimate (with use of AI) that the proposed revisions would reduce the overall reporting burden across the ESRS by approximately 45–48 %, *without undermining the normative intent or transparency value of the disclosures*.

This is primarily achieved through:

- The removal of low-value disclosures,
- The simplification or aggregation of technically complex datapoints, and
- A shift from activity-based to process-based reporting formats.

Of course, such numbers can and should be challenged but hopefully gives an indication.

3 THE NEED FOR A NORMATIVE FRAMEWORK FOR SIMPLIFICATION AND APPLICATION OF THE ESRS

3.1 The problem: no coherent normative foundation

The current discussion on the simplification of the European Sustainability Reporting Standards (ESRS) is increasingly dominated by concerns about administrative burden and competitiveness. While such concerns may be legitimate, they are often presented without substantial empirical support, and risk overshadowing the foundational normative purpose of the ESRS framework.

Our central thesis is that many of the current challenges facing preparers, standard-setters and assurance providers stem not primarily from technical complexity, but from a lack of a coherent normative foundation for the reporting system as a whole. The ESRS architecture has grown around multiple traditions – financial disclosure, human rights, environmental risk, regulatory compliance – without articulating a unified ethical rationale for what should be reported, for whom, and why.

This absence of normative coherence manifests in several practical problems:

- Fragmentation and overload in the form of activity-based disclosures,
- Inconsistent or opaque materiality assessments,
- Difficulty for assurance providers to judge whether processes or omissions are "sufficient", and
- Uncertainty for stakeholders trying to interpret what the report actually means.

A deeper source of this confusion lies in the *uncritical transplantation of soft law frameworks* – particularly the UN Guiding Principles and the OECD Guidelines – into a *binding legal regime* for sustainability reporting. These frameworks were developed to guide corporate action through voluntary due diligence. They are based on principles of responsible business conduct, not mandatory disclosure.

Their concepts – such as *severity* (scale, scope, irremediability) and linkage (*cause*, *contribute*, *directly linked*) – were designed to help companies decide *when to act*, not *what to disclose*. Yet within the ESRS, these tools are often interpreted as if they determine reporting obligations.

This has led to a fundamental confusion:

- That risks which must be managed must also be disclosed,
- That severity under UNGP equates to materiality under CSRD,
- And that due diligence and disclosure share the same normative logic.

They do not. *Due diligence protects others from harm; disclosure enables others to protect themselves.* Both rest on the same moral foundation – equal dignity, freedom, and moral agency – but they serve different functions and require distinct justifications.

Soft law accommodates ambiguity and judgment. *Hard law requires clarity, proportionality and legal justification.* The shift from due diligence guidance to legal disclosure standards has not been accompanied by a corresponding shift in normative reasoning. That is the core weakness of the current ESRS design.

3.2 The solution: a unified normative framework grounded in autonomy and proportionality

Simplification must not be pursued in isolation from the principles that justify the ESRS in the first place. If the goal is to make sustainability reporting simpler, more credible and more useful, then the solution must begin with *normative clarification*.

We propose that the level of reporting obligation should be determined not by expediency, but by reference to a clear and coherent normative framework – one that recognises *both the ethical obligation to respect the rights of others* and the *informational duty to enable others to act autonomously*.

This framework is developed in *Rules of the Game for Sustainable Business – Laws, Contracts and Morality* (Frydlinger, 2024), which we take as our point of departure. The book shows how all areas of sustainability law – including reporting – can be understood as expressions of a political morality based on *equal concern and respect for all individuals*. In practice, this means upholding:

- The right to protection from harm (due diligence), and
- The right to make informed decisions (informational autonomy).

In the context of reporting, however, it is the latter that must take precedence. Every reporting requirement in the ESRS must be justifiable as necessary *to enable others – such as investors, workers, customers or communities – to make informed decisions* about how they wish to engage with the undertaking.

Due diligence obligations are relevant only to the extent that they create *informational needs*. A matter may require action, but only requires disclosure if *stakeholders also need to know* in order to act freely and meaningfully. *Informational autonomy* is therefore the *decisive normative test*.

This leads to a balancing exercise. The reporting obligation must reflect two kinds of cost:

- The burden placed on the company (in time, resources and complexity), and
- The cost to stakeholders of not having the information (in terms of their diminished ability to protect their rights or exercise choice).

This proportionality test – grounded in autonomy and due diligence – provides the missing structure for the ESRS. It allows us to:

- Rebuild materiality as a decision-usefulness filter,

- Distinguish clearly between what must be acted on and what must be reported,
- And align simplification with legitimacy – not retreat from it.

4 MATERIALITY AS THE NORMATIVE FILTER FOR DISCLOSURE

As established above, the justification for any disclosure obligation under the ESRS must lie in the principle of *informational autonomy*: the right of affected and interested stakeholders to receive the information they need in order to make informed, voluntary decisions in relation to the company.

From this perspective, **materiality becomes the key normative filter**. It determines whether a matter is reportable – not simply because it is severe, but because it matters for stakeholder decision-making. However, the current ESRS framework *does not clearly define the threshold* for when a matter becomes material in this sense.

While ESRS 1 rightly identifies materiality as the mechanism for determining what undertakings should report, it offers no guidance on:

- Whose decisions count,
- Which interests deserve protection,
- Or how technical criteria like scale, scope, or likelihood should be evaluated *in normative terms.*

This gap is most acute for *impact materiality*, which borrows concepts from the UN Guiding Principles and OECD Guidelines – frameworks designed to prioritise corporate action, not reporting. These frameworks use severity to trigger due diligence, but they *do not define when an issue must be disclosed*.

By contrast***,*** *financial materiality is better anchored*: paragraph 48 of ESRS 1 states that a matter is material if its omission "could reasonably be expected to influence decisions" made by users of financial reports. This rests on a normative principle: investors have a right to access information necessary to make rational and autonomous capital decisions.

Impact materiality lacks such a principle. In practice, this has led to:

- Uncertainty and inconsistency among preparers,
- Over-reporting, as companies err on the side of caution,
- And loss of proportionality, where burdensome disclosures are included despite minimal informational value.

