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The Role of the CSRD and Employee Board Representation in Early ESRS S1 Compliance

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Abstract

This study examines how firms adapt employee- related disclosures in response to the European Sustainability Reporting Standards (ESRS S1 - Own Workforce) during the early implementation phase. The study focuses on Swedish listed firms during the period 2024-2025 and investigates whether employee board representation influences the level of compliance in employee related disclosures. Using a quantitative research design, the study analyses 416 firm year observations through a content analysis of annual reports. A compliance index based on ESRS S1 disclosure requirements was developed to measure the level of compliance in firms' employee-related disclosures. The findings show that ESRS S1 compliance remains moderate and varies across firms suggesting that companies are at different stages of adapting to the new reporting requirements. Firms with employee board representation demonstrate higher levels of disclosure compliance. Thus, this association becomes weaker when industry differences are considered. Further, firms above the Omnibus proposal size threshold of 1 000 employees for the first wave of CSRD implementation report higher compliance levels. This may indicate that regulatory pressure is a driver of disclosure compliance, rather than internal governance mechanisms. However, no interaction effect is found between employee board representation and the CSRD size threshold. The study therefore contributes to the literature on sustainability reporting and corporate governance by providing early evidence of how firms operationalise ESRS S1 requirements during the CSRD preparation phase.

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Keywords: CSRD, ESRS S1, Own Workforce, Compliance, Employee Board Representation, Employee- related Disclosures, Disclosure Requirements

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1. Introduction

In recent years, corporate sustainability reporting has undergone a significant transformation due to the Corporate Sustainability Reporting Directive (CSRD), which introduces more comprehensive and standardized requirements (Rega, 2025). The directive expands beyond financial reporting and requires disclosures on environmental, social and governance (ESG) factors. These disclosures are guided by the European Sustainability Reporting Standards (ESRS) to ensure consistency and comparability. As a result, sustainability reporting has become an integrated part of corporate reporting and has important implications for both practice and research (Pantazi, 2024; PwC, n.d.). Nevertheless, the social dimension of sustainability reporting remains underdeveloped and fragmented in practice. In response, the ESRS introduces social standards, such as ESRS S1[1]- Own Workforce which places emphasis on employee and human rights related disclosures (Molnar et al., 2025). Despite these efforts, empirical evidence continues to highlight inconsistencies in social disclosures. Reustlen and Stawinoga (2024) show that while regulation influences the disclosure of such information, considerable variation persists across firms with regard to the level of detail. They further demonstrate that stricter regulatory frameworks do not necessarily eliminate these differences. At the same time, frameworks such as the CSRD and ESRS introduce more demanding compliance requirements and require firms to align their reporting with standardized disclosure practices and increased transparency (Fornasari & Traversi, 2024). Taken together, these findings suggest that despite increasing regulatory pressure, variations remain in both the quality and comparability of reporting, which positions social disclosures as a relevant area for further academic investigation.

Although previous EU regulations generally ensure compliance with formal reporting requirements, there are still variations in how firms implement sustainability disclosures in practice. Research on the preceding directive, Non-Financial Reporting Directive (NFRD) shows that disclosures vary across firms in both scope and level of detail which can be explained by the absence of detailed and binding reporting guidance (Hummel & Jobst, 2024; Pantazi, 2024). Instead, companies are given considerable flexibility in how they structure and present their disclosures, often resulting in general and descriptive reporting practices (European Commission, 2017; Pantazi, 2024). This flexibility has been linked to differences in the content and format of disclosures and can therefore limit comparability across firms (Lombardi et al., 2021). Sustainability reporting is intended to provide useful information to stakeholders and these differences may therefore affect its usefulness (Benameur et al., 2022). In response, the European Union has introduced more detailed and standardised disclosure requirements through the European Sustainability Reporting Standards (ESRS), which aim to improve transparency and comparability by requiring structured ESG information in annual reports (Hummel & Jobst, 2024; Fragidis & Papafloratos, 2025). The ESRS includes cross-cutting and topic-specific standards and incorporates double materiality, meaning that

[1]**ESRS S1- Own Workforce** is a sustainability reporting standard that addresses how companies impact their own workforce. It covers aspects such as working conditions, rights and treatment of employees, as well as related risks, opportunities and the actions taken to manage these (FAR Online, n.d.).

firms must assess both their impact on society, environment and the financial implications of sustainability-related issues (Mezzanotte, 2024; Fragidis & Papafloratos, 2025).

The CSRD and ESRS require more detailed and standardised disclosures (Hummel & Jobst, 2024), firms face challenges in implementing these requirements in practice due to their complexity and extensive data demands (Fragidis & Papafloratos, 2025). Recent developments within the EU suggest a shift towards the simplification of sustainability reporting requirements under the CSRD. In February 2025, the European Commission (2025b) introduced an Omnibus package to reduce administrative burden and streamline sustainability reporting. The initiative primarily applies to smaller and mid sized firms while retaining core environmental and social reporting obligations for firms with larger impact. The package includes changes within the scope of CSRD, simplifications of the ESRS and adjustments to reporting timeliness. Further, the revised result narrows the scope of the CSRD by raising the size and turnover thresholds for companies that must report, meaning that only large companies[2], within wave one, will be required to comply for 2024 and 2025 (FAR., n.d.). At the same time, the regulatory framework raises expectations regarding the level of detail and structure of sustainability disclosure (Hummel & Jobst, 2024). One may therefore argue that these developments have made CSRD and ESRS S1 a timely and relevant topic for further investigation.

While the CSRD strengthens the scope of sustainability reporting, prior research suggests that regulatory changes do not necessarily result in consistent implementation across firms as reporting practices may vary in how requirements are applied in practice (Pantazi, 2024). This variation may be explained by differences in organisational response to regulatory pressures where internal structures and processes may influence how such requirements are implemented in practice (Lombardi et al., 2022). In this regard governance mechanisms connected to workforce interests may become particularly relevant in the context of ESRS S1. Samani et al. (2023) describes how firms with employee representatives on the board provide more extensive, less uncertain and more precise employee related disclosures. These findings suggest that employee- related disclosures can influence how firms communicate workforce- related information and that employee representatives on the board can be expected to have a direct interest in the wellbeing of employees. Their participation in board-level discussion may in turn shape managerial behaviour by fostering more detailed and structured disclosures related to employees (Samani et al, 2023).

Further, ESRS S1 places a structure on how firms are expected to report on their workforce. The standard outlines a broad set of requirements covering different aspects of employee related issues e.g. working conditions, workforce composition and employee relations. The standard also requires firms to provide both qualitative and quantitative information with an emphasis on structured metrics and detailed data points across multiple workforce areas (EFRAG, 2025a). While such requirements are designed to improve structure and

[2]**Large companies** refer to firms that meet the size criteria defined under the CSRD framework, where recent developments under the Omnibus Directive have significantly raised the thresholds by increasing the employee criterion from 250 to 1,000 employees and introducing a turnover threshold of EUR 450 million (FAR, n.d.).

comparability, the combination of numerous data points and level of detail also adds complexity. This makes it less clear how consistently these requirements will be applied in practice (Fragidis & Papafloratos, 2025), particularly in areas related to employee related disclosures in their preparation phase. Since ESRS S1 aims to improve the transparency and comparability of workforce related disclosures, variation in implementation may reduce the usefulness of reported information for stakeholders and limit comparability across firms. Understanding the factors associated with such variation therefore becomes relevant during the early implementation phase of the standard. Hence, from a stakeholder perspective, such variation may arise because firms differ in how they identify, respond and prioritise to the interests of relevant stakeholder groups. Hörisch et al. (2020) argue that stakeholder theory provides a basis for determining which stakeholders and sustainability topics should be prioritised in corporate reporting, suggesting that disclosures should reflect issues that are most relevant to stakeholders closely connected to the firm. Since employees are a stakeholder group in the context of ESRS S1, differences in employee- related disclosures may partly reflect how firms incorporate employee interests into their reporting practices. Consistent with this view, stakeholder theory has frequently been used to explain differences in how companies report sustainability information, as firms differ in how they respond to stakeholder expectations and information demands (Del Gasso & Lodhi, 2025).

Further, prior research identifies board characteristics, such as employee board representation, as key governance mechanisms influencing sustainability reporting. According to Anyigbah et al. (2023) features such as sustainability committees are associated with more structured and extensive disclosures across economic, environmental and social dimensions, indicating that board composition shapes how firms communicate sustainability performance. However, findings remain inconclusive, context-dependent, and limited attention has been given to board features directly related to employees. The strong institutional characteristics of the Swedish labour market, including collective bargaining coverage and high trade union membership emphasizes the importance of employee related issues in corporate practices (Eurofound, 2022; OECD, 2025). Against this background, the Swedish context provides a relevant setting. While firms are already required to disclose certain workforce- related information under the Swedish Annual Accounts Act, such as employee numbers, gender distribution and compensation (SFS 1995:1554), these requirements offer limited guidance on how disclosures should be structured in practice.

Taken together one could note that this highlights a research gap. While CSRD and ESRS S1 introduce stricter requirements for employee-related disclosures it is unclear what determines firms actual level of compliance and whether governance mechanisms, specifically employee board representation play a moderating role. Understanding this is essential for evaluating the effectiveness of CSRD and for identifying the factors that may contribute to more transparent and decision-useful sustainability reporting across European firms. This is particularly relevant given that the CSRD and ESRS are being applied for the first time, which provides an opportunity to examine how firms respond to these new reporting requirements in practice. Further, it becomes relevant to explore whether firms align their disclosures with the

requirements in ESRS S1 or whether variation remains in how these requirements are interpreted and implemented, particularly in relation to employee-related disclosures.

The purpose of this study is to examine how compliant firms are with the new ESRS S1 requirements during the CSRD preparation phase. The study explores how firms adjust the level of detail regarding employee- related disclosures as they begin adapting their reporting practices to the upcoming ESRS requirement before the regulation is fully implemented. The study also wants to explore whether these adjustments are associated with firm characteristics, e.g. employee board representation. Rather than just examining if only firms disclose employee- related information, this study focuses on how precisely and concretely such information is communicated as firms prepare for ESRS S1 standards. Recent findings further highlight this imbalance, showing that more than 65% of mandatory disclosure requirements are climate-related, while only around 18% relate to social aspects (Molnar et al., 2025). This raises questions about whether current regulatory developments, such as the ESRS are sufficient to strengthen the quality, comparability and detail of social disclosures, particularly in areas related to the workforce. Hummel and Jobst (2024) stress that sustainability reporting becomes more useful when requirements are clearly specified, while Fragidis and Papafloratos (2025) show that ESRS also create major implementation challenges due to their complexity, data demand and level of detail. This makes the CSRD preparation phase relevant to study since it is this period that firms begin to translate formal requirements into actual reporting practices. The study therefore examines whether the effect of employee board representation on compliance with ESRS S1 disclosures differs between firms above and below 1 000 employees, capturing variation in exposure to stricter CSRD reporting requirements.

This study contributes to the sustainability reporting literature by providing empirical evidence on how firms adjust the compliance of employee-related disclosures during the early implementation phase of ESRS S1. The study extends prior research that has primarily focused on whether firms disclose such information rather than how precisely it is communicated. It further contributes to the literature on corporate governance and sustainability reporting by examining whether employee board representation influences ESRS S1 disclosure compliance. By incorporating employee representation and firms' exposure to regulatory requirements, the study provides an understanding of how governance structures may influence the implementation of emerging sustainability reporting standards. The study therefore provides insights into how workforce related stakeholder interests are reflected in corporate reporting under formalised reporting requirements..

