

Policy Hub – Circularity For Apparel & Footwear

Position on the Revised European Sustainability Reporting Standards (ESRS)

Corporate Sustainability Reporting Directive (CSRD)

Brussels | June 2026

Introduction

The Policy Hub welcomes the European Commission's efforts to revise the European Sustainability Reporting Standards (ESRS) in the context of the Omnibus I simplification package. The revised standards reflect a genuine commitment to streamlining reporting obligations, reducing duplication, and improving the overall coherence of the sustainability disclosure framework. We particularly acknowledge the structural reorganisation of requirements, the consolidation of datapoints, the introduction of a top-down double materiality approach, and the extended phase-in timelines for several topical standards, all of which represent meaningful steps towards a more proportionate and workable reporting framework for companies operating across global supply chains.

At the same time, the Policy Hub considers that the revised ESRS, while significantly improved in presentation and structure, does not always translate into a commensurate reduction in the substantive volume of information that companies will be required to disclose. In several areas, important interpretive questions remain open, and the practical implications for reporting companies, particularly in the apparel, footwear, and broader consumer goods sectors or unintended consequences towards Due Diligence obligations, are not yet fully clear.

The present document sets out the Policy Hub's assessment of the key changes introduced under the revised ESRS, identifies the areas where further clarity would be beneficial, and puts forward our recommendations ahead of the formal adoption of the revised standards as a delegated act, expected by June 2026. Members are invited to complement this assessment with their own observations, as the final shape of the reporting metrics will have direct and lasting implications for their compliance efforts and reporting infrastructure.

Due Diligence vs. Reporting

While the Policy Hub welcomes the simplification efforts reflected in the revised ESRS, we caution that structural streamlining should not come at the expense of the substantive rigour that underpins effective due diligence. Several of the changes introduced create areas where interpretive gaps remain and where the quality and comparability of reporting could be undermined. The Policy Hub therefore calls on the Commission to ensure that the pursuit of proportionality does not inadvertently weaken obligations to identify, assess, and address material impacts across their value chains, particularly in sectors such as apparel and footwear where supply chain complexity and exposure to environmental and social risks remain significant.

We **welcome the efforts to simplify the Double Materiality Assessment (DMA)**. However, it is vital that the materiality filter is not treated as a substitute for rigorous human rights and environmental due diligence. Due diligence is an ongoing process to identify, prevent, mitigate, track, communicate, and remediate actual and potential adverse impacts. Materiality is a reporting determination. Undertakings should therefore first identify salient adverse impacts through risk-based due diligence and then determine which information must be reported under the ESRS.

Policy Hub recommends that ESRS 1 clarify that impact materiality must remain anchored in severity and likelihood. Severity should reflect scale, scope, and irremediability, in line with internationally recognised due diligence expectations. This is necessary to ensure that severe impacts on workers, communities, and ecosystems are not omitted from reporting.

Finally, we acknowledge the efforts to ensure interoperability and coherence between the CSRD and the CSDDD and welcome these efforts. The revised ESRS methodology for reporting on adequate wages significantly improves both the original set 1 ESRS requirements and EFRAG's 2025 consultation draft. The revisions also establish a practical and comparable methodology aligned with CSDDD expectations, and this progress should be preserved in the final version. However, we call for greater clarity of unclear legal terms, as some of the terms included in the proposal lack consistency and clarity. More specifically, to reduce reporting burden and complexity, avoiding discussions with auditors and assuring comparability with other companies, we call on the Commission to clarify the definitions of adequate wages, and ensure consistency throughout the ESRS.

Alignment with CSDDD on living wage as the reference point is imperative. If the ESRS reduces its standard to minimum wages, this will not only lower the standard and meaning of adequate wages, but it will also create a significant reporting burden on companies given the lack of regulatory alignment. Aligning with CSDDD will also support comparability of reporting across businesses in ensuring adequate/living wages.

SPECIFIC AREAS WHERE FURTHER WORK IS RECOMMENDED

ESRS 1 & ESRS 2 — General Requirements

ESRS 1 AR para. 4(b) — Definition of 'Other Users'

- The definition of 'other users' under ESRS 1 AR para. 4(b) remains too broad and unclear, creating legal uncertainty and the risk of inconsistent interpretation across companies and auditors.
 - › **Request:** Further narrow down and clarify the definition of 'other users' to align closely with the ISSB framework, which refers to existing and potential investors, lenders and other creditors as primary users of sustainability-related financial disclosures.
 - › **Rationale:** The current definition lacks sufficient clarity. Aligning with IFRS S1 would appropriately clarify that 'primary users' are existing and potential investors, lenders, and other creditors.