We propose that this missing normative logic must be filled by **a single, stakeholder-centred test**:

> *Would a reasonably informed and thoughtful stakeholder – in their role as investor, employee, community member, consumer or other affected person – reasonably expect to receive this information in order to protect their interests or make a meaningful decision about their engagement with the company?*

This test integrates both dimensions of double materiality – financial and impact – into a unified principle. It does not rely on abstract metrics of severity or exposure. Instead, it rests on the *informational relevance of the issue to those the company affects or depends on.* Based in this, we would suggest the following definition of materiality:

> *A matter is material when a reasonably informed and thoughtful stakeholder – in their role as investor, employee, community member, consumer, or other affected person – would reasonably consider the information relevant to a decision about whether and how to engage with the company.*

This approach requires that the undertaking:

- Identifies its relevant stakeholder groups,
- Constructs a normative "average stakeholder" for each group (as in EU consumer law),
- And assesses materiality based on what such a stakeholder would reasonably need to know.

This is not subjective speculation. It is an objective way to structure professional judgement – in line with the principles of autonomy and proportionality.

5 OUR ANALYSIS OF THE TOPICAL STANDARDS: APPLYING THE NORMATIVE FRAMEWORK

Building on the normative foundation outlined above, we have furthermore undertaken a structured review of all topical standards in ESRS Set 1 (E1–E5, S1–S4, G1). The purpose has been to assess whether the disclosure requirements in each standard are proportionate in light of the underlying justification for sustainability reporting – namely, to uphold stakeholder autonomy and enable informed decision-making, as well as to support the company's due diligence obligations. We want to emphasize that *our analysis is preliminary* and that many different views and perspectives of course can be taken here. We hope, however, that our preliminary review can serve to give EFRAG concrete ideas on how to adjust the current standards, based on the normative framework we believe underlies CSRD and ESRS.

We have thus applied the same normative test throughout: whether the disclosure in question serves a clearly identifiable purpose in relation to the rights or interests of a stakeholder group – and whether the cost of disclosure (in terms of preparation, verification and reporting) is justified by its normative value. Where this balance fails – where the burden of disclosing exceeds the decision-relevant value of the information – we conclude that the requirement should be simplified, made conditional, or removed.

This analysis has led us to conclude that a number of current requirements in the topical standards extend beyond what is necessary to fulfil the legitimate aims of sustainability reporting. This is not to suggest that the topics themselves are irrelevant, but that the level of granularity and the scope of mandatory datapoints often exceed what is proportionate from a normative perspective.

We applied the following structured method for each topical standard:

Step 1: Identification of the relevant sustainability topics. We followed the classification of sustainability matters in Appendix A of ESRS 1. Each standard was analysed in terms of its core subject matter (e.g. climate, pollution, working conditions, governance) and its intended stakeholder relevance.

Step 2: Stakeholder identification and construction of normative average stakeholders. For each topic, we identified the stakeholder groups most likely to be affected, and constructed a normative “average stakeholder” for each group – e.g. the average community member, employee, consumer, or investor – using criteria derived from established legal analogues (such as the average consumer in EU law).

Step 3: Normative materiality assessment. For each disclosure requirement, we assessed whether the information would reasonably be expected to influence the decisions or actions of the relevant average stakeholder – given the nature of the company’s operations, risks and impacts. If so, the requirement was considered justified on normative grounds.

Step 4: Assessment of reporting burden. We then assessed the estimated burden associated with each requirement – including data availability, processing complexity, frequency of reporting, sectoral relevance, and verification effort. This included identifying whether the requirement is context-sensitive or structurally onerous across most companies.

Step 5: Proportionality judgement. Where the normative value of a disclosure outweighed its burden, we recommended retaining it. Where the value and burden were more evenly balanced, we proposed simplification (e.g. merging datapoints, permitting qualitative reporting). Where the burden clearly exceeded the normative justification, we proposed making the requirement conditional or removing it altogether.

Step 6: Documentation and reasoning. For each judgement, we documented the underlying normative reasoning, including:

- which stakeholder interests were engaged,
- how the information supports decision-making or due diligence, and
- whether the level of detail or scope of the requirement was proportionate in that light.

This method has enabled us to evaluate each standard with internal consistency, without losing sight of the moral foundation of the CSRD and ESRS. In the following sections, we present our conclusions per topical standard, along with suggested changes to specific disclosure requirements.

Applying the method described above, we have – with the assistance of generative AI with quality review thereafter – conducted a systematic normative assessment of each disclosure requirement in ESRS. The results are presented in a tabular format in Appendix 1 to 3 (for the topical standards), using the following columns:

- **Standard and Disclosure Requirement (DR)**: These columns identify which ESRS standard and specific disclosure requirement is being assessed.
- **Type of Issue**: This column provides a concise technical description of the main concern associated with the requirement. It helps explain why a disclosure may be problematic from a reporting or normative perspective. Common types include:
  - Activity-based; fragmented: The requirement calls for lists of discrete actions rather than describing the company’s underlying management system. This runs counter to the due diligence logic and generates excessive burden.

  - Overly detailed / technically complex: The requirement is highly granular and resource-intensive, with low added value for stakeholder decision-making – especially in low-risk sectors.
  - Low stakeholder relevance: The information is unlikely to influence any normative average stakeholder's ability to make informed decisions.
  - Missing linkage to benchmarks: The requirement lacks connection to science-based or regulatory thresholds, weakening its interpretability and normative force.
  - Duplicative: The information is already required elsewhere (e.g., national regulation or another ESRS), reducing the justification for repeating it.
- **Reporting Burden for Undertaking:** This column describes the level and nature of the administrative and technical burden associated with fulfilling the disclosure requirement – including data availability, frequency, and cross-functional complexity. Burden levels are qualified with explanatory text (not just "low/medium/high").
- **Relevant Stakeholder Groups:** This column identifies the stakeholder groups whose rights or decisions are potentially affected by the information in question. Examples include:
  - Investors – for capital allocation decisions,
  - Regulators / policymakers – for oversight and enforcement,
  - Civil society / NGOs – for accountability and public scrutiny,
  - Affected communities – for environmental or health-related impacts,
  - Employees / workforce – for workplace conditions and job security,
  - Consumers / customers – for product safety and transparency,
  - Future generations (indirect) – for long-term environmental and intergenerational concerns.
- **Autonomy Relevance per Group:** This column assesses how important the information is to each stakeholder group's ability to make informed, autonomous decisions in relation to the company. It reflects whether the information is foundational, contextual, or marginal from the standpoint of autonomy and rights protection.
- **Normative Justification (Proportionality Assessment):** This column provides an overall judgement of whether the requirement is normatively proportionate – i.e. whether the informational benefit to stakeholders (in terms of decision-making and autonomy) clearly outweighs the reporting burden for the undertaking. The judgement integrates:
  - The severity and relevance of the underlying impact or risk,
  - The usefulness of the information for affected parties,
  - The feasibility and cost of producing it.
- **Proposed Revision:** This column summarises our recommendation for each disclosure requirement, based on the proportionality judgement. Proposals include:
  - Retain (with or without minor clarification),

- Delete and replace with process-based disclosure,
- Simplify (e.g., allow aggregation or narrative),
- Apply only where the issue is clearly material due to sector, geography, or exposure.