2. Regulatory Setting

2.1 Corporate Sustainability Reporting Directive (CSRD)

The CSRD is a European Union directive that sets mandatory requirements for how companies report sustainability related information. It forms part of the EU's Green Deal

framework aimed at integrating sustainability considerations into corporate reporting and financial decision making (European Union, 2022) and aims to ensure that sustainability disclosures are prepared in a structured and consistent way (Hummel & Jobst, 2024). Under CSRD, sustainability information is no longer treated as supplementary reporting but is integrated into companies regular annual reports alongside financial information (Hummel & Jobst, 2024). The directive applies to a broad range of companies and establishes common reporting expectations across member states and thereby reducing differences in national reporting practices (Pantazi, 2024; Hummel & Jobst, 2024). By introducing legally binding disclosure obligations, the CSRD seeks to improve the comparability and transparency of sustainability information, while also strengthening its relevance for investors, regulators and other stakeholders (Hummel & Jobst, 2024; European Union, 2022; European Commission, 2025a).

Moreover, the CSRD introduces a revised framework for sustainability reporting within the European Union (Pantazi, 2024). It extends sustainability reporting requirements beyond large listed companies to also include large non- listed firms[3]. In addition, certain listed small and medium sized enterprises[4] are required to report under CSRD at a later stage as part of the directive phased implementation. Through this, sustainability reporting becomes more closely integrated into regular corporate reporting rather than being treated as a separate or voluntary activity (European Union, 2022). An important element of the CSRD is the introduction of the ESRS, which provides a more detailed reporting structure by linking disclosure requirements and data points to the identification of material sustainability matters (Mezzanotte, 2024; Pantazi, 2024). Despite these improvements, prior research suggests that the introduction of mandatory reporting requirements does not automatically lead to high quality or substantive disclosures. Evidence from the implementation of the NFRD indicates that firms may formally comply with reporting rules while still providing limited or symbolic disclosures (Lombardi et al., 2021).

2.1.1 ESRS S1- Own Workforce

The ESRS standards aim to improve transparency and comparability by requiring firms to report how they affect and are affected by environmental, social and governance issues. Based on double materiality, firms are expected to disclose impacts, risks and opportunities (KPMG, n.d; EY, 2025). Within this framework, ESRS S1 defines disclosure requirements related to an undertaking's own workforce and applies when workforce-related matters are considered material, requiring disclosure of relevant risks, impacts and opportunities. At the same time, certain requirements become mandatory once materiality is established, ensuring a minimum level of standardised reporting (EFRAG, 2025a). The objective is to provide a

[3] **Wave 2:** Companies defined as large firms or groups that meet at least two of the following criteria: more than 250 employees, over €50 million in net turnover or over €25 million in total assets. These companies were initially expected to report under the CSRD for the 2025 financial year but will now only begin reporting from the 2027 financial year (PwC, 2025).

[4] **Wave 3**: Entities including listed SMEs, small and non-complex credit institutions and captive undertakings, were originally expected to begin reporting under the CSRD for the 2026 financial year, with the possibility to defer until 2028. However, their initial reporting will now take place in 2028 (PwC, 2025).

structured framework for workforce-related disclosures while complementing ESRS 1 and ESRS 2, with a focus on impacts, risks and opportunities concerning individuals working for the undertaking, as well as alignment with internationally recognised human rights frameworks such as ILO conventions and the UN Guiding Principles on Business and Human Rights (EFRAG, 2025a).

The ESRS S1 standard covers both employees and individuals working under contractual arrangements, including those who are not formally employed but still part of the workforce. It addresses key areas such as working conditions, collective bargaining, health and safety, social dialogue and broader labour-related human rights issues. These are operationalised through disclosure requirements covering both qualitative and quantitative information, including policies, actions, targets and performance metrics. Firms are required to disclose not only workforce characteristics but also outcome-based measures such as gender pay gaps, wages and human rights violations (EFRAG, 2025a). The standard further emphasises transparency in how firms engage with their workforce and address potential or actual negative impacts, including remediation processes and the existence of grievance mechanisms. In the Swedish context, where several of these aspects, such as disclosures on sick leave and employee turnover, are already familiar, the standard introduces additional requirements alongside a stronger emphasis on gender-disaggregated data (PwC, n.d.).

EFRAG (2025b) introduces an ESRS statistics portal based on sustainability statements issued in 2025, providing comparable insights into how firms report across ESRS standards. Recent findings from European countries offer an early snapshot of ESRS implementation, showing that only 10% of companies identified all ten topical standards as material, while Own Workforce (S1) remains among the most commonly disclosed topics. Overall, comparability and consistency remain limited. Furthermore, the empirical insights in EFRAG's (2025c) *State of play 2025* report summarise key statistics from the first wave of ESRS sustainability reporting. Differences across sectors are relatively small, suggesting a similar reporting pattern across firms. Nevertheless, the disclosures are generally broad and lack detailed differentiation. Results relating to severe human rights impacts show greater variation. Of the 50 companies analysed, many firms disclose information on discrimination incidents (81%). In the context of own workforce disclosures, the findings are based on conducted case studies. Regarding health and safety, firms still often present policies, actions and performance separately, but there is a gradual shift towards more integrated reporting, where policies are increasingly linked to concrete actions, outcomes and metrics. A similar pattern is observed in remuneration disclosures, which, although often described in general terms, are becoming more structured and measurable. This development includes linking policies to specific actions and applying standardised metrics, thereby contributing to enhanced comparability and transparency (EFRAG, 2025c).

Table 1: Summary of ESRS S1 disclosure requirements and scope (EFRAG, 2025a)

Disclosure Requirement	Description
S1-1 – Policies related to own workforce	Describes the policies used to manage material impacts, risks and opportunities related to the undertaking's own workforce, including their scope and whether they address issues such as forced labour and child labour.
S1-2 – Engagement with own workforce and workers' representatives	Covers the undertaking's approach to engagement with its workforce and workers' representatives, including how their perspectives inform decision-making, the availability of grievance mechanisms and approaches to remedy.
S1-3 – Actions and resources related to own workforce	Addresses the key actions and resources applied to manage material impacts, risks and opportunities related to the workforce, including measures to prevent, mitigate and remediate negative impacts, as well as how effectiveness is assessed.
S1-4 – Targets related to own workforce	Refers to qualitative and/or quantitative targets established in relation to the undertaking's own workforce
S1-5 – Characteristics of the undertaking's employees	Provides information on employee composition, including total headcount, breakdowns by gender and country, types of employment and employee turnover.
S1-6 – Characteristics of non-employees in the undertaking's own workforce	Focuses on the number of non-employees within the workforce and the extent to which the undertaking relies on such labour.
S1-7 – Collective bargaining coverage and social dialogue	Describes the extent of collective bargaining coverage and social dialogue, including employee representation and the existence of agreements.
S1-8 – Diversity metrics	Provides information on gender distribution at top management level, expressed in both number and percentage.
S1-9 – Adequate wages	Covers whether employees are paid an adequate wage, the benchmarks applied and identifies countries and proportions of employees where this is not the case.
S1-10 – Social protection	Addresses whether employees are covered by social protection in relation to major life events and identifies countries where such coverage is lacking.
S1-11 – Persons with disabilities	Provides the percentage of employees with disabilities, subject to legal limitations on data collection.
S1-12 – Training and skills development metrics	Covers participation in performance and career development reviews, as well as the average number of training hours per employee.
S1-13 – Health and safety metrics	Includes information on occupational health and safety, such as coverage of management systems, work-related accidents, fatalities, cases of ill health and days lost.
S1-14 – Work-life balance metrics	Focuses on the proportion of employees entitled to family-related leave.
S1-15 – Remuneration metrics	Provides information on the gender pay gap and the ratio between the highest-paid individual and the median employee remuneration
S1-16 – Incidents of discrimination and human rights	Covers the number of discrimination and human rights incidents, as well as related fines, penalties and compensation.

2.3 Swedish Regulatory Setting

Sweden as a member state in the European Union is required to adopt the CSRD (Directive (EU) 2022/2464) by implementing it into national law. The Swedish Annual Accounts Act *(Årsredovisningslagen)* applies to legal entities required to prepare annual reports. In Sweden, some workforce-related information must be disclosed in the annual report under the Swedish Annual Accounts Act. The law requires all legal entities to provide information about employees in the notes to the financial statements (SFS 1995:1554). One basic requirement is that firms must report the average number of employees during the financial year. This information gives an overview of the size of the workforce and must be included in the notes to the accounts (SFS 1995:1554, ch. 5, sec. 20). For larger companies the law requires additional disclosures about the composition of the workforce and the leadership structure of the firm. These firms must report the gender distribution among employees. They must also disclose the gender distribution among members of the board of directors and senior management (SFS 1995:1554, ch 5, sec. 37–39). Further, the law also requires firms to disclose information about employee compensation. Companies must report total salaries and other remuneration paid during the financial year. In addition, firms must disclose related employee costs such as pension expenses and social security contributions (SFS 1995:1554, ch. 5, sec. 40–44).

While the Swedish Annual Accounts Act specifies which types of workforce-related information must be disclosed it does not provide detailed guidance on how these disclosures should be structured or presented in practice (SFS 1995:1554). In contrast, the ESRS S1 standard introduces more detailed disclosure requirements and specifies a broader set of workforce-related metrics and information that companies are expected to report. The standard specifies a set of metrics related to a company's own workforce and suggests ways of presenting this information, such as through tables or other standardized formats that allow for greater comparability across firms (EFRAG, 2025).

In addition, the Swedish labour market is characterised by a legal framework that regulates the relationship between employers and employees. One law is the Co-Determination in the Workplace Act *(Lag om medbestämmande i arbetslivet)*, which gives employees the right to receive information about important developments in the company and the opportunity to be consulted before major decisions are taken (SFS 1976:580). Furthermore, the Work Environment Act *(Arbetsmiljölagen)* requires employers to ensure that the work environment is safe and that measures are taken to prevent risks to employees' health and safety (SFS 1977:1160).

Moreover, collective agreements play a vital role in regulating the relationship between employers and employees in Sweden. These agreements are negotiated between employers organisations and trade unions and regulate aspects of the employment relationship such as wages, working conditions, equal treatment and employee rights (Eurofound, 2022). According to Eurofound (2022) Sweden has a high level of collective bargaining coverage compared to many other countries which means that a large share of employees are covered

by such agreements. In addition, statistics according to OECD (2025) show that around 88% of employees are covered by collective agreements in 2024, indicating that wages and working conditions for the majority of workers are determined through collective bargaining rather than legal regulation. Further, wage bargaining in Sweden predominantly takes place at sector or industry level which allows employment conditions to be coordinated across firms within the same industry. In addition, trade union membership remains relatively high and statistics show that around 66% of employees in 2024 belonged to trade unions (OECD, 2025).

3. Literature Review

3.1 Employee Board Representation in the Swedish Context

In Sweden, employee board representation is regulated through the Act on Board Representation for Private Employees *(Lag om styrelserepresentation för de privatanställda)*. The law aims to give employees insight into company operations and an opportunity to influence decisions through representation on the board of directors (SFS 1987:1245, sec 1). The regulation applies to companies that have employed on average at least 25 employees in Sweden during the previous financial year. In these firms employees have the right to appoint two representatives to the board together with deputy members. In large companies, defined as those employing at least 1 000 employees on average during the preceding financial year in Sweden, the number of employee representatives may increase to three (SFS 1987:1245, sec 4). Although employees in Sweden have the legal right to appoint board representatives, this option is according to Berglund and Holmen (2016) not always exercised in practice. They explain this through a rational choice perspective where employee board representation depends on whether individual employees perceive the expected benefits of board participation to outweigh its costs (Berglund & Holmen, 2016).