ESRS 1 Section 3.3.2 — Disaggregation of Information

- The requirements on disaggregation leave significant room for interpretation and may result in overly granular disclosures, extensive auditor discussions and disproportionate reporting burdens without clear benefits for users.
 - › **Request:** Introduce clear safeguards and more definitive guidance regarding the level of information aggregation and disaggregation.
 - › **Rationale:** While the mandate for disaggregation aims to enhance decision-usefulness, it presents a practical risk of introducing granular disclosures without proportionate benefit to users, leaving too much room for interpretation and risking extensive auditor disputes without increasing reporting quality.

ESRS 1 Section 8.1 (para. 104(b)) — ESEF-XBRL Tagging Requirements

- The ESEF-XBRL tagging requirements introduce meaningful implementation and audit costs, and the practical value of machine-readable sustainability data has yet to be demonstrated at scale. However, this critique rests on a circular argument: machine-readable data cannot prove its utility until coverage is broad enough to make it usable, and broad coverage is unlikely to materialise without clarity and predictability on what the roadmap will look like.
 - › **Request:** Delete the machine-readability and digital tagging requirements until a clear and demonstrated benefit can justify the additional costs and administrative burden.
 - › **Rationale:** Complying with digital tagging demands substantial additional effort and drives up audit costs (adding approximately 3 additional audit days), while the actual utility of this requirement remains unproven and is not used by capital market stakeholders.

ESRS 2 SBM-3 — Material Impacts, Risks and Opportunities / Topical Overlaps

- › **Request:** Suspend the quantitative financial effects reporting requirements until sufficiently robust, standardised, and internationally aligned methodologies are available.
- › **Rationale:** There is a distinct lack of a robust, established methodology for measuring these KPIs. Forcing quantitative disclosures at this stage will hinder, rather than help, reporting standardisation and comparability. Quantitative financial effects reporting is what makes financial materiality operational. Without it, the reporting can describe climate or social risks as material in narrative terms without demonstrating how material they actually are. We therefore call for refinement, clarification, phased implementation, and methodological improvements.
- › **Additionally, the new requirement to revise estimates (ESRS 2 AR 17) raises concerns.** While we welcome the notion that anticipated financial effects rely on estimates and therefore do not constitute errors, the new requirement could be misunderstood to require restatements of anticipated financial effects disclosed in previous reporting periods. This is due to parallels in the wording used in ESRS 2 AR 17 with ESRS 1.84 – which requires a revision of comparative figures if new information is identified in relation to estimated figures. To avoid such unintended consequences, we suggest adding a clarification to ESRS 2 AR 17 that ensures that restatements are not required for anticipated financial effects. This would also ensure alignment with IFRS, as IFRS S1.B51 specifically excludes forward-looking metrics from restatement requirement.

ESRS 2 — Duplication: GDR + Social Standards Overlap

- There is significant practical duplication between the strategic stakeholder engagement disclosures required in ESRS 2 (SBM-2) and the operational disclosures required in the topical S-standards (S2-2, S3-2, S4-2). Although the conceptual

distinction between strategic and operational engagement is sound, companies inevitably report the same engagement mechanisms across both sections.

- Similarly, redundancy exists between the cross-cutting policy disclosure framework in ESRS 2 (GDR-P) and the topic-specific policy disclosures in individual topical standards, leading to repeated descriptions of overarching corporate policies. Cross-referencing is permitted but not structurally embedded enough to eliminate this residual duplication.

ESRS E — Environmental Standards

ESRS E1-11 — Climate Change: Financial Effects

- The requirements on quantitative financial effects reporting under ESRS 2 SBM-3 and ESRS E1-11 are premature given the lack of robust and harmonised methodologies, resulting in disclosures that risk being subjective, difficult to audit and not comparable across companies. Similarly, provisions on allocated financial resources disclosures currently refer to 'significant' amounts, creating ambiguity and challenges in comparability and auditing.

- › **Request:** Delete all data points in ESRS E 1-11 going beyond the scope of IFRS S1 and S2, in alignment with the request on ESRS 2 SBM-3.
- › **Rationale:** The concept of anticipated financial effects is neither established and standardised enough, neither current measurement methodologies are not robust enough to ensure data comparability or standardisation. Without any sensible guidance, such information is not comparable and does not provide useful insights for decision-making purposes. Requirements should be reintroduced only once sufficiently mature, standardised and internationally aligned methodologies are available. We therefore call for investing resources in ensuring refinement, clarification, phased implementation, and methodological improvements.

As the IFRS S1 and S2 also lack a clear concept and do not provide clarity, we suggest that EFRAG and ISSB jointly examine what a meaningful, uniform, and practical definition and methodology might look like. A stronger, more prepared focus on the development of practical guidance is a must, to ensure feasibility, acceptance, and usefulness of such disclosures going forward.