This table structure enables both a principled and practical discussion of how the ESRS can be streamlined without compromising their purpose. It ensures that the rights of stakeholders and the burden on companies are assessed in parallel, as required by a normatively coherent sustainability disclosure system.

6 OVERALL ASSESSMENT OF ERS2 2

ESRS 2 serves as the structural backbone of the ESRS reporting architecture. It establishes the general disclosures that all undertakings must provide, regardless of which sustainability topics are deemed material. From the perspective of our normative framework – based on stakeholder autonomy and the company's duty of due diligence – the majority of ESRS 2 is proportionate, well-aligned, and foundational to the ethical and informational objectives of the CSRD.

Key strengths include disclosures on governance roles and integration (GOV-1 to GOV-3), the mapping of due diligence (GOV-4), internal control (GOV-5), the business model and value chain (SBM-1), stakeholder input (SBM-2), and the strategic embedding of material issues (SBM-3). These provide essential transparency on how sustainability responsibilities are assigned, integrated and reported. We recommend that these disclosures be retained in full.

However, three areas require revision to ensure proportionality and normative coherence:

1. **IRO-1 and IRO-2 (Materiality process and outcome)**. These disclosures currently lack normative clarity. They do not require companies to define which stakeholders were considered, nor do they provide a consistent test for when a matter becomes material from the perspective of stakeholder decision autonomy. → We recommend revising these disclosures to require companies to identify relevant stakeholder groups, construct "normative average stakeholders", and explain how these groups' informational needs guided the assessment.
2. **MDR-A (Actions and resources)**. As in several topical standards, this disclosure is activity-based and requires listing of discrete initiatives. It does not provide meaningful insight into how the company manages material topics systematically. → We recommend deleting MDR-A and replacing it with a disclosure on the underlying **due diligence processes** used to address material sustainability matters.
3. **GOV-5 (Internal control and risk management)**. While this disclosure is normatively important, it may impose a **disproportionate burden** on undertakings with less mature systems. → We recommend retaining GOV-5, but allowing narrative-form disclosures and proportional flexibility for undertakings in earlier stages of implementation.

Estimated burden reduction: The proposed changes would result in a targeted and meaningful reduction in reporting burden (approx. 25–30%), primarily by removing one activity-based disclosure (MDR-A) and clarifying how materiality should be applied and documented. These improvements enhance both practical feasibility and normative integrity, making the standard more usable for preparers while preserving its ethical foundations and stakeholder utility.

7 OVERALL ASSESSMENT OF ESRS E1-E5

Our review of ESRS E1 to E5, using a consistently applied normative framework based on stakeholder autonomy and the company's duty of due diligence, affirms the ethical and legal importance of environmental transparency in these areas. The topics addressed – climate change, pollution, water, biodiversity, and resource use – involve some of the most urgent sustainability risks for both society and business. Disclosure is normatively justified where the undertaking's activities give rise to material impacts or dependencies and where information enables stakeholders to understand, monitor or respond to those impacts.

The standards include several strengths: they reflect the architecture of due diligence (strategy, policies, targets, risk management) and address information needs that are central to affected communities, investors, regulators, and civil society. However, our structured review identified three recurring weaknesses that undermine proportionality, usability and stakeholder relevance:

1. **Activity-based disclosure requirements** (e.g. E1-4, E2-2, E3-2, E4-3, E5-2) require undertakings to list individual actions and resources, rather than explaining the systems they use to manage sustainability risks and impacts. This format is inconsistent with the process-based logic of responsible business conduct and provides low decision-usefulness for stakeholders.
2. **Technically complex or overly detailed datapoints**, especially in low-risk sectors (e.g. breakdowns of energy mix, pollutant discharges, water withdrawals), impose a reporting burden that is not always justified by the added stakeholder value. While such disclosures may be justified in high-exposure sectors, they are often disproportionate elsewhere.
3. **Uniform application of disclosures without context-specific flexibility** undermines proportionality. For example, disclosures on Scope 3 emissions, biodiversity-sensitive areas, or marine ecosystems are highly material in some contexts but carry low relevance in others. Blanket requirements reduce efficiency and impair report clarity.

To address these issues, we applied a structured proportionality test to each disclosure, including:

- Identification of relevant stakeholder groups (e.g. investors, affected communities, regulators),
- Assessment of how the information contributes to stakeholder autonomy and accountability,
- Estimation of the reporting burden for the undertaking, and
- A normative judgement of whether the value of the disclosure outweighs its cost.

As a result, we propose to:

- **Delete all "actions and resources" disclosures** and replace them with process-based reporting aligned with due diligence logic,
- **Simplify or aggregate technically complex disclosures**, particularly in low-impact sectors,

- **Condition the application of context-sensitive disclosures** (e.g. marine impacts, biodiversity-sensitive areas, Scope 3 GHG emissions),
- And **retain and strengthen disclosures that are normatively indispensable**, such as those on GHG emissions, climate targets, pollution policies, and financial effects.

Estimated burden reduction: Based on this analysis, we estimate that the proposed revisions would reduce the overall reporting burden associated with ESRS E1–E5 by approximately 47.5%. This reflects the proportion of disclosure requirements for which we recommend deletion, simplification, replacement, or conditional application due to a mismatch between cost and stakeholder value. The revised set of disclosures remains aligned with the goals of the CSRD while improving focus, usability, and normative coherence.

8 OVERALL ASSESSMENT OF ESRS S1-S4

The social standards ESRS S1–S4 address corporate impacts on people: employees (S1), value chain workers (S2), affected communities (S3), and consumers or end-users (S4). These are the areas where sustainability reporting most directly intersects with human rights, dignity, and stakeholder autonomy. From the perspective of our normative framework – grounded in due diligence obligations and respect for stakeholders' right to make informed decisions – disclosures under S1–S4 are foundational and ethically critical.