The board of directors play a role in corporate governance by overseeing the activities of management. They provide both guidance on strategic matters and monitor managerial decisions to ensure that the company is managed in a responsible way and in line with stakeholder interests (Kim et al., 2014). According to Hong et al (2016) prior research suggests that corporate structures influence the extent to which firms engage in corporate social responsibility. Firms with stronger governance mechanisms such as independent boards are more likely to introduce incentives that encourage managers to invest in CSR activities (Hong et al., 2016). One governance mechanism that may influence how employee related issues are addressed within firms is the presence of employee representatives on the board. These representatives participate in board discussions and decision making together with other directors and may contribute with firm specific knowledge about the organisation (Overland & Samani, 2022). According to Lin et al. (2018) employees are often more sensitive to firm risk and job losses, therefore employee representatives on the board may influence board decisions by bringing a strong focus on long term stability and employee related areas.

This potential influence can be further viewed from a stakeholder theory perspective. Rather than seeing firms as accountable primarily to shareholders, stakeholder theory argues that organisations are responsible to stakeholder groups whose interests are connected to corporate activities and outcomes. (Hörisch et al., 2020). Employees represent such a stakeholder group as they are affected by organisational decisions and share risks associated with firm operations (Hörisch et al., 2020; Zilic & LaVan, 2024) From this perspective, value creation extends beyond financial performance and also include social and organisational outcomes (Chang et al., 2028). Stakeholder theory further suggests that sustainability reporting should prioritise issues relevant to stakeholders that are closely connected to the firm and that differences in reporting practices may reflect how firms respond to stakeholder expectations and information demands (Hörisch et al., 2020; Del Gesso & Lodhi, 2025).

The study by Nekhili et al. (2021) further describes that not all employee board representation affects sustainability performance and firm value in the same way. The authors distinguish between labour representatives and employee shareholder representatives. Labour representatives are typically chosen through unions, while employee shareholder representatives are defined as those who hold shares in the firm. Nekhili et al. (2021) highlights that these groups differ in their priorities and consequently influence a firm's ESG outcomes differently. The presence of labour representatives on the board is positively associated with social performance. However, this effect appears to be limited to the social dimension with no corresponding improvement in environmental and corporate governance performance, which may reflect a stronger focus on employee related issues. In contrast, employee shareholder representatives are associated with higher overall ESG performance, particularly in environmental and corporate governance dimensions. Further, the study shows that the type of employee representation also influences how ESG performance is perceived by the market. While market participants tend to attribute lower value to ESG performance when labour representatives are present they respond more positively to ESG performance when employee shareholder representatives sit on the board. (Nekhili et al., 2021).

Taken together, the Swedish institutional setting provides a formal mechanism through which employees can be represented in board decision-making. Prior research further suggests that governance structures can shape how firms address and prioritise employee-related issues. At the same time, existing findings point to variation in both the presence and effects of employee representatives, indicating that their influence is neither uniform nor guaranteed. This creates a relevant empirical setting to examine whether employee board representation is associated with how firms communicate employee-related matters, particularly in terms of the extent of compliance and the level of detail in employee-related disclosures in accordance with ESRS S1.

While employee board representation may be associated with broader organisational characteristics, such as firm size or formalised governance structures, stakeholder theory suggests that employee representation constitutes an additional governance mechanism through which employee-related concerns may gain greater visibility within corporate governance and reporting processes. Rather than assuming that employee representation

independently determines disclosure practices, its influence may lie in shaping how workforce related issues are interpreted, prioritised and communicated alongside broader organisational characteristics that also may influence sustainability reporting.

H_1: *Employee board representation is positively associated with higher compliance*[5] *of employee-related disclosures in accordance with ESRS S1: Own Workforce.*

3.2 Drivers of Sustainability Disclosures

According to Christensen et al. (2021) sustainability reporting is shaped by external and internal factors rather than being a purely voluntary activity. As mentioned, firms often disclose sustainability information in response to increasing pressure from stakeholders and investors. Sustainability disclosures can therefore reduce the information asymmetry between firms and capital market actors. Thereby sustainability reporting serves as a way for firms to maintain legitimacy and demonstrate accountability towards external parties (Christensen et al., 2021). According to Reverte (2009) firms that are more visible to the public are more likely to provide sustainability disclosures since they are more closely monitored by stakeholders and therefore have stronger incentives to explain their activities. This can be seen for firms with higher media exposure, where public attention increases the need to justify corporate behaviour.

Further, Christensen et al. (2021) describes how sustainability reporting comes with both benefits and costs. While disclosures can reduce information gaps and meet stakeholder demand it may also involve some competitive risk if companies disclose too much detailed information. Therefore firms sometimes adjust the level of information depending on their incentives and constraints, which can explain why some firms do not always provide complete or highly detailed disclosures. Brammer and Pavelin (2008) also state that while disclosures can improve transparency and reduce information asymmetry it also requires firms to invest in resources to collect this type of data. The data also needs to be verified which requires time to ensure that the information is valid.

Prior research identifies firm characteristics that are seen as factors that influence the extent of sustainability reporting in different companies (Reverte, 2009). One of the findings in prior research is that firm size is positively related to sustainability disclosure where large firms tend to provide more information than smaller firms (Reverte, 2009; Christensen et al., 2021; Brammer & Pavelin, 2008). Moreover, the relationship between financial performance and sustainability disclosures is less clear. While some studies suggest that more profitable firms may have greater resources to engage in sustainability reporting, Reverte (2009) does not find a significant relationship between profitability, measured by return on assets (ROA) and CSR disclosures.

[5] In this study, ***higher compliance*** reflects not only whether ESRS S1 disclosure requirements are addressed, but also the level of detail provided. Higher scores are assigned to disclosures that contain more specific, structured and quantitative information in accordance with the scoring framework (Table 3).

Furthermore, according to Thomsen et al (2016) employee representation on corporate boards is shaped by legal and institutional frameworks rather than being a purely voluntary firm level decision. In some European countries legal rules define when employee representation can be introduced. This is sometimes based on firm size such as number of employees. These rules differ across countries and do not always require firms to include employee representatives but instead grant employees the right to be represented under certain conditions. For example, in Sweden employees have the right to appoint board representatives in firms above a certain size but this does not always mean that all firms make use of this. In countries like Germany, they have more formalised systems where employee representation is tied to firm size and becomes more extensive as the number of employees increases. According to Jackson (2005) employee representation is embedded in national governance systems and influenced by factors such as corporate governance structures, labour relations and political institutions rather than just being determined only at firm level. Additionally, Overland and Samani (2022) highlights that employee representation on the board can introduce an internal stakeholder perspective into corporate decision making. They can contribute to more effective oversight by bringing operational insights and promote information flows between management and the board.

Building on prior research, firms' responses to sustainability-related pressures reflect both their exposure to external scrutiny and their internal capacity to respond. Larger firms, particularly those above the CSRD threshold[6] face stronger regulatory pressure and are required to adapt more rapidly to ESRS S1 disclosure requirements, thereby increasing the need to translate internal governance mechanisms into observable reporting outcomes. In this context, employee board representation may enhance monitoring and improve employee-related issues within strategic decision-making. This potential influence may be particularly relevant in larger firms. Under the Swedish Act on Board Representation for Private Employees, companies with at least 1,000 employees may appoint up to three employee representatives to the board (SFS 1987:1245, sec 4). As employee representatives participate in board discussions and contribute employees' perspectives to corporate decision-making, their presence may increase the attention given to workforce-related issues. This may, in turn, lead to greater communication of such issues throughout the organisation. However, the extent to which this governance mechanism translates into more specific disclosures is likely to depend on the regulatory environment. In firms subject to stronger reporting requirements, governance structures may become more consequential as firms are under greater pressure to formalize and disclose relevant information. Taken together, this suggests that the effect of employee representation on ESRS S1 disclosure compliance is not uniform across firms and the relationship is therefore expected to be stronger for firms above the CSRD threshold compared to firms below the threshold.

[6] CSRD threshold refers to the size criterion applied in this study to classify firms as within the scope of the CSRD, operationalised as firms with more than 1,000 employees.

Additionally, firms above the CSRD threshold are generally larger and may possess greater reporting resources, more formalised sustainability processes and stronger governance structures. These characteristics may independently contribute to higher ESRS S1 compliance. Nevertheless, stricter reporting requirements may increase the importance of governance mechanisms such as employee board representation, suggesting a stronger relationship among firms above the threshold.

H_2: *Employee board representation has a positive effect on ESRS S1 disclosure compliance in firms above the CSRD threshold compared to firms below the threshold.*

4. Method Section

4.1 Research Design

This study adopts a quantitative research design based on a content analysis of corporate annual and sustainability reports. The objective is to examine how firms adjust the level of detail regarding employee-related disclosures in alignment with ESRS S1 during the CSRD preparation phase and whether employee board representation influences this adaptation. Content analysis is suitable for this study as it enables a structured assessment of large amounts of data, while also allowing the flexibility in how firms present and structure employee- related information in their reports to be identified and analysed (Schreier, 2012).

The study applies a short panel design, enabling the analysis of changes in disclosure compliance over time (2024-2025). By comparing reporting practices before and during the CSRD preparation phase, the study captures the evolution of disclosure practices rather than describing their levels at a given point in time. The study examines the fiscal years 2024–2025, corresponding to the first period in which CSRD and ESRS requirements are formally applicable. By focusing on this initial phase of enforcement, the analysis captures how firms adjust their employee-related disclosures in response to binding regulatory obligations, rather than to voluntary alignment or anticipatory compliance.

4.2 Sample Selection

This study tests the hypotheses using panel data for the fiscal years 2024 and 2025. Financial data is collected from Capital IQ and annual reports are analysed using NVivo. The selected period reflects the implementation of the CSRD. Although the directive entered into force in 2023, its application began in 2024 and is being gradually introduced (EY, 2024). The years 2024–2025 therefore provide a relevant setting for examining firms' initial compliance with the new requirements.

In addition to the implementation of the CSRD, the Omnibus initiative was introduced to revise existing sustainability regulations by increasing reporting thresholds. This change

reduces the number of firms within scope and delays reporting requirements for certain groups of companies (European Commission, 2025b). Thus, the preparation phase is relevant to study as firms often begin adjusting their behaviour in anticipation of new regulations. Analyzing both the period around adoption and the post-adoption phase is important for capturing how regulatory effects develop over time, making the preparation phase particularly relevant (Christensen et al., 2021). In the context of CSRD, this refers to firms in wave 1 and the period leading up to their reporting in 2025.

Further, the initial sample for this study was obtained from the thesis supervisor and consists of 323 Swedish companies listed on Nasdaq Stockholm in 2024, spanning large, mid- and small cap segments. Annual reports were collected in English where available, and otherwise in Swedish. In order to support consistency across observations, annual reports for the fiscal year of 2025 were collected for all firms, allowing the dataset to cover the same companies over time. Then the data collection process was conducted manually to ensure accuracy and consistency. Annual reports were collected individually for each firm and systematically reviewed, with a focus on the sustainability section, particularly the social dimension where *ESRS S1: Own workforce* disclosures are presented. For the firms that are structuring their reporting according to ESRS, the ESRS S1 section was examined. In other cases where the ESRS S1 was not explicitly referenced, the reports were carefully assessed to determine whether the disclosed information substantively corresponded to the disclosure requirements of the standard. Thus, this approach ensured that the assessment was based on the content. To improve the accuracy of the content analysis, the annual reports were manually refined prior to analysis. This was done to obtain more accurate matches and to better capture relevant disclosures in Nvivo.

