

1st August 2025

Reaction to the Revised European Sustainability Reporting Standards Exposure Draft

The Danish Institute for Human Rights welcomes the [Revised European Sustainability Reporting Standards \(ESRS\) Exposure Draft](#) released by EFRAG on July 31st along with a [public consultation](#).

We find that the revised ESRS Exposure Draft achieves the requested simplification without losing the overall integrity of the standards, including as it relates to social sustainability or human rights. The standards have been significantly reduced, and further trimming is at risk of undercutting their integrity and alignment with EU's sustainability objectives.

In [our reaction](#) to the European Commission's Omnibus proposal we highlighted the concern that the revision of the ESRS was at risk of removing or diluting human rights-related reporting requirements. We highlighted then that *"A fast-tracked revision of the ESRS and a 'substantial reduction in datapoints' should not happen at the expense of keeping the ESRS fit for purpose and aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises."*

Having been directly involved in the revision of the ESRS via our role in [EFRAG Sustainability Reporting Technical Expert Group](#), we wish to highlight some of the positives and remaining concerns, which will be key to address in and after the public consultation.

Positively, the Exposure Draft maintains, in a simplified form, key elements of the ESRS that are critical to ensure alignment with the abovementioned international standards on business and human rights and responsible business conduct. At the same time, it effectively responds to concerns raised by companies about the complexity of the EU's sustainability regulation.

Importantly the draft maintains:

- The **double materiality approach** and a definition of impact materiality and scope of reporting that covers impacts across own operations and the full value chain, in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs);

- Emphasis and synergy with the concept of **sustainability due diligence** by highlighting how such efforts should inform companies' double materiality assessments whilst drawing on its main features in cross-cutting and topical disclosure requirements around companies' sustainability policies, actions, metrics and targets;
- Emphasis on **engaging with stakeholders**, including affected rightsholders and their representatives, to inform the double materiality assessment and in companies' sustainability impact management and related disclosures; and
- The **social sustainability structure** of the four main affected stakeholder groups: workers, workers in the value chain, affected communities and consumers/end-users underpinned by social sub-topics that substantially capture human rights commonly at risk for these groups.

These four elements are critical to safeguard in the final version of the standard to ensure the future ESRS enable robust disclosures on companies' human rights impacts and efforts, meet related requirements established in the Corporate Sustainability Reporting Directive, are coherent with Corporate Sustainability Due Diligence Directive, and not least to ensure that the revised reporting requirements build on the implementation efforts of the many companies already working with sustainability due diligence.

At a technical level, **we remain concerned with a number of specific elements** in the revised ESRS and encourage stakeholders to raise these concerns in the public consultation to ensure they are properly addressed by EFRAG in the finalisation of the standards. In particular:

- The Draft introduces a number of **new reporting reliefs**, for example for metric calculation and disclosure. We are concerned with the compounded effect and potential abuse of the different new reliefs and recommend that this aspect is analysed and addressed explicitly;
- Wave 1 reporting demonstrates that the revised ESRS have to offer further clarity on certain aspects of impact assessment and impact definitions. This includes whether companies should assess the materiality of impacts before or after taking into consideration any mitigating and preventing actions and how positive impacts differ from and may relate to addressing negative impacts. While we welcome the attempt in the revised **ESRS 1** to tackle these issues, we believe more can be done to ensure a simple and clear approach to these foundational questions, and importantly that such approach needs to adequately address any related risks of green-and social washing;
- Two key issues need addressing in the revised **social standards**. First, a focus on disclosing relevant metrics should be added to the disclosure requirements SX-4 on targets across the four social standards. This is to improve consistency between the topical and the cross-cutting standards, reflect the lack of predefined metrics in social standards S2-S4 and acknowledge the common use and disclosure by companies of metrics relevant to their social sustainability impact management and progress. Second, it is critically important to maintain S1-9 on Adequate Wages. In

finalising the standard, the methodology for assessing and disclosing whether workers are paid an adequate wage outside the EU should be further refined to align with and emphasise [the ILO Principles for estimating a living wage](#). This is to avoid that the methodology unintendedly leads companies to equate adequate or living wages with minimum wages, as these are distinct concepts and legal minimum wages do not necessarily constitute adequate wages.

Finally, the revised ESRS represent a 68% reduction in datapoints. The social standards have also been heavily reduced, and any further reduction of the standards or dilution of its key concepts is not advisable.

In achieving this big a reduction many of the previous explanations, examples and guidance elements have been lost. We therefore highlight the importance of ensuring that guidance around implementation is given utmost priority in the next phases to avoid over or under-implementation and support companies in implementing the standard in its new and simplified form.

Such implementation support is critical to make sustainability reporting meaningful and strategically relevant for companies and to ensure that corresponding disclosures meet the expectations of users of sustainability reports including investors, civil society organisations, trade unions, national human rights institutions and others.