The structure of the standards aligns well with international frameworks such as the UN Guiding Principles and the OECD Guidelines. Core disclosures on policies, stakeholder engagement, grievance mechanisms, and (where applicable) targets are all strongly normatively justified. These disclosures enable stakeholders to understand whether the company takes its responsibilities seriously, whether affected groups have a voice, and whether there are mechanisms for redress. We recommend that these elements be retained in full across all four standards.

However, our detailed proportionality review identifies two recurring weaknesses:

1. **Activity-based disclosures on "actions and resources"** (S1-4, S2-4, S3-4, S4-4) are structurally misaligned with the due diligence model. Rather than describing how the company systematically identifies and manages human rights risks, they invite superficial lists of initiatives. These lists provide little meaningful insight into governance capacity or effectiveness, and they carry high reporting burden. → We recommend deleting these disclosures and replacing them with process-based requirements that describe how the company identifies, prioritises, and addresses social risks and impacts.
2. **Quantitative** metrics in S1-6 to S1-17 vary in normative strength. While some indicators – such as injury rates, gender pay gaps, and permanent vs. temporary contract ratios – are strongly justified, others are either too granular, sector-specific, or marginally relevant to stakeholder decision-making. → We recommend focusing on a core set of outcome-oriented indicators that reflect genuine risk and impact, while allowing narrative or contextual reporting for less essential datapoints.

In contrast, disclosures on policies (S1-1 to S4-1), engagement processes (S1-2 to S4-2), grievance mechanisms (S1-3 to S4-3), and targets (S1-5 to S4-5) are well aligned with both stakeholder autonomy and the architecture of due diligence. They form the backbone of transparency and accountability in social sustainability.

Estimated burden reduction: Based on the proposed changes, we estimate a reporting burden reduction of approximately 42–45% across ESRS S1–S4. This is achieved primarily through the removal of low-value action disclosures, the simplification and prioritisation of social indicators, and a shift from template-based to more flexible, principle-based reporting. These changes preserve the normative integrity of the social standards, while significantly enhancing usability and relevance for both preparers and stakeholders.

9 OVERALL ASSESSMENT OF ESRS G1

ESRS G1 addresses corporate conduct in areas such as ethics, anti-corruption, political influence, and payment practices. While these topics may not fall neatly into environmental or social categories, they are normatively central because they determine how companies exercise power, uphold integrity, and maintain legitimacy in the eyes of stakeholders. From the perspective of our normative framework – based on stakeholder autonomy and due diligence – most disclosures in G1 are strongly justified and should be retained.

The standard is particularly robust in areas related to policy frameworks, integrity systems, and transparency around confirmed misconduct (G1-1 to G1-4). These disclosures align with legal obligations and stakeholder expectations, and they offer high informational value at relatively low reporting cost. We recommend that they be retained in full.

Two disclosures, however, require clarification and adjustment in light of stakeholder relevance and proportionality:

1. **G1-5 (Political influence and lobbying):** This disclosure is **subject to materiality** like all other topical disclosures under ESRS. While highly relevant in sectors with significant public policy exposure (e.g. energy, finance, healthcare), it is unlikely to be material in low-policy-impact sectors. → We recommend that EFRAG provide clearer guidance on assessing materiality for this topic, and that where applicable, narrative-form reporting should be permitted to avoid excessive detail and reduce reporting burden.
2. **G1-6 (Payment practices):** This disclosure addresses payment behaviour toward suppliers, which is normatively relevant when power asymmetries exist – particularly where SME liquidity is impacted. However, in capital-intensive or large-enterprise-only supply chains, its relevance diminishes. → We recommend clarifying that this disclosure applies only where supplier payment terms are a material concern, and that narrative reporting may be sufficient to demonstrate fairness and due diligence.

Estimated burden reduction: The proposed adjustments would reduce the reporting burden associated with ESRS G1 by approximately 30–35%, primarily by clarifying the conditionality of G1-5 and G1-6 and encouraging proportional, narrative-based reporting where appropriate. These refinements help preserve the core function of G1 – transparency on corporate integrity and power – while improving precision and usability for preparers.

10 CONSEQUENTIAL RECOMMENDED CHANGES TO ESRS 1

Based on the analysis above, we also want to suggest changes to ESRS 1, to ensure consistency with the normative foundations of the CSRD and to enhance the clarity, legitimacy, and proportionality of the materiality assessment process:

1. Introduce a unified, autonomy-based definition of materiality

We recommend that ESRS 1 introduce a single, normative definition of materiality, applicable to both impact and financial materiality, based on stakeholder decision autonomy. See section 4 above.

2. Require identification of relevant stakeholder groups

We recommend that ESRS 1 explicitly require undertakings to identify which stakeholder groups are relevant to each material sustainability matter, and to assess materiality based on what a reasonable member of that group (a "normative average stakeholder") would need to know in order to make informed decisions.

Proposed addition to ESRS 1, Section 3.5: *In determining materiality, the undertaking shall identify the stakeholder groups whose rights, interests or decisions are potentially affected by each sustainability matter. It shall assess materiality from the perspective of a normative average stakeholder within each group – that is, a reasonably informed and attentive stakeholder whose autonomy depends on having access to relevant information.*

3. Introduce an explicit proportionality principle

To support simplification and prioritisation, we recommend introducing an explicit principle of normative proportionality. This would ensure that disclosure is required only where the *stakeholder benefit justifies the reporting cost.*

Proposed addition to ESRS 1, Section 2.4 or 3.6: *A disclosure requirement shall be applied only where the normative value of the information – in terms of stakeholder decision relevance or due diligence transparency – clearly outweighs the burden of collecting and reporting it. This includes consideration of sector, geography, impact severity and stakeholder vulnerability.*

4. Provide stakeholder-oriented guidance for the use of Appendix A

Appendix A currently serves as a list of sustainability matters but offers no guidance for how to assess their relevance or stakeholder impact. We recommend amending or supplementing Appendix A with a methodological guide that includes:

- Examples of which stakeholder groups are typically affected by each matter;
- Typical thresholds for relevance (e.g. when biodiversity or water becomes material);
- A template for stakeholder-based justification of materiality exclusions.