Subsequently, a series of screening and cleaning steps were applied to construct the final sample. First, 81 firms were excluded due to unclear or insufficient reporting, which made it complicated to assess compliance. These firms were excluded because the annual reports lacked sufficient information to determine whether the disclosure requirements could be assessed consistently. In several cases, sustainability reporting was fragmented or contained insufficient information. Nevertheless, this decision may introduce sample-selection bias. Firms with less developed sustainability reporting practices may have been more likely to be excluded, which could result in an overrepresentation of firms with more structured reporting systems in the final sample. Consequently, the reported compliance levels should be interpreted with caution, which may limit the generalisability of the findings to all Swedish listed firms. Hence, this resulted in a reduced sample of 242 observations. Further exclusions were made based on data availability and compatibility with the measurement approach. When applying the Swedish keyword dictionary in NVivo, no identifiable matches were found for approximately 10 firms, indicating a lack of relevant disclosures. An additional 24 firms were removed due to missing financial data in Capital IQ, preventing inclusion in the regression analysis.

Following the application of the selection criteria and data cleaning procedures, the final sample comprises 208 firms and 416 firm-year observations.

Table 2: Sample Selection

Criteria	No. Of Obs. Full Sample
Initial Sample	323
Eliminations	
Insufficient information	(81)
Swedish annual reports with no match in NVivo search	(10)
Missing data	(24)
Final Sample	208

4.3 Variable Selection

This section outlines the variables used in the empirical analysis and their underlying data sources. To ensure a comprehensive and reliable measurement of both disclosure practices and firm characteristics, the study combines multiple data sources. The dependent variable is constructed through a content analysis of annual reports using NVivo, while financial and firm-specific variables are obtained from Capital IQ.

To construct the dependent variable (compliance index), each annual report was manually processed and extracted into a separate PDF file containing the relevant social disclosure section. These files were then imported into NVivo, where they served as the basis for constructing the search-based variables. NVivo is a qualitative data analysis software designed to support the systematic analysis of unstructured data, such as text. It enables researchers to import, manage and analyze data through functions such as search, coding and pattern identification (Lumivero, n.d.)

The analysis was conducted in NVivo using the "Explore" and "Text Search" functions. The predefined keyword dictionaries in both English and Swedish (Appendix 3) were applied, with each disclosure requirement analysed separately using its corresponding keyword list. To capture variations of the search terms, the "Include stemmed words" option was also used. For each search, NVivo generated outputs in terms of references and coverage, indicating the presence and relative extent of the identified terms within each document. These procedures were applied consistently across both English and Swedish searches when constructing the dependent variable.

4.3.1 Dependent Variable - Compliance index for ESRS S1

The dependent variable in this study is a disclosure index, *compliance_index*, capturing the level of compliance with ESRS S1: Own Workforce requirements. Importantly, the index captures not only whether firms disclose employee-related information, but also the level of detail and extent of those disclosures. Each item is scored in accordance with the scoring framework in Table 3. Higher scores suggest more detailed and concrete reporting, allowing the aggregated index to serve as a proxy for the overall level of disclosure compliance rather than a simple binary measure of compliance.

The scoring criteria was designed to reflect increasing levels of alignment with the standard. Lower scores represent either the absence of relevant information or disclosures that are too vague to assess, while higher scores indicate more developed reporting that combines descriptive explanations with measurable or clearly defined elements. By distinguishing between qualitative and more substantiated disclosures, the framework captures not only whether firms report, but also the extent to which disclosures correspond to the intended meaning of the standard. This distinction is particularly important given the limited relevance of traditional reporting frameworks such as the Swedish Annual Accounts Act (SFS 1995:1554) in this context. While the Act contains certain employee-related disclosures, these are largely confined to aggregated and descriptive information from a financial reporting perspective. In contrast, ESRS S1 requires a broader and more multidimensional set of disclosures, including policies, actions, targets and detailed workforce-related metrics. As such, the two frameworks do not meaningfully overlap in either scope or purpose, with ESRS S1 reflecting a broader conceptualization of the workforce.

It should also be noted that certain disclosure requirements within ESRS S1 (ESRS S1, S2, S3 and S10) are qualitative in nature and therefore not directly quantifiable, as they primarily consist of narrative information rather than standardized numerical indicators.

Throughout the data collection and coding process, a substantial degree of manual review was undertaken. All identified disclosure segments were carefully examined to ensure their relevance and alignment with the ESRS S1 requirements, thereby reducing the risk of false positives, as keywords may appear in contexts unrelated to the disclosure criteria. Each observation was therefore cross-checked to confirm that the content corresponded to the intended meaning of the standard. Furthermore, by narrowing the analysis to relevant sections of the reports, the likelihood of capturing unrelated keyword occurrences was further reduced, improving the precision of the coding process and ensuring that the identified disclosures were accurate and consistent with the intended reporting requirements. Illustrative examples of both strong and weak disclosure instances are provided in the appendix.

The index was constructed using a content analysis approach to enable a systematic and comparable assessment of employee-related disclosures across firms. To operationalize the index, a keyword dictionary was developed based on ESRS S1 (EFRAG, 2025a), drawing on the key terms and concepts emphasized within the disclosure requirements, particularly those highlighted in bold. Since the sample consisted of both English and Swedish annual reports, two separate keyword dictionaries were constructed to account for language differences. English-language reports were prioritized, while Swedish reports were included when English versions were unavailable. The Swedish dictionary was developed through translation of the English terms and further expanded with relevant synonyms and closely related expressions to capture variations in wording across reports.

Further, the dictionaries were applied in NVivo to identify relevant disclosure sections within annual reports, which were subsequently reviewed and coded according to predefined scoring

criteria. To strengthen the validity of the coding process, several pilot tests were conducted on subsets of both Swedish and English reports prior to the full analysis. These tests enabled iterative refinement of the keyword selection, where less informative terms were excluded and additional relevant terms were incorporated to improve the ability of the dictionary to capture meaningful employee-related disclosures. To reduce the risk of false positives and ensure alignment with ESRS S1 requirements, all identified disclosure segments were manually reviewed and cross-checked to confirm their relevance. Furthermore, the analysis was narrowed to relevant sections of the reports to reduce unrelated keyword occurrences and improve coding precision. By combining automated keyword searches with extensive manual review, the study aimed to ensure a structured, accurate and contextually grounded coding process (Appendix 3). .

In addition to the aggregate compliance index, the index was decomposed into 16 individual disclosure requirements derived from ESRS S1, where each requirement was operationalised as a separate variable (S1_1–S1_16). This disaggregated structure enables the analysis of variation across specific disclosure areas and allows identification of which aspects of workforce-related disclosures exhibit lower or higher levels of compliance. All firms were evaluated against the same set of ESRS S1 disclosure requirements and could theoretically achieve the same maximum score of 28. While the majority of disclosure requirements were scored on a 0-2 scale, four disclosures could only receive a maximum score of 1 due to their qualitative nature.

Table 3: Scoring framework for ESRS S1 disclosure compliance

Index Scoring	Disclosure Criteria	Interpretation
0	No relevant disclosure related to the ESRS S1 requirement is identified.	The report does not contain information addressing the specific requirement or the information is too vague to assess compliance.
1	Disclosure related to ESRS S1 is provided in a qualitative form	The firm describes policies or practices related to the ESRS S1 requirement, but without measurable indicators or numerical data.
2	Disclosure related to ESRS S1 is provided in both qualitative and quantitative form.	The firm provides descriptive, qualitative explanations together with measurable indicators, statistics or numerical information (e.g., percentages, employee numbers, targets or metrics).

4.3.3 Independent Variable

The independent variable *employee_rep* is constructed through a manual review of annual reports to test Hypothesis 1. The independent variable captures whether employees are formally represented on the board of directors. The data was manually collected from each

firm´s annual report by reviewing the section on the board of directors. Within this section, keyword searches were conducted using terms such as "*employee representative*" and "*arbetstagarrepresentant*", as well as equivalent expressions depending on the language of the report. Further, to ensure accuracy and reduce the risk of misclassification, the identified information was subsequently cross- checked against an external compilation of board compositions from 2023. This step served as a validation rather than a primary data source. A binary (dummy) variable was constructed where firms with at least one employee representative on the board were coded as 1 and firms without such representation were coded as 0.

Additionally, an interaction term between *employee_rep* and *CSRD_threshold* is included in the model. The first variable captures whether employees are represented on the board, reflecting an internal governance mechanism that may increase attention to workforce-related issues. The second variable distinguishes between firms above and below the CSRD threshold, thereby capturing differences in regulatory exposure and reporting requirements. Meaning that the variable takes the value of one if the firm exceeds the relevant employee thresholds and zero otherwise. The interaction term combines these two dimensions and allows the analysis to assess whether the influence of employee board representation on disclosure practices depends on the firm's regulatory context, specifically whether this effect is stronger or weaker among firms subject to stricter CSRD obligations. In line with Hypothesis 2 this specification tests whether the positive effect of employee board representation is stronger among firms above the CSRD threshold.

4.3.4 Control Variables

The control variables were obtained from S&P Capital IQ. Data was retrieved through the standard screening interface where firms were first identified based on predefined criterias, including exchange country (Sweden) and company type (public company). Further, the study incorporates a set of control variables to capture firm-specific characteristics that may affect the level of ESRS S1 compliance. The inclusion of control variables plays a key role in enabling causal interpretation in non-experimental research settings. They enhance both the statistical power and the precision of the estimated relationship (Deaton & Cartwright, 2018; Hernández et al., 2004).

The control variables included in the analysis are derived from prior studies, specifically Samani et al. (2023) and Reverte (2009). It is grounded in prior literature demonstrating that corporate disclosure practices are influenced by firm- specific characteristics rather than occurring randomly (Reverte, 2009). Thus, Reverte (2009) describes how firm- level characteristics can play an important role in shaping firms' incentives to increase or limit their level of transparency. Firm size (*ln_assets)*, measured as the natural logarithm of total assets is included as a proxy for firm size. Controlling for size helps isolate effects from differences in visibility, due to larger firms facing greater public scrutiny and stakeholder pressure which may in turn increase the incentives to provide more extensive disclosures (Reverte, 2009). Profitability on the other hand is measured by return on assets (*roa*) and is included to

account for firms financial performance and available resources. More profitable firms may be willing and able to disclose information because of the availability of resources or in order to signal strong performance. Additionally, *revenue_growth* and *pbv* (price-to-book ratio) are included as control variables to capture firms' growth opportunities, following the empirical approach adopted by Samani et al. (2023). *Leverage* is also included as a control variable, as Reverte (2009) suggests that firms' capital structure may influence their disclosure behaviour.

Thereafter, the research model controls for industry. Reverte (2009) shows that disclosure practices vary systematically across industries, underscoring the importance of accounting for such differences. Accordingly, industry effects are included in the model to capture cross-industry variation in disclosure behaviour.