ESRS E1 AR 19 — GHG Reporting Boundary

- › **Request:** Extend the option to report GHG emissions according to the operational control boundary to all other environmental metrics, to ensure a consistent and coherent representation.
- › **Rationale:** While the option to use the operational control approach for GHG emissions is supported, using an alternative boundary for other metrics, such as energy consumption and water, would result in internal inconsistencies across the environmental reporting suite.

ESRS E2 — Pollution

- Where quantification is not yet feasible, undertakings should at least be required to provide qualitative disclosure on relevant risks, mitigation measures, and plans to improve measurement. The Policy Hub calls on the Commission to include explicit reference to this approach in the revised text.

ESRS S — Social Standards

ESRS S1-5 — Own Workforce: Employee Characteristics

- The updated requirement to disclose data for the top 10 countries by employee headcount (with ≥ 50 employees) creates a disproportionate administrative burden.

- › **Request:** Revert the scope of employee characteristics disclosures to its original threshold.
- › **Rationale:** The previous threshold — reporting only for countries with ≥ 50 employees and representing $\geq 10\%$ of the total workforce — was proportionate and fit for purpose. The expanded requirement lacks adequate justification.

ESRS S2 - Workers in the value chain - Disclosure Requirement S2-3, para. 19

- The new threshold in AR 6 requiring only substantiated instances of human rights incidents to be reported—defined as those evidenced by "objective, factual and verifiable information", introduces ambiguity in the way it has been drafted because of the lack of clarity regarding what constitutes a substantiated incident to report and potentially leading to failing to report serious cases of human rights incidents.

- › **Request:** Provide clear guidance on what qualifies as a "substantiated" instance, aligning with well-established industry practices for risk identification. Specifically, the final ESRS should clarify that a human rights incident must be

treated as a substantiated instance, reportable under Disclosure Requirement S2-3, para. 19, if it is identified via: Credible third-party social and labor assessments; Independent public reports from governments, international organizations, trade unions and civil society organizations; or Direct stakeholder engagement with affected workers and their representatives. We also recommend to the European Commission to replace the term substantiated by severe human rights incidents in all S-standards (S1-16, S2-3, S3-3, S4-3). Unlike "severe human right incidents", which are internationally defined, it remains unclear what "substantiated" human rights incidents are.

In addition, we call for the disclosure requirements related to 'judicial and non-judicial proceedings' to be limited to proven incidents, i.e., incidents that have resulted in a final court decision. Otherwise the disclosure of incidents may be too broad.

- › **Rationale:** Ensure the revised ESRS remain practical for undertakings while capturing all material human rights incidents affecting value chain workers and providing impactful information for all stakeholders.

General Workforce Metrics — Turnover and Training

- › **Request:** Exclude temporary employees from the scope of required turnover and training metrics.

Appendix A — Employee Volunteering Programmes

- Employee volunteering programmes should be explicitly addressed under S1 as a distinct topic. The current sub-topics lack the clarity required to adequately capture such programmes.

ESRS G — Governance Standards

G1-2 (para. 9(a)(ii) and (iii)) — Management of Supplier Relationships

- › **Request:** Clarify the scope of the newly introduced KPIs concerning training provided to the procurement team and direct engagement with suppliers regarding their sustainability performance to avoid duplicative disclosure requirements.
- › **Rationale:** Responsible purchasing practices sit at the core of the ongoing efforts of the industry to improve purchasing relationships with manufacturers. Procurement training and supplier engagement are not peripheral KPIs, they are fundamental drivers of the behavioural change. However, the metric should be rightly framed to avoid duplication in reporting. The current framework may represent an unnecessary and burdensome increase in disclosure scope that may not proportionate to the value generated for report users.
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Cross-Cutting and Conceptual Clarifications

Value Chain Cap & Industry Interoperability

- › Request clarification on how the value chain cap interacts with voluntary industry sustainability tools and data-sharing frameworks.
- › Clarify whether information requested through established industry tools can continue to be exchanged when similar datapoints are not included in the VSME.
- › Ensure simplification measures do not inadvertently undermine industry-led data harmonisation efforts.

Definition of Key Concepts (incl. GDR-A para. 46)

- › **Request:** Further refine and clarify critical concepts and definitions, including 'undue cost,' 'decarbonisation levers,' and 'significant CAPEX and OPEX' for key actions.
- › **Rationale:** The current lack of clarity surrounding these definitions leaves room for inconsistent interpretations, reduces comparability across undertakings, and drives up audit costs.

Operational Boundaries — Leased Assets Operated by Third Parties

- › **Request:** Clarify how to define the own operations boundary in cases where a leased asset is operated by a third party (holding a lease contract with a lessor) for an undertaking that has a contractual service agreement with that third party.

- › **Rationale:** Greater clarity is needed to avoid double-counting of environmental impacts between the third-party logistics provider and the reporting company.
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