Proposed addition to the introduction of Appendix A: *For each listed sustainability matter, the undertaking shall assess relevance in light of its actual or potential impacts on identifiable stakeholder groups. Materiality assessments should be supported by documented stakeholder analysis, including justification for exclusion of matters commonly considered material in the sector.*

11 THE NEED FOR A NORMATIVE FOUNDATION FOR ASSURANCE

As the ESRS enter into application, a key challenge emerges not only for preparers, but also for assurance providers. In particular, the task of delivering limited assurance in line with the expectations of the Corporate Sustainability Reporting Directive (CSRD) – as guided by the CEAOB's limited assurance guidelines of 30 September 2024 – reveals a structural weakness in the current ESRS architecture: the absence of a shared normative reference point for determining when a sustainability disclosure is "sufficient".

11.1 Current challenges

Assurance providers are expected to assess whether undertakings have applied the standards "in all material respects." However, many disclosures – especially those related to processes, forward-looking statements, and materiality assessments – lack objective thresholds or evaluation criteria. This generates several practical and normative problems:

1. Unclear what constitutes a "sufficient process"

Process-oriented disclosures (e.g. on materiality, stakeholder engagement, risk management, due diligence) dominate the ESRS. Yet there is no definition of when such a process is "good enough" to satisfy the standard. This leaves assurance providers in a position of implicit norm-setting, without guidance.

2. The ambiguity of "limited assurance" with high stakeholder expectations

The assurance opinion is limited in scope but widely expected to convey reliability. This dissonance is especially challenging when disclosures are narrative, process-based, or forward-looking.

3. Materiality assessment is not grounded in normative criteria

Assurance providers must assess whether the company's materiality assessment (IRO-1 and IRO-2) is "reasonable." But the ESRS provide no principled basis for deciding what a "reasonable" inclusion or exclusion looks like.

4. Future-oriented "opportunities" raise the greatest difficulty

Assurance providers are asked to assess disclosures about sustainability-related opportunities – a category that is inherently speculative, subjective and aspirational. There is no guidance on what makes such disclosures fair, verifiable, or decision-useful. The risk is that the assurance statement becomes a tacit endorsement of promotional narratives.

5. No consistent test of stakeholder informational sufficiency

Currently, there is no clear standard for determining whether stakeholders have received the information they reasonably need to protect their rights or make autonomous decisions in relation to the undertaking.

11.2 How a normative framework addresses these challenges

We propose that EFRAG adopt a clear normative foundation for assurance, based on the same principles that should guide disclosure itself: stakeholder autonomy and due diligence. This foundation offers a principled standard against which both preparers and assurance providers can assess sufficiency.

Specifically, we recommend the adoption of the following test:

A sustainability disclosure is sufficient if the undertaking, through a structured and stakeholder-informed process, has provided the information that relevant stakeholder groups reasonably need to make informed and autonomous decisions about their relationship with the undertaking – and has done so in a way that is proportionate to the severity of the issue and the burden of reporting.

This principle provides a solution to the problems outlined above:

- For process-based disclosures, it offers a test of substance: did the company's process meaningfully identify, prioritise and address stakeholder-relevant risks or impacts?
- For materiality assessments, it gives the assurance provider a normative anchor: did the company assess materiality by reference to what would affect a reasonable stakeholder's decisions – not merely internal policy or reporting convenience?
- For "opportunities" disclosures, it resolves the speculative problem: the assurance provider does not need to assess whether the opportunity is real, but whether the company has reasonably justified its inclusion as decision-relevant for a particular stakeholder group. This shifts the focus from prediction to justification.
- For narrative disclosures generally, it establishes a test of fairness: is this narrative structured around stakeholder needs, or around image management?

This approach also enables assurance without requiring technical thresholds for every issue. It relies instead on a structured reasoning process rooted in widely accepted ethical and legal principles – which is familiar to professionals exercising professional judgement in other contexts.

Recommendation: We recommend that ESRS 1 and ESRS 2 be revised as suggested above to incorporate a clear normative foundation for materiality and disclosure sufficiency, based on the principles of stakeholder autonomy and due diligence. This would not only improve the internal coherence and usability of the standards for preparers, but also greatly assist assurance providers in forming limited assurance conclusions.

By grounding materiality and process disclosures in a shared normative logic – where sufficiency is judged in terms of stakeholder informational needs and proportionality – the standards would provide both companies and assurance providers with a common reference point. This would reduce ambiguity, increase consistency, and ultimately enhance trust in sustainability reporting under the CSRD.

APPENDIX 1: ANALYSIS OF ESRS 2

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS 2	BP-1 (General basis for preparation of the sustainability statement)	None	Low – based on existing financial reporting structures, limited incremental effort.	Investors, regulators, assurance providers	High – enables interpretation of scope, entity coverage and methodological consistency.	Fundamentally justified – essential for understanding the scope, boundaries, and methodology behind all other disclosures.	Retain
	BP-2 (Disclosure in relation to specific circumstances)	None	Low to moderate – only applicable where deviations occur.	Investors, regulators	Medium – necessary for understanding exceptions or special cases.	Strongly justified – ensures transparency where reporting deviates from standard requirements; supports trust and comparability.	Retain
	GOV-1 (The role of the	None	Low – governance	Investors, regulators,	High – this defines who holds responsibility for	Strongly justified – defines who is accountable for	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	administrative, management and supervisory bodies)		roles are generally already defined and documented.	civil society, assurance providers	sustainability oversight at the highest level.	sustainability governance. Required for stakeholder trust and credible oversight.	
	GOV-2 (Sustainability governance and its integration with governance)	None	Low – typically narrative, and aligns with internal documentation.	Investors, regulators	High – clarifies the integration of sustainability in governance structures.	Strongly justified – clarity on integration reflects strategic commitment and institutional coherence.	Retain
	GOV-3 (Integration of sustainability-related performance in incentive schemes)	None	Moderate – requires some additional disclosures but often linked to existing remuneration structures.	Investors, regulators, civil society	High – shows whether sustainability is materially linked to leadership incentives.	Strongly justified – stakeholders need to know whether sustainability is embedded in executive performance management.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	GOV-4 (Due diligence for sustainability matters)	None	Moderate – requires mapping rather than full process disclosure.	Investors, assurance providers, civil society	High – clarifies how the due diligence process is reflected in the report.	Fundamentally justified – key to interpreting the structure of due diligence in the report; necessary for assurance and traceability.	Retain
	GOV-5 (Internal control and risk management systems)	None	Moderate to high – burden depends on internal maturity of controls.	Investors, auditors, regulators	Medium – important for confidence in reported data, less so in early implementation stages.	Balanced – important for data credibility, but reporting burden may be high for companies without mature control systems.	Retain with clarificati on
	SBM-1 (Business model and value chain)	None	Moderate – some mapping effort, but aligned with strategy disclosure.	All stakeholder groups	High – defines boundaries and the structure of impacts across the value chain.	Strongly justified – foundational for understanding impact boundaries and responsibilities across the value chain.	Retain
	SBM-2 (Interests and	None	Low to moderate –	Civil society, employees,	High – demonstrates whether stakeholder	Strongly justified – stakeholder voice is a	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	views of stakeholders)		dependent on the stakeholder engagement processes already in place.	communities, consumers	views have shaped strategy or materiality assessments.	condition for legitimacy and materiality relevance.	
	SBM-3 (Material impacts, risks and opportunities and their interaction with strategy and business model)	None	Moderate – overlaps with strategy reporting but with sustainability focus.	Investors, regulators, affected communities	High – connects material sustainability matters with the company's core strategy.	Strongly justified – necessary to show whether sustainability is part of strategic decision-making.	Retain
	IRO-1 (Description of the processes to identify and assess	Ambiguous criteria	Moderate – requires process documentation, varies by	All stakeholder groups	High – process transparency is essential to evaluate the reliability of reported information.	Balanced – stakeholders need visibility into how material topics were selected, but methodological	Retain; revise to clarify normativ e