Table 4: Variable definition

Variables	Variable definition and sources
Dependent variable	
compliance_index	Index variable capturing firms' level of compliance with ESRS S1, constructed by aggregating 16 disclosure items (s1_1–s1_16) based on a three-level scoring scale (0–2) reflecting absent, limited or comprehensive reporting. [NVivo]
s1_1-s1_16	Discrete score variables (0–2) measuring firm-level compliance for each individual ESRS S1 disclosure requirement, allowing for both aggregated and disaggregated analysis. [NVivo]
Independent variable	
employee_rep	Dummy variable equal to 1 if employee representatives are present on the board and 0 otherwise. [NVivo]
csrd_threshold	A dummy variable capturing whether the firm exceeds the CSRD employee threshold (1000=1 and 0 otherwise), reflecting differences in regulatory exposure. [Retriever Business, Manually collected]
interaction term (employee_rep× csrd_threshold)	Interaction variable capturing the joint effect of employee board representation and regulatory exposure. It is computed as the product of *employee_rep* and *csrd_threshold* and allows us to examine whether the effect of employee representation on ESRS S1 compliance differs depending on whether firms exceed the CSRD employee threshold. [NVivo; Retriever Business, manually collected]
Control Variables	
ln_assets	The natural logarithm of total assets. Used as a proxy for firm size. [S&P Capital IQ]
roa	Profitability is controlled for using return on assets, capturing firms' financial performance and available resources. [S&P Capital IQ]
revenue_growth	Firm growth is captured through revenue growth. [S&P Capital IQ]
pbv	Market valuation is controlled for using the price-to-book ratio. [S&P Capital IQ]
leverage	Financial structure is captured through leverage. It is measured as the debt-to-asset ratio, calculated as total liabilities/total assets [S&P Capital IQ, manually calculated]
industry	Industry fixed effects are included to account for systematic differences in disclosure practices across sectors. [S&P Capital IQ]

4.4 Research Model

In order to test the proposed hypotheses, the following linear regression models are specified:

$$compliance_index_i = \beta_0 + \beta_1\, employee_rep_i + \beta_2\, ln_assets_i + \beta_3\, roa_i + \beta_4\, revenue_growth_i + \beta_5\, leverage_i + \beta_6\, pbv_i + \Sigma\gamma_k\, Industry_k, i + \varepsilon_i \quad (1)$$

$$compliance_index_i = \beta_0 + \beta_1\, employee_rep_i + \beta_2\, csrd_threshold_i + \beta_3\, (employee_rep_i \times csrd_threshold_i) + \beta_4\, ln_assets_i + \beta_5\, roa_i + \beta_6\, revenue_growth_i + \beta_7\, leverage_i + \beta_8\, pbv_i + \Sigma\gamma_k\, Industry_k, i + \varepsilon_i \quad (2)$$

Model (1) specifies this outcome as a function of employee board representation (employee_rep) and firm size (ln_assets), while controlling for additional firm-level characteristics. The coefficient β_1 captures the association between employee board representation and disclosure compliance, corresponding to Hypothesis 1, whereas β_2 reflects the relationship between firm size and disclosure compliance. To isolate these relationships, the model includes a set of control variables such as profitability (roa), revenue growth (revenue_growth), leverage, price-to-book value (pbv), as well as industry fixed effects to account for systematic differences across sectors.

Model (2) extends the baseline model by incorporating regulatory exposure through the variable *csrd_threshold*, as well as an interaction term between *employee_rep* and *csrd_threshold*. This allows the effect of employee board representation on disclosure compliance to vary depending on whether firms are subject to stricter CSRD requirements. The coefficient on the interaction term captures whether the relationship between employee representation and disclosure practices differs across regulatory contexts, thereby testing whether the effect is conditional on regulatory exposure. The inclusion of *csrd_threshold* also allows for a direct assessment of differences in disclosure levels between firms above and below the threshold. As in Model (1), the specification controls for firm-level characteristics and industry fixed effects.

Finally, the error term ε_i represents the unexplained variation in disclosure compliance, capturing the difference between the model's predicted values and the observed outcomes.

4.5 Robustness and Model Validity

Before conducting the empirical analysis, the dataset was reviewed to identify potential distributional issues that could affect the reliability of the results. The assessment indicated that several continuous variables exhibited skewness and extreme observations. To reduce the influence of outliers and improve the robustness of the estimates, *revenue_growth, roa,*

leverage and *pbv* were winsorized, while total assets were log-transformed to account for the skewed distribution of firm size. In order to assess potential multicollinearity among the explanatory variables, both pairwise correlations and variance inflation factors (VIF) were examined. The correlation matrix (Appendix 1.1) indicates that the relationships between the independent and control variables are weak to moderate.

The results show that the compliance index is positively and statistically significantly associated with several firm characteristics. There is a relatively strong correlation between *ln_assets* (0.547), which suggests that larger firms tend to have higher levels of ESRS S1 compliance. This aligns with the expectation that larger firms are subject to greater scrutiny and regulatory pressure, thereby increasing their incentives to provide more detailed ESRS S1 disclosures. Another statistically significant positive relationship is also observed between the compliance index and *employee_rep* (0.343), indicating that firms with employee representatives on the board tend to demonstrate higher levels of compliance. Moreover, the variables *roa* (0.231) and *leverage* (0.155) show weaker but still significant positive correlations. This suggests that more profitable and more leveraged firms have higher compliance levels. On the other hand, the correlations between the compliance index, *pbv* (-0.068) and *revenue_growth* (-0.094) are statistically insignificant or only weakly significant, suggesting limited association with disclosure compliance in the sample.

Additionally, it is important to note that the correlations among the independent variables remain moderate, with no coefficients approaching levels that would indicate multicollinearity concerns. The strongest correlations are observed between *ln_assets* and *csrd_threshold* (0.581), as well as between *employee_rep* and *csrd_threshold* (0.484), yet both remain below commonly accepted thresholds for multicollinearity. This conclusion is further supported by the variance inflation factor (VIF) analysis (Appendix 1.2). All VIF values range between 1.05 and 1.83, with a mean VIF of 1.42, indicating low levels of multicollinearity. VIF values close to 1 indicate no multicollinearity, while values between 1 and 5 suggest moderate correlation (Investopedia, n.d.). Overall, the pairwise correlations together with the VIF statistics indicate that the included variables are well-suited for regression analysis, with no indication that the estimated relationships are affected by multicollinearity.

Further, to assess the robustness of the regression results, alternative model specifications were estimated by incorporating additional control variables and examining how the estimated coefficients respond to these modifications. This approach follows Lu and White (2014), who describe such specification changes as a common exercise in empirical research, enabling an evaluation of whether the estimated relationships remain stable across different model specifications. Therefore panel- based model specifications and matching techniques were applied as additional robustness tests.

5. Descriptive Statistics

5.1 Summary Statistics- Independent and Control variables

Table 5: Summary statistics - Independent and Control variables

	N	Mean	Median	SD	Min	Max
employee_rep	416	.334	0.000	.472	0	1
csrd_threshold	416	.514	1.000	.5	0	1
ln_assets	413	9.015	9.109	1.989	4.478	15.139
roa	412	2.865	3.435	7.706	-35	18.8
revenue_growth	410	5.069	1.500	28.557	-58.2	211.2
leverage	412	.906	0.575	1.233	0	8.01
pbv	409	3.235	1.840	3.931	.273	21.3

The descriptive statistics for the independent and control variables show differences across firms in the sample. Looking at Table 5, *employee_rep* shows a mean of 0.334 indicating that approximately one third of the firms include employee representatives on their board. Further, the median is 0, which shows that most firms do not have employee representation on their board. Moreover, a similar structure can be seen in the *csrd_threshold* variable. The mean of 0.514 and the median of 1 indicate that more than half of the firms meet the threshold requirements.

After winsorization, the distribution of the affected variables improved, with reduced influence from extreme observations. Looking at profitability, measured as *roa* one may say that it shows more variation across firms. While the mean is around 2.865 and the median is 3.435, the standard deviation of 7.706 and the wide range of values (-35 to 18.8) indicate that firms in the sample differ in terms of profitability with both negative and positive performance observed. Moreover, a similar pattern can be observed for *revenue_growth*. The mean is 5.069, indicating a moderate level of growth on average across firms in the sample. Looking at the median it shows a value of 1.5 suggesting that typical growth is lower than the average. The standard deviation (28.557) and the wide range (-58.2 to 211.2) further indicate different growth conditions with some reporting strong increases in revenue, while others do not. Further, *leverage* shows variation across firms, with a mean of 0.906 and a median of 0.575. The range from 0 to 8.01 suggests that while many firms operate with relatively low levels of debt, some firms report substantially higher leverage. Lastly, the price-to-book ratio (*pbv*) follows a similar pattern. The mean is 3.235 and the median is 1.840, indicating that while most firms have moderate valuation levels, a smaller number of firms report higher valuations. The range from 0.273 to 21.3 further reflects differences in firm valuation across the sample.

5.2 Summary Statistics- Compliance index

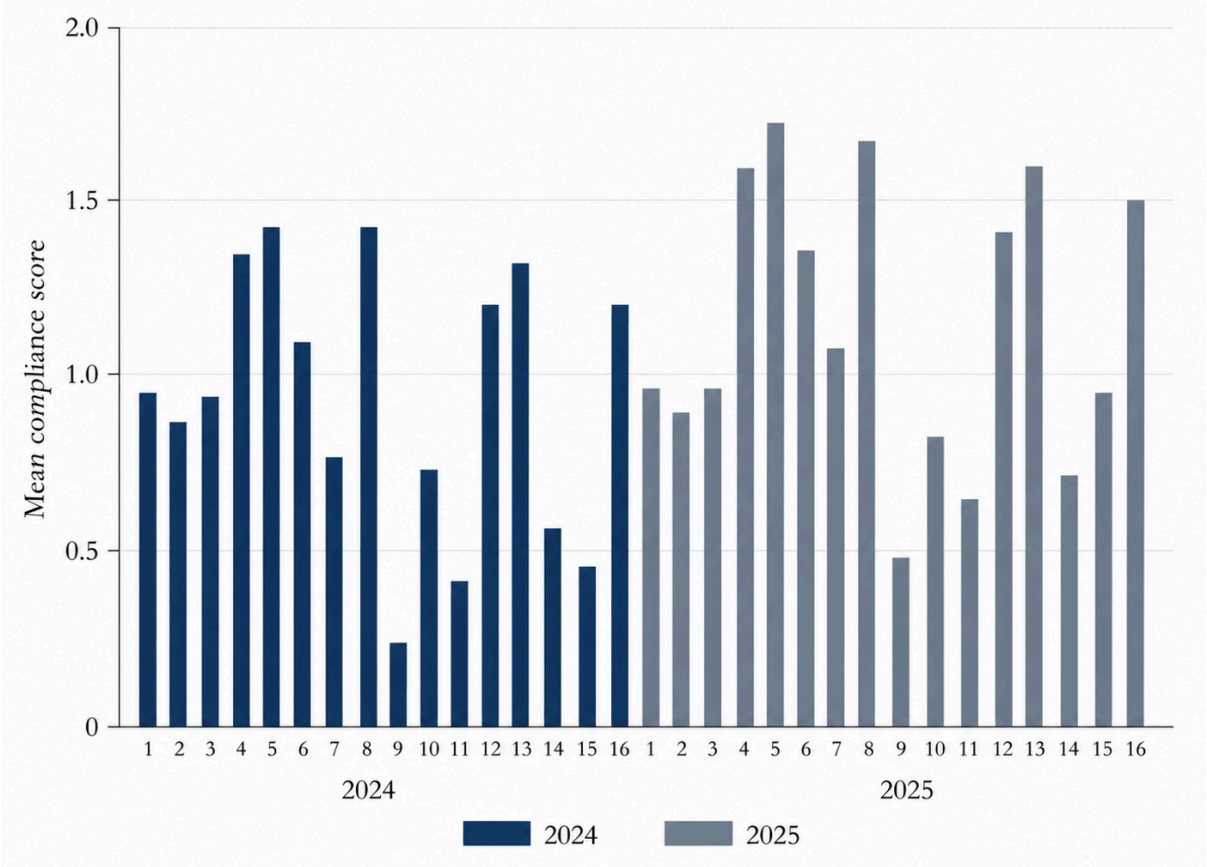


Figure 1: Average ESRS S1 Compliance by Disclosure Requirement

Figure 1 presents the mean values across the individual ESRS S1 disclosure items for both 2024 and 2025. The figure highlights the uneven distribution of compliance levels across the different standards, while also illustrating the development over time. A clear pattern emerges where most disclosure items show higher mean values in 2025 compared to 2024, indicating an overall improvement in compliance across firms. The figure further makes it easier to observe how certain disclosure items are consistently reported at higher levels, while others remain less frequently addressed across both years. The contrast between higher-scoring items and those with relatively low mean values remains evident, reinforcing the heterogeneity observed in Appendix 2.1.

Appendix 2.1 presents the summary statistics for the compliance index and the individual ESRS S1 disclosure items (S1-1 to S1-16). The compliance index captures the aggregated level of compliance across all ESRS S1 disclosure items. For 2024, it shows a mean of 15.23, indicating a relatively balanced distribution across firms. The data also show that on average, firms comply with approximately half of the possible disclosure items, given the maximum value is 28. Further, a comparison across the two years shows that the mean compliance index increased from 15.23 in 2024 to 18.60 in 2025. This indicates an overall improvement in firms' alignment with ESRS S1 disclosure requirements over time, suggesting that firms

are gradually developing their preparation efforts and increasing both the scope and compliance of their disclosures.

At the disaggregated level, several individual disclosure requirements exhibit relatively high levels of compliance. For example, S1-1, S1-2 and S1-3 have mean values close to one indicating that these disclosures are provided by the majority of firms. The relatively low variation for these items suggest that they represent more established or less demanding reporting practices. Further, other disclosure items display more moderate levels of compliance. The disclosures requirements such as S1-4, S1-5, S1-8, S1-12 and S1-13 show mean values above one. One may argue that this indicates that firms on average provide these disclosures to some extent, but with some differences in how comprehensively they are addressed. Looking at the disclosure items S1- 9, S1-11 and S1-15, one may note that these disclosure items are characterized by relatively low compliance levels. These disclosures have a mean value below one, indicating that these disclosures are less commonly reported. This may reflect that these requirements are more complex, less standardized or not yet fully integrated into firms reporting practices during the preparation phase. When comparing the two years, most disclosure items show an increase in mean values which indicates improved compliance across several ESRS S1 requirements.

Overall, the statistics in Appendix 2.1 and Figure 1 show a pattern of heterogeneity in ESRS S1 compliance across firms. While some disclosure items appear to be widely adopted and reported by most firms, others are less consistently disclosed which could be interpreted as differences in how firms report on specific ESRS S1 requirements. The observed variation in both the level and dispersions of the disclosure items suggest that firms differ in the extent and depth of their reporting practices. This is further reflected in the overall compliance index where the wide range of values indicates that firms are not homogeneous in their level of ESRS S1 alignment. Thus, the increase in the compliance index from 2024 to 2025 further suggests that firms are gradually improving their reporting practices over time.

5.2.1 Group Comparisons at Aggregate and Disaggregate Levels

Table 6: T-tests of Individual ESRS S1 Disclosure Items by CSRD Threshold

	b	t	p	count	N_1	N_2	mu_1	mu_2
s1_1	-0.050	-3.31	0.001	414.000	202.000	212.000	0.950	1.000
s1_2	-0.169	-6.20	0.000	414.000	202.000	212.000	0.822	0.991
s1_3	-0.055	-3.22	0.001	414.000	202.000	212.000	0.941	0.995
s1_4	-0.511	-8.26	0.000	416.000	202.000	214.000	1.218	1.729
s1_5	-0.597	-9.60	0.000	416.000	202.000	214.000	1.272	1.869
s1_6	-0.805	-10.04	0.000	416.000	202.000	214.000	0.817	1.621
s1_7	-0.841	-10.37	0.000	416.000	202.000	214.000	0.505	1.346
s1_8	-0.449	-6.46	0.000	416.000	202.000	214.000	1.332	1.780
s1_9	-0.282	-5.35	0.000	416.000	202.000	214.000	0.228	0.509
s1_10	-0.151	-3.94	0.000	416.000	202.000	214.000	0.728	0.879
s1_11	-0.377	-7.32	0.000	416.000	202.000	214.000	0.351	0.729
s1_12	-0.481	-8.41	0.000	416.000	202.000	214.000	1.089	1.570
s1_13	-0.598	-8.20	0.000	416.000	202.000	214.000	1.173	1.771
s1_14	-0.294	-4.00	0.000	416.000	202.000	214.000	0.510	0.804
s1_15	-0.705	-8.50	0.000	416.000	202.000	214.000	0.351	1.056
s1_16	-0.551	-8.54	0.000	416.000	202.000	214.000	1.084	1.636

To examine whether there is a difference in disclosure practices between firms above and below the CSRD threshold a two- sample t-test is conducted. The results presented in Table 6 show a significant difference in the compliance index between firms below and above the CSRD threshold.

A further examination of the disaggregated results shows that firms above the CSRD threshold consistently report higher mean values compared to firms below the threshold. For example, for disclosure requirement S1_9 (Adequate wages) firms below the threshold report an average score of 0.228, while firms above the threshold report a higher average of 0.51. The difference of -0.282 between the two groups is statistically significant ($t = -5.35$, $p < 0.001$). Although the overall levels remain relatively low, the results indicate that firms above the threshold are more likely to report this type of disclosure.

For disclosure requirement S1_5 (Characteristics of the undertaking´s employees), firms below the CSRD threshold report an average score of 1.272, whereas firms above the threshold report a higher average of 1.869. The difference of -0.597 is statistically significant ($t = -9.6$, $p < 0.001$). Compared to other disclosure items the overall mean values are relatively high indicating that the S1-5 disclosure requirement is more commonly reported across firms. At the same time, the difference between firms below and above the threshold remains clear, with higher reporting levels among firms that exceed the CSRD threshold.

Taken together, the results show that this pattern is consistent across all ESRS S1 disclosure items (S1_1–S1_16), where firms above the CSRD threshold exhibit higher mean compliance levels compared to firms below the threshold. All differences are statistically significant at conventional levels ($p < 0.001$), suggesting that firm size and regulatory scope play an important role in shaping disclosure practices. These findings indicate systematic differences in reporting between firms below and above the CSRD threshold. The results highlight that firms exceeding the threshold tend to provide more detailed disclosures across multiple ESRS S1 requirements.

Table 7: T-tests of Individual ESRS S1 Disclosure Items by Employee Representation

	b	t	p	count	N_1	N_2	mu_1	mu_2
s1_1	0.007	0.45	0.652	414.000	276.000	138.000	0.978	0.971
s1_2	-0.094	-3.16	0.002	414.000	276.000	138.000	0.877	0.971
s1_3	-0.014	-0.80	0.427	414.000	276.000	138.000	0.964	0.978
s1_4	-0.477	-7.15	0.000	416.000	277.000	139.000	1.321	1.799
s1_5	-0.405	-5.78	0.000	416.000	277.000	139.000	1.444	1.849
s1_6	-0.647	-7.26	0.000	416.000	277.000	139.000	1.014	1.662
s1_7	-0.612	-6.68	0.000	416.000	277.000	139.000	0.733	1.345
s1_8	-0.387	-5.17	0.000	416.000	277.000	139.000	1.433	1.820
s1_9	-0.197	-3.46	0.001	416.000	277.000	139.000	0.307	0.504
s1_10	-0.130	-3.20	0.001	416.000	277.000	139.000	0.762	0.892
s1_11	-0.250	-4.41	0.000	416.000	277.000	139.000	0.462	0.712
s1_12	-0.327	-5.13	0.000	416.000	277.000	139.000	1.227	1.554
s1_13	-0.477	-5.97	0.000	416.000	277.000	139.000	1.321	1.799
s1_14	-0.034	-0.42	0.672	416.000	277.000	139.000	0.650	0.683
s1_15	-0.473	-5.12	0.000	416.000	277.000	139.000	0.556	1.029
s1_16	-0.204	-2.78	0.006	416.000	277.000	139.000	1.300	1.504

A closer inspection of Table 7 reveals a clear contrast between disclosure requirements S1-9 and S1-5, which exhibit the lowest and highest mean values respectively. For S1-9 (Adequate Wages), firms without employee representation report a mean score of 0.307, whereas firms with employee representatives report a higher mean of 0.504. The difference of -0.197 is statistically significant ($t = -3.45$, $p < 0.001$). Although the overall mean values remain relatively low, this indicates that firms with employee representation are more likely to provide disclosures in this area. Similarly, for S1-5 (Characteristics of the undertaking´s employees), which exhibits the highest mean values, firms without employee representation report an average score of 1.444, while firms with employee representation report a higher mean of 1.849. The difference of -0.478 is statistically significant ($t = -7.15$, $p < 0.001$), indicating that firms with employee representation provide more extensive disclosures in this area. The relatively high mean values further suggest that these disclosures are more widely adopted across firms.

Figure 2 reinforces these findings by illustrating how compliance varies across firms depending on both CSRD threshold and employee representation. Firms below the CSRD threshold show lower compliance levels, with mean values of 13.26 (no employee representation) and 14.40 (with employee representation). In contrast, firms above the threshold exhibit substantially higher compliance, with mean values of 19.33 and 21.00 respectively. This pattern indicates that both regulatory scope and employee representation are associated with higher levels of compliance. Overall, the highest level of compliance is observed among firms that both exceed the CSRD threshold and have employee representatives, highlighting the combined effect of regulatory pressure and internal governance structures. Taken together, these findings provide a consistent descriptive pattern in which employee representation is associated with higher levels of ESRS S1 compliance, both at the aggregate level and across specific disclosure requirements. This suggests that employee representation may play a role in enhancing transparency and accountability within ESRS S1 reporting.