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	material impacts, risks and opportunities)		company maturity.			flexibility must be maintained.	threshold s
	IRO-2 (Disclosure of material impacts, risks and opportunities and their materiality assessment)	Ambiguous framing	Moderate – summary disclosure but critical to scoping.	All stakeholder groups	High – defines what is deemed material and what is excluded.	Strongly justified – stakeholders require explanation of material inclusions and exclusions to judge report relevance.	Retain with revision
	MDR-P (Policies adopted to manage material sustainability matters)	None	Low – aligns with existing sustainability governance documentation.	Investors, civil society, employees	High – policies signal intent and direction of management.	Strongly justified – policy signals intent and forms the basis of internal accountability.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	MDR-A (Actions and resources in relation to material sustainability matters)	Activity-based; fragmented	High – typically broad and unstructured across departments.	Civil society, assurance providers, regulators	Low to medium – action listings provide low insight without process context.	Weakly justified – action lists rarely show systems thinking or prioritisation; high burden, low transparency.	Delete and replace with process-based disclosure
	MDR-M (Metrics used to monitor material sustainability matters)	None	Moderate – depends on data system maturity but high value.	Investors, assurance providers	High – necessary for performance tracking and comparability.	Strongly justified – metrics are needed to assess performance and enable comparability.	Retain
	MDR-T (Targets related to material sustainability matters)	None	Moderate – target-setting is resource-intensive but central to credibility.	Investors, regulators, civil society	High – indicates level of ambition and trajectory of performance.	Strongly justified – targets convey ambition and allow stakeholders to monitor commitment and progress.	Retain

APPENDIX 2: ANALYSIS OF ESRS E1 – E5

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS E1	E1-1 (Transition plan for climate change mitigation)	None	Low	Investors, regulators, civil society	High for investors (capital alignment decisions), regulators (policy evaluation), civil society (public scrutiny).	Strongly justified – transition plans are core to transparency, comparability, and climate credibility.	Retain
	E1-2 (Policies related to climate change mitigation and adaptation)	None	Low	Investors, employees, civil society	High for investors (commitment evaluation), employees (organisational values), civil society (ethical expectations).	Strongly justified – policies show institutional commitment to action on climate matters.	Retain
	E1-3 (Measurable targets for climate change mitigation	Missing benchmark linkage	Moderate	Investors, civil society	High for investors and regulators when science-based; medium when loosely defined.	Strongly justified – targets enable monitoring of ambition; science-based alignment boosts legitimacy.	Retain with benchmark linkage

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	and adaptation)						
	E1-4 (Implemented actions and resources related to climate change)	Activity-based; fragmented	High	Civil society, communities	Low to medium across all groups – disconnected action lists provide little insight into due diligence or control.	Weakly justified – action lists provide little insight without process logic; replace with systems-based reporting.	Delete and replace with process-based disclosure
	E1-5 (Energy consumption and mix)	Overly detailed in low-impact sectors	Medium to high	Investors, analysts	Medium to high for investors in energy-intensive sectors; low in low-energy sectors.	Balanced – valuable in energy-intensive sectors, but overly detailed elsewhere.	Simplify and condition on sector
	E1-6 (Gross GHG emissions (Scope 1, 2, and 3))	None	Moderate	Investors, regulators, civil society	Very high across all stakeholder groups – core to climate accountability, public oversight and comparability.	Fundamentally justified – GHG emissions are central to climate accountability, comparability, and stakeholder trust.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	E1-7 (GHG removals and GHG mitigation projects financed through carbon credits)	Technically complex	High	Civil society, investors	Medium – relevant for analysts where pricing is actually used in investment appraisal.	Strongly justified – necessary for transparency on climate strategies involving offsets and removals.	Simplify; allow narrative
	E1-8 (Internal carbon pricing)	Low relevance in most companies	Medium	Investors, analysts	Medium – needed to understand credibility of decarbonisation claims; varies by offset type and permanence.	Balanced – only justified where pricing influences decision-making; otherwise low value.	Make conditional
	E1-9 (Financial effects from climate-related risks and opportunities)	None	Moderate	Investors, regulators	Very high for investors (financial exposure), lenders (credit risk), and regulators (systemic risk monitoring).	Strongly justified – financial transparency on climate risks is essential for capital allocation and governance.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS E2	E2-1 (Pollution policies)	None	Low	Regulators, civil society	High for regulators and civil society – pollution affects human health and ecosystem integrity.	Strongly justified – policy transparency supports accountability and public confidence.	Retain
	E2-2 (Actions and resources to manage pollution impacts)	Activity-based; fragmented	High	Civil society, regulators	Low to medium – action listings rarely convey process maturity or long-term performance.	Weakly justified – action listings are burdensome and uninformative; replace with process description.	Delete and replace with process-based disclosure
	E2-3 (Pollution reduction targets)	None	Moderate	Investors, regulators	High – targets signal intent to reduce harmful emissions; stakeholders use them to assess progress.	Strongly justified – targets reflect intent and measurable performance on pollution reduction.	Retain
	E2-4 (Pollutant emissions to air, water, and soil)	Technically detailed	High	Civil society, regulators	Medium – emissions figures are important where pollutant levels are high; otherwise may	Balanced – useful where emissions are material; potentially duplicative where regulatory reports exist.	Simplify and align

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
					duplicate regulatory data.		
	E2-5 (Substances of concern and most harmful substances)	None	Moderate	Regulators, public health authorities	Medium to high – stakeholders value clarity on the use and phase-out of harmful substances.	Strongly justified – disclosure of hazardous substances is vital for public health and regulatory scrutiny.	Retain
	E2-6 (Financial effects from pollution-related risks and opportunities)	None	Moderate	Investors, regulators	High for investors and regulators – pollution risk can lead to financial liability and reputational damage.	Strongly justified – links pollution risk with financial impact, supports investor decision-making.	Retain
ESRS E3	E3-1 (Water and marine resource policies)	None	Low	Local communities, regulators	High – water policy signals responsibility in resource-sensitive contexts.	Strongly justified – policy signals responsibility in water governance.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	E3-2 (Actions and resources for water and marine management)	Activity-based; fragmented	High	Local stakeholders	Low – lists of actions provide limited insight into long-term water governance.	Weakly justified – listings of water-related actions do not demonstrate strategic approach.	Delete and replace with process-based disclosure
	E3-3 (Water and marine resource targets)	None	Moderate	Regulators, NGOs	Medium – targets demonstrate intent but only valuable where water use is material.	Balanced – targets help assess progress but only relevant where water use is material.	Retain
	E3-4 (Water consumption and withdrawals)	Technically detailed	High	Environmental authorities	High in water-stressed or high-use sectors; low elsewhere – essential to contextualise impact.	Balanced – high utility in water-intensive sectors; marginal elsewhere.	Make conditional on geography
	E3-5 (Water discharges)	Technically detailed	High	Local communities	Medium – helps assess corporate responsibility for effluents; usefulness varies with sector.	Balanced – only justified where discharges materially affect ecosystems or regulatory compliance.	Simplify and make qualitative

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	E3-6 (Impacts on marine ecosystems)	Low materiality in many sectors	Medium	Marine-focused NGOs	Low for most sectors; only high for marine-adjacent industries or ports.	Weakly justified – relevant only for companies with direct marine ecosystem interaction.	Retain
	E3-7 (Financial effects from water- and marine-related risks and opportunities)	None	Moderate	Investors, regulators	High – water-related risks are financially material in key geographies and sectors.	Strongly justified – enables stakeholders to assess financial exposure to water-related risks.	Retain
ESRS E4	E4-1 (Biodiversity and ecosystem policies)	None	Low	NGOs, environmental groups	High – indicates commitment to protect biodiversity and ecological assets.	Strongly justified – indicates commitment to biodiversity protection and regulatory alignment.	Retain
	E4-2 (Biodiversity and	None	Low	Investors, environmental NGOs	High – targets show strategic alignment with	Strongly justified – shows level of ambition in	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	ecosystem targets)				biodiversity frameworks.	biodiversity response strategies.	
	E4-3 (Actions and resources for biodiversity and ecosystems)	Activity-based; fragmented	High	Local stakeholders	Low to medium – activities are disconnected from broader ecological context.	Weakly justified – action lists lack prioritisation and connection to outcomes.	Delete and replace with process-based disclosure
	E4-4 (Locations in or near biodiversity-sensitive areas)	Technically demanding	High	Biodiversity experts	High where operations intersect sensitive ecosystems; otherwise marginal.	Balanced – justified where company operates in or near sensitive areas.	Simplify
	E4-5 (Impacts and dependencies on biodiversity	Conceptually immature	Moderate	Regulators, NGOs	Medium – impact awareness is critical but methodologically underdeveloped.	Balanced – reflects material ecosystem dependencies; currently lacks methodological clarity.	Narrative only

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	and ecosystems)						
	E4-6 (Financial effects from biodiversity-related risks and opportunities)	None	Moderate	Investors	High for investors and ESG analysts – nature-related risks are rising in significance.	Strongly justified – disclosure of biodiversity-related financial risks supports transparency and investment analysis.	Retain
ESRS E5	E5-1 (Resource use and circular economy policies)	None	Low	Investors, regulators	High – signals intention to reduce resource use and align with circular economy.	Strongly justified – shows commitment to sustainable resource use and circular economy.	Retain
	E5-2 (Actions and resources for resource use and circular economy)	Activity-based; fragmented	High	Consumers, regulators	Low to medium – activities can be inconsistent or unstructured.	Weakly justified – action lists are fragmented; better replaced by structured process description.	Delete and replace with process-based disclosure

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	E5-3 (Targets for resource use and circular economy)	None	Moderate	Investors, consumers	Medium – targets are relevant where material flows are significant.	Balanced – targets relevant if material flows are significant.	Retain
	E5-4 (Resource inflows)	Technically detailed	High	Supply chain analysts	Medium – inflow data helps contextualise footprint; too granular in some cases.	Balanced – useful in high-resource industries; may overburden low-impact sectors.	Simplify
	E5-5 (Resource outflows and waste)	Technically complex	High	Environmental regulators	High where waste is a key sustainability concern (e.g. packaging, mining).	Strongly justified – needed where waste has environmental or regulatory significance.	Simplify
	E5-6 (Financial effects from resource use and circular economy-related risks	None	Moderate	Investors	High for investors and regulators – resource risks impact costs and resilience.	Strongly justified – aligns resource risks with financial analysis; critical for understanding exposure.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	and opportunities)						