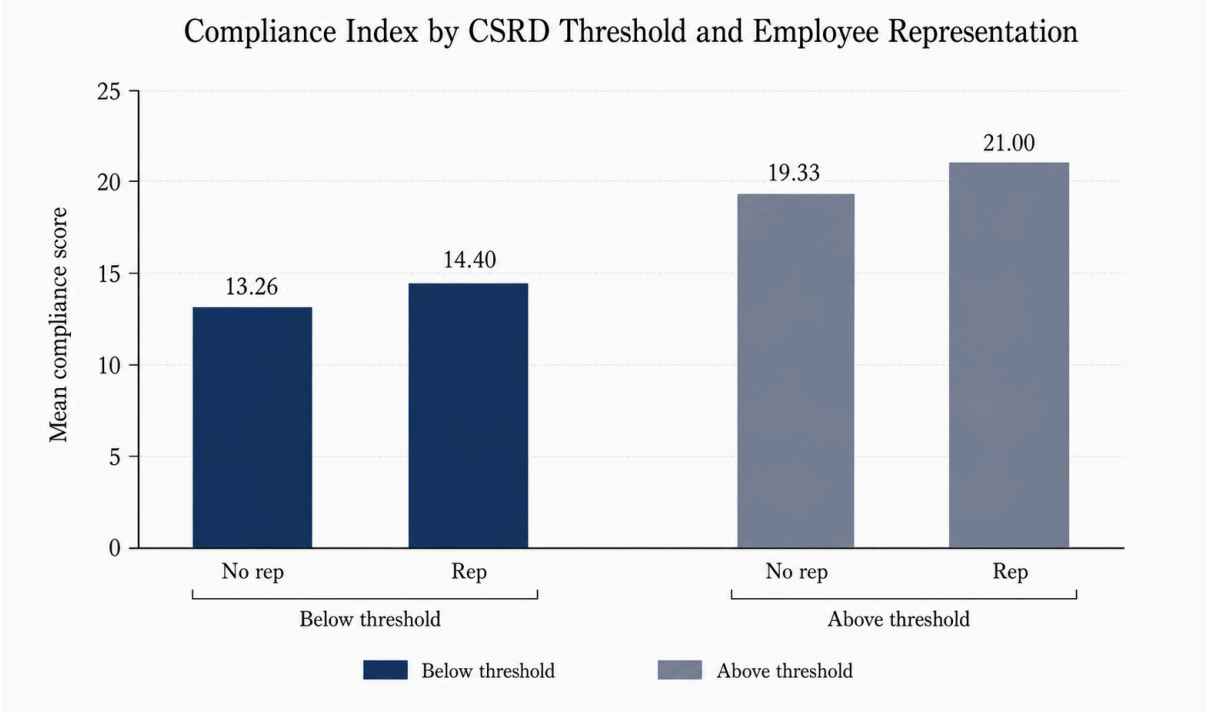


Figure 2: Compliance Index by CSRD Threshold and Employee Representation

6. Results

6.1 Results Hypothesis 1.

The results reported in Table 8 provide an overview of how ESRS S1 compliance relates to firm characteristics across the two model specifications. The baseline model, which excludes industry controls, is statistically significant ($F = 38.291$, $p < 0.001$) and explains 32.8% of the variation in compliance, indicating a moderate level of explanatory power.

Within this specification, employee representation is positively and statistically significantly associated with compliance (coef = 2.168, $p < 0.001$). A similar pattern is observed for firm size, where *ln_assets* shows a positive association with compliance (coef = 1.472, ($p < 0.001$), suggesting that larger firms tend to report higher levels of ESRS S1 compliance. Profitability, measured by *roa*, is also positively related to compliance (coef = 0.115, $p = 0.023$), suggesting that more profitable firms are associated with higher compliance levels, although the effect is weaker compared to firm size and employee representation.

In contrast, *revenue_growth* is negatively associated with compliance but not statistically significant ($p = 0.285$), indicating that growth does not appear to have a systematic relationship with ESRS S1 compliance. Meanwhile, *pbv* and *leverage* do not appear to be associated with compliance, as both variables are statistically insignificant, with coefficients close to zero and relatively wide confidence intervals.

Table 8: OLS regression estimates of ESRS S1 compliance without industry controls

compliance_index	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
employee_rep	2.168	.575	3.77	0	1.037	3.298	***
ln_assets	1.472	.162	9.07	0	1.153	1.791	***
roa	.115	.05	2.29	.023	.016	.214	**
revenue_growth	-.012	.012	-1.07	.285	-.035	.01	
leverage	.058	.198	0.29	.771	-.332	.447	
pbv	-.045	.078	-0.57	.566	-.197	.108	
Constant	2.675	1.486	1.80	.073	-.247	5.598	*

Mean dependent var	16.980	SD dependent var	6.479
R-squared	0.328	Number of obs	406
F-test	38.291	Prob > F	0.000

**** p<.01, ** p<.05, * p<.1*

Furthermore, Table 9 shows that once industry effects are introduced, the overall model fit improves, with the R-squared increasing to 0.405. The model remains statistically significant ($F = 22.540$,, $p < 0.001$), indicating that the inclusion of industry controls adds explanatory value. An important change is that employee representation is no longer statistically significant ($p = 0.231$) and the confidence interval now includes zero, suggesting greater

uncertainty in the estimate once industry differences are taken into account. In contrast, firm size measured by *ln_assets* remains positively associated with compliance ($p < 0.001$). Similarly, *roa* continues to show a statistically significant relationship with compliance ($p = 0.007$), indicating a robust association even after controlling for industry effects.

In addition, *revenue_growth* remains statistically insignificant ($p = 0.465$), suggesting that firm growth does not appear to have a systematic relationship with ESRS S1 compliance. The variable *leverage* also remains statistically insignificant. Regarding the industry fixed effects, most sectors do not exhibit significant differences relative to the omitted reference category. However, the real estate sector stands out with a negative and significant coefficient ($\beta = –6.855$, $p < 0.001$), indicating lower compliance levels compared to the baseline industry. Other sectors, such as financials, show a statistically significant negative effect ($p = 0.027$), suggesting lower compliance relative to the reference category.

Overall, the comparison between the two models illustrates how the inclusion of industry fixed effects influences both the statistical significance of certain variables, while at the same time enhancing the model's overall explanatory power.

Table 9: OLS regression estimates of ESRS S1 compliance with industry fixed effects

compliance_index	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
employee_rep	.754	.629	1.20	.231	-.482	1.99	
ln_assets	1.748	.182	9.63	0	1.391	2.105	***
roa	.139	.051	2.72	.007	.039	.239	***
revenue_growth	-.008	.011	-0.73	.465	-.03	.014	
leverage	.271	.193	1.41	.16	-.108	.65	
pbv	-.142	.078	-1.81	.071	-.295	.012	*
Industry FE	Yes						
Consumer Discretionary	-1.39	1.531	-0.91	.364	-4.399	1.62	
Consumer Staples	1.587	1.714	0.93	.355	-1.783	4.957	
Financials	-3.772	1.701	-2.22	.027	-7.117	-.428	**
Health Care	-.062	1.513	-0.04	.967	-3.036	2.913	
Industrials	-1.213	1.409	-0.86	.39	-3.983	1.557	
Information Technology	-2.295	1.477	-1.55	.121	-5.2	.609	
Materials	-1.647	1.535	-1.07	.284	-4.666	1.371	
Real Estate	-6.855	1.549	-4.42	0	-9.901	-3.809	***
Constant	2.563	2.178	1.18	.24	-1.719	6.845	

Mean dependent var	16.980	SD dependent var	6.479
R-squared	0.405	Number of obs	406
F-test	22.540	Prob > F	0.000

**** p<.01, ** p<.05, * p<.1*

6.2 Results Hypothesis 2

The results reported in Table 10 examine the interaction between employee representation and the CSRD threshold. The model is statistically significant ($F = 20.069$, $p < 0.001$) and explains 41.3% of the variation in compliance, indicating a moderate level of explanatory power. When examining the main effects, the variable *1.csrd_threshold* shows a positive and significant association with compliance (coef = 2.000, $p = 0.023$), suggesting that firms above the threshold generally exhibit higher levels of ESRS S1 compliance. In contrast, *1.employee_rep* on its own is not significant ($p = 0.224$), suggesting that its independent effect is less clear when the interaction is taken into account. The interaction term between employee representation and the CSRD threshold is not significant ($p = 0.335$). This suggests that the effect of employee representation does not differ systematically between firms below and above the CSRD threshold. Although both factors are included in the model, there is no strong evidence that they reinforce each other in explaining compliance.

Among the control variables, firm size *(ln_assets)* remains positively associated with compliance ($p < 0.001$), indicating that larger firms tend to report higher levels of compliance. Profitability *(roa)* is also statistically significant ($p = 0.014$), suggesting that more profitable firms are associated with higher compliance levels. In contrast, *revenue_growth*, *leverage*, and *pbv* are statistically insignificant, indicating that these factors do not have a clear relationship with ESRS S1 compliance in this model.

Regarding the industry effects, most sectors are not statistically significant relative to the reference category. However, the real estate sector shows a negative and significant coefficient ($\beta = -5.478$, $p = 0.002$), indicating lower compliance levels compared to the baseline industry. Overall, the results suggest that firm size and regulatory scope remain important drivers of compliance, while the interaction between employee representation and the CSRD threshold does not appear to add additional explanatory value.

Table 10: OLS regression estimates of ESRS S1 compliance with interaction effects and industry fixed effects

compliance_index	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
1.employee_rep	1.655	1.359	1.22	.224	-1.017	4.327	
1.csrd_threshold	2	.873	2.29	.023	.283	3.717	**
employee_rep#csrd_threshold	-1.503	1.555	-0.97	.335	-4.56	1.555	
ln_assets	1.49	.223	6.69	0	1.052	1.928	***
roa	.129	.052	2.46	.014	.026	.231	**
revenue_growth	-.007	.011	-0.63	.528	-.03	.015	
leverage	.265	.199	1.33	.184	-.127	.657	
pbv	-.1	.082	-1.22	.225	-.262	.062	
Industry FE	Yes						
Consumer Discretionary	-1.344	1.541	-0.87	.384	-4.373	1.686	
Consumer Staples	1.394	1.656	0.84	.4	-1.861	4.649	
Financials	-2.575	1.875	-1.37	.171	-6.262	1.113	
Health Care	-.085	1.498	-0.06	.955	-3.031	2.86	
Industrials	-1.109	1.415	-0.78	.434	-3.891	1.673	
Information Technology	-2.259	1.476	-1.53	.127	-5.16	.643	
Materials	-1.277	1.546	-0.83	.409	-4.317	1.763	
Real Estate	-5.478	1.719	-3.19	.002	-8.857	-2.099	***
Constant	3.618	2.304	1.57	.117	-.912	8.149	

Mean dependent var	16.980	SD dependent var	6.479
R-squared	0.413	Number of obs	406
F-test	20.069	Prob > F	0.000

**** p<.01, ** p<.05, * p<.1*

6.3 Robustness Analyses

To further assess the robustness of the main findings, additional analyses were conducted using both a random effects panel regression and a matched sample regression analysis. These additional models were implemented to examine whether the observed relations between employee board representation and ESRS S1 compliance remains consistent when accounting for unobserved firm heterogeneity and potential selection bias.

Table 11: Random Effects Panel Regression Results

compliance_index	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
employee_rep	.154	.772	0.20	.842	-1.358	1.666	
ln_assets	1.818	.221	8.23	0	1.385	2.251	***
roa	.106	.055	1.93	.054	-.002	.215	*
revenue_growth	-.01	.007	-1.41	.157	-.023	.004	
leverage	.098	.211	0.47	.64	-.315	.512	
pbv	-.089	.086	-1.04	.299	-.257	.079	
Year FE	Yes						
2025	3.391	.264	12.86	0	2.874	3.908	***
Industry FE	Yes		.	.	.	.	
Consumer Discretionary	-.586	1.993	-0.29	.769	-4.493	3.32	
Consumer Staples	2.236	2.18	1.03	.305	-2.037	6.509	
Financials	-3.267	2.186	-1.49	.135	-7.55	1.017	
Health Care	.443	1.973	0.22	.822	-3.424	4.309	
Industrials	-.622	1.877	-0.33	.74	-4.301	3.057	
Information Technology	-1.849	1.953	-0.95	.344	-5.677	1.98	
Materials	-1.007	1.96	-0.51	.607	-4.848	2.834	
Real Estate	-6.435	2.026	-3.18	.001	-10.405	-2.464	***
Constant	.029	2.773	0.01	.992	-5.405	5.463	

Mean dependent var	16.980	SD dependent var	6.479
Overall r-squared	0.475	Number of obs	406
Chi-square	508.773	Prob > chi2	0.000
R-squared within	0.446	R-squared between	0.462

**** p<.01, ** p<.05, * p<.1*

The random effects panel regression are presented in Table 11. Overall, the model remains statistically significant (Prob > chi2 = 0.000). Consistent with the baseline findings, firm size (*ln_assets*) remains positively and significantly associated with compliance (coef = 1.818, $p < 0.001$), indicating that larger firms tend to report higher levels of ESRS S1 compliance. However, *employee_rep* is no longer significant in the random effects specification (p =

0.842), suggesting that the relationship may partly be influenced by firm-specific characteristics captured in the panel structure and industry controls. At the same time the year effect for 2025 is significant (coef = 3.391, $p < 0.001$), suggesting an increase in compliance levels over time. This finding suggests that firms strengthened their alignment with ESRS S1 disclosure requirements between 2024 and 2025, reflecting the gradual implementation and ongoing preparation process associated with the CSRD.