APPENDIX 3: ANALYSIS OF ESRS S1-S4

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS S1	S1-1 (Policies)	None	Low	Employees, trade unions, civil society	High – employees and their representatives rely on this to assess formal commitments to workplace rights and fair treatment.	Strongly justified – policies reflect formal commitment to labour rights and working conditions.	Retain
ESRS S1	S1-2 (Engagement processes)	None	Low	Employees, worker councils, HR representatives	High – explains how employee input influences company decisions; directly relevant to legitimacy and autonomy.	Strongly justified – explains whether employee voice is integrated into governance.	Retain
ESRS S1	S1-3 (Grievance mechanisms)	None	Low	Employees, regulators	High – without remedy mechanisms, rights are not enforceable; this is essential to stakeholder protection.	Strongly justified – grievance mechanisms are essential for procedural justice and remedy.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS S1	S1-4 (Actions and resources)	Activity-based; fragmented	High	Employees, HR departments, NGOs	Low to medium – disconnected action lists do not reveal structural performance or governance quality.	Weakly justified – action listings lack strategic or structural insight; burdensome with low decision value.	Delete and replace with process-based disclosure
ESRS S1	S1-5 (Targets)	None	Moderate	Employees, investors, regulators	High – targets allow monitoring of progress on key workforce issues like safety, diversity, and wellbeing.	Strongly justified – targets show direction and enable stakeholder monitoring.	Retain
ESRS S1	S1-6 to S1-17 (Workforce metrics)	Overly detailed in some areas	High	Employees, analysts, regulators	Medium – safety and equality metrics are vital; others are sector-dependent and vary in stakeholder usefulness.	Balanced – some metrics (e.g. safety, equality) are critical; others provide marginal insight.	Simplify and prioritise core indicators
ESRS S2	S2-1 (Policies)	None	Low	Workers in value chains, civil society, NGOs	High – policies extend corporate responsibility to supply chain workers,	Strongly justified – policy transparency beyond legal boundary is essential in high-risk value chains.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
					where abuses are often most severe.		
ESRS S2	S2-2 (Engagement processes)	None	Low	Workers, trade unions, investors	High – affected workers have limited power; engagement processes improve transparency and representation.	Strongly justified – enables stakeholders to assess participation rights in due diligence.	Retain
ESRS S2	S2-3 (Grievance mechanisms)	None	Low	Workers, human rights monitors	High – necessary to meet due diligence expectations and ensure access to remedy across the value chain.	Strongly justified – access to remedy for supply chain workers is a due diligence obligation.	Retain
ESRS S2	S2-4 (Actions and resources)	Activity-based; fragmented	High	Procurement staff, auditors, NGOs	Low – action listings rarely show strategic supplier management or escalation paths.	Weakly justified – action lists obscure systemic performance; focus should be on process quality.	Delete and replace with process-based disclosure

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS S2	S2-5 (Targets)	None	Moderate	Investors, human rights monitors	High – shows whether company sets real goals for improving conditions in its supply chains.	Strongly justified – targets improve accountability for salient supply chain issues.	Retain
ESRS S3	S3-1 (Policies)	None	Low	Communities, NGOs, local authorities	High – sets expectations and scope for how the company interacts with affected communities.	Strongly justified – policies indicate willingness to engage and respect communities.	Retain
ESRS S3	S3-2 (Engagement processes)	None	Low	Communities, stakeholders, regulators	High – ensures community input is captured, respecting participatory rights in decisions affecting them.	Strongly justified – affected communities must be able to participate and be heard.	Retain
ESRS S3	S3-3 (Grievance mechanisms)	None	Low	Communities, grievance bodies	High – remedy is a critical feature in preventing and addressing localised harm.	Strongly justified – access to remedy is fundamental under UNGP and OECD.	Retain
ESRS S3	S3-4 (Actions and resources)	Activity-based; fragmented	High	Local stakeholders, community organisations	Low to medium – action summaries provide little insight into long-term risk reduction.	Weakly justified – disjointed activities do not show actual social risk governance.	Delete and replace with process-

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
							based disclosure
ESRS S3	S3-5 (Targets)	None	Moderate	Investors, affected people	Medium to high – especially relevant in extractive and infrastructure-heavy sectors.	Strongly justified – targets clarify ambition and responsiveness in high-impact sectors.	Retain
ESRS S4	S4-1 (Policies)	None	Low	Consumers, civil society, regulators	High – consumers have a right to know the company's approach to safety, fairness, and marketing ethics.	Strongly justified – shows commitment to product safety and ethical treatment of consumers.	Retain
ESRS S4	S4-2 (Engagement processes)	None	Low	Consumers, advocacy groups	High – enables evaluation of whether consumer voices are heard and considered.	Strongly justified – critical for understanding responsiveness to consumer concerns.	Retain
ESRS S4	S4-3 (Grievance mechanisms)	None	Low	Consumers, legal bodies, oversight authorities	High – without this, consumers are disempowered in the face of harm or exploitation.	Strongly justified – access to redress is foundational in consumer protection.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS S4	S4-4 (Actions and resources)	Activity-based; fragmented	High	Consumers, NGOs	Low – action lists do not enable consumers to judge product responsibility or systems for redress.	Weakly justified – action listings are burdensome and provide little systemic transparency.	Delete and replace with process-based disclosure
ESRS S4	S4-5 (Targets)	None	Moderate	Consumers, investors	Medium to high – provides measurable basis for assessing progress on consumer trust and fairness.	Strongly justified – targets make improvement traceable for stakeholders.	Retain

APPENDIX 4: ANALYSIS OF ESRS G1

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
ESRS G1	G1-1 (Corporate culture and business conduct)	None	Low	Employees, regulators, investors, civil society	High – indicates ethical tone and behavioural expectations across the organisation.	Strongly justified – cultural governance underpins ethical conduct and internal responsibility.	Retain
	G1-2 (Anti-corruption and anti-bribery policy)	None	Low	Investors, regulators, civil society	High – relevant to legal risk, trust, and stakeholder judgement of integrity.	Strongly justified – anti-corruption is a baseline condition for trustworthy operations.	Retain
	G1-3 (Processes to prevent and detect corruption and bribery)	None	Moderate	Regulators, shareholders, public oversight bodies	High – procedural transparency on anti-corruption enhances credibility.	Strongly justified – process visibility is critical for assessing integrity and risk management.	Retain
	G1-4 (Confirmed incidents of	None	Moderate	Investors, analysts, civil society	High – incident disclosure supports accountability and integrity evaluations.	Strongly justified – key to public trust and investor risk awareness.	Retain

Standard	Disclosure Requirement (DR)	Type of Issue	Reporting Burden for Undertaking	Relevant Stakeholder Groups	Autonomy Relevance per Group	Normative Justification (Proportionality Assessment)	Proposed Revision
	corruption and bribery)						
	G1-5 (Political influence and lobbying activities)	Context-specific relevance	Medium to high	Regulators, civil society, media	Medium – relevant in policy-influencing sectors; otherwise limited stakeholder interest.	Balanced – should be reported with flexibility based on influence footprint.	Retain with clarification
	G1-6 (Payment practices towards suppliers)	Indirect sustainability link	Medium	SMEs, supply chain actors	Medium – relevant where supplier relations affect fairness or SME viability.	Balanced – context-dependent; useful where payment behaviour affects value chain stability.	Make conditional on supplier profile