Table 12: Matched Sample Regression Analysis

compliance_index	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
employee_rep	2.61	.645	4.05	0	1.338	3.882	***
ln_assets	1.08	.203	5.33	0	.681	1.48	***
roa	.338	.086	3.92	0	.168	.508	***
revenue_growth	.016	.012	1.28	.204	-.009	.04	
leverage	.46	.248	1.85	.065	-.029	.95	*
pbv	-.276	.094	-2.95	.004	-.461	-.091	***
Industry FE	Yes						
Consumer Discretionary	-5.965	1.313	-4.54	0	-8.556	-3.375	***
Consumer Staples	-4.476	1.534	-2.92	.004	-7.503	-1.448	***
Financials	-7.7	1.513	-5.09	0	-10.685	-4.714	***
Health Care	-5.36	1.371	-3.91	0	-8.065	-2.655	***
Industrials	-5.519	1.135	-4.86	0	-7.759	-3.279	***
Information Technology	-7.084	1.536	-4.61	0	-10.114	-4.054	***
Materials	-5.135	1.398	-3.67	0	-7.894	-2.376	***
Real Estate	-6.279	4.44	-1.41	.159	-15.04	2.481	
Year FE	Yes						
2025	3.791	.598	6.34	0	2.61	4.972	***
Constant	9.266	2.309	4.01	0	4.711	13.822	***

Mean dependent var	19.168	SD dependent var	5.307
R-squared	0.460	Number of obs	196
F-test	18.744	Prob > F	0.000

*** p<.01, ** p<.05, * p<.1

To further minimize potential selection bias, a matched sample regression analysis was conducted. The results presented in Table 12, continue to show a significant association between employee board representation and ESRS S1 compliance (coef = 2.610, $p < 0.001$). This suggests that firms with employee representatives on the board exhibit higher levels of compliance even when compared to more similar firms based on observable characteristics. Similar to the previous models, *ln_assets* and *roa* remain positively significant, while the 2025 dummy continues to reinforce the observation that compliance levels increased over time.

Overall, the robustness analyses provide mixed but supportive evidence to the main findings. While the random effects model weakens the statistical significance of employee representation, the matched sample analysis shows a strong and positive association between employee board representation and ESRS S1 compliance. This suggests that the main findings remain relatively robust, while also indicating that the strength of the observed relationship may be affected by firm- specific characteristics.

7. Discussion

7.1 Compliance Index

The descriptive findings of this study show that the overall level of compliance with ESRS S1 is moderate with an average score of 15.23 out of a maximum score of 28. This means that on average, firms report approximately half of the required disclosure items. Moreover, the relatively high standard deviation and wide range of values indicate substantial variation across firms. Some firms report limited information while others reach high levels of compliance. This pattern suggests that firms are at different stages in their adaptation and preparation for ESRS S1. Additional variation can also be observed across industries. Firms within Materials and Consumer Staples report comparatively higher average compliance levels, while Information Technology and Real Estate exhibit lower levels of compliance.

The finding can be understood in light of prior research on earlier sustainability reporting frameworks. Under the NFRD, firms had considerable flexibility in how they structured and presented sustainability disclosures which resulted in variation in both scope and level of detail (Pantazi, 2024; Lombardi et al., 2021). Although the CSRD introduces more detailed and standardized requirements the results show that this transition does not lead to uniform reporting practice. One may state that an explanation for this is that firms differ in their prior experience with sustainability reporting. Firms that previously applied the NFRD are more likely to have developed systems for this type of information which may facilitate the transition towards ESRS S1. Since the directive is implemented gradually, firms are still in the preparation phase. According to Hummel and Jobst (2024) regulatory change does not immediately mean consistent implementation as firms need time to develop processes and systems to meet new reporting requirements. Therefore during the transition phase, firms may adopt different approaches to reporting which may contribute to variation in both level and compliance of disclosure requirements.

An additional explanation for the variation in compliance can be found in how the CSRD is implemented in practice. The directive is introduced gradually which means that all firms are not subjected to the same requirements regarding ESRS S1 implementation at the same time. The Omnibus proposal further clarified this phased implementation by introducing a higher threshold and limited the initial scope mainly to larger firms. Only firms that meet the criteria of Omnibus are required to comply with the new reporting requirements in the first stage while other firms will be affected at a later stage (European Commission, 2025b). This

difference in timing and scope can also be observed in the descriptive statistics. The descriptive statistics show that firms above the CSRD threshold tend to have higher levels of compliance compared to firms below. Therefore, this highlights that firms more subjected to stricter requirements have stronger incentives to adjust their disclosures already during the preparation phase. Firms that are not yet fully subjected to the regulation the preparation phase may involve a more gradual adjustment where full implementation is postponed until the requirements become mandatory.

A closer examination of the individual ESRS S1 disclosure items further highlights variation. Some disclosure requirements, such as S1-5 (Characteristics of the undertaking's employees) and S1-8 (Diversity metrics) show relatively high mean values. This indicates that these aspects are more commonly reported across firms. One possible explanation is that these disclosures are more familiar and easier to report on, as they build on information that firms have already been required to disclose under national regulation. In the Swedish context, the Annual Account Act requires firms to report basic workforce- related information, such as the number of employees, gender distribution and certain aspects of employee composition (SFS 1995:1554). Firms are likely to have established systems and routines for collecting and reporting this type of information. In addition to these disclosure items some further requirements may also benefit from alignment with the Swedish institutional context. For instance, S1-13 (Health and safety metrics) may be supported by existing legal requirements under the Swedish Work Environment Act. This law requires firms to ensure a safe working environment and manage workplace risks (SFS 1977:1160). Similarly, the S1-7 (Collective bargaining and Social dialogue) disclosure requirement may be more easily reported in Sweden due to the high level of collective bargaining agreement coverage and the strong role of trade unions (Eurofound, 2022; OECF, 2024). These institutional characteristics suggest that firms operating in Sweden may already have access to relevant data and established practices in these areas. This can facilitate the implementation of certain ESRS S1 disclosure requirements. However, unlike the Swedish regulation, ESRS S1 requires additional structuring and quantitative data to provide more clear and comparable information. For example the ESRS S1 requires more details including the information to link policies, actions and measurable outcomes.

In contrast, other items such as S1-9 (Adequate wages) and S1-11 (Persons with disabilities) exhibit lower levels of compliance. This uneven pattern suggests that not all disclosure requirements are equally implemented in practice. One possible explanation is that these disclosure requirements are more complex and require more advanced data collection. This interpretation is supported by prior research that highlights the complexity of the ESRS framework (Molnar et al., 2025). According to Fragidis and Papafloratos (2025) the introduction of detailed and comprehensive reporting requirements increases the amount of data that firms need to collect and process which can create challenges when it comes to implementation. Moreover, Molnar et al. (2025) argue that social disclosures are often less developed compared to environmental disclosures. This may help explain why some ESRS S1 items are reported at lower levels as firms may not yet have fully established systems to capture and report this type of information. In line with this early evidence from ESRS

implementation suggest that although firms have begun to adopt the framework, comparability and consistency remain limited. Only 10% of firms identified all ten topical standards as material and therefore indicating substantial variation in how firms priorities and implement ESRS disclosures (EFRAG, 2025b).

From a theoretical perspective, these differences can be linked to stakeholder theory. According to Hörisch et al. (2020) firms disclose sustainability information in response to the expectations of relevant stakeholder groups. This implies that firms facing stronger expectations of relevant stakeholder pressure may have greater incentives to provide more detailed disclosures. Moreover, Christensen et al. (2021) points out that sustainability reporting is shaped by both external pressures and internal constraints. While disclosures can reduce information asymmetry and enhance transparency. It can also involve costs related to data collection and verification. As a result, firms may adjust the level of detail in their disclosures depending on their available resources and perceived benefits. This can therefore explain why some firms provide more comprehensive ESRS S1 disclosures while others are limited.

7.2 Hypothesis 1. Employee Board Representation and ESRS S1 Disclosure Compliance

The first hypothesis examined in this study is stated as follows: *Employee board representation is positively associated with higher compliance of employee-related disclosures in accordance with ESRS S1: Own Workforce.* This hypothesis builds on the idea that governance structures may be associated with differences in how firms address and communicate employee related issues. The results provide partial support for this hypothesis, but also highlight important nuances when additional controls are taken into account. .

In the initial model without industry fixed effects, employee board representation is significantly and positively associated with the compliance index. This finding is consistent with prior research suggesting that governance structures influence firms' engagement with non- financial reporting and corporate social responsibility (Hong et al., 2016). In line with Overland and Samani (2022) employee representatives may contribute to firm-specific insights and draw attention to issues such as working conditions, internal processes and job security. This can in turn enhance the board´s focus on employee-related matters, which may be reflected in more structured and detailed disclosures as required under ESRS S1. However, when industry fixed effects are introduced, the coefficient of employee board representation remains positive but is no longer significant. This indicates that firms operating in certain industries may be more likely to have employee representatives and provide more detailed employee-related disclosures, which reduces the independent explanatory power of the employee representation variable. This result highlights that the influence of employee board representation is not uniform across contexts. Nekhili et al. (2021) describes how different types of employee representatives may prioritize different objectives, leading to variation across ESG outcomes. Similarly, the Swedish institutional setting provides a formal right to

board representation but prior research suggests that this right is not always exercised in practice since it may depend on cost-benefit considerations (Berglund & Holmen, 2016).

Furthermore, the coefficient for employee board representation remains positive across both model specifications, suggesting a consistent relationship with the hypothesis. However, the loss of statistical significance when industry fixed effects are introduced suggests that this relationship is sensitive to industry- specific factors. One may therefore argue that employee representatives contribute to increased attention to employee-related issues within firms, but that the extent to which this attention translates into more specific disclosures depends on additional factors beyond board composition alone, e.g. differences in reporting practices and disclosure approaches across industries. Further, from a stakeholder theory perspective this can be understood as firms responding differently to the expectations and interests of their stakeholder groups, where employees represent one important group but not the only one shaping disclosure practices (Hörisch et al., 2020). In line with this, Del Gesso and Lodhi (2025) describes that variation in the level of and detail of sustainability disclosures reflects how firms prioritise and respond to different stakeholder demands. Although employee representatives increase internal attention to employee-related issues, the extent to which this is translated into more specific ESRS S1 may depend on how prominently these issues are prioritised relative to other stakeholder concerns within each industry context.

Moreover, the descriptive results suggest a consistent pattern in which firms with employee board representation show higher levels of ESRS S1 compliance. Specific disclosure requirements such as S1_9 (Adequate wages) and S1_5 (Characteristics of the undertaking's employees) illustrate examples of this. This suggests that the positive association between employee board representation and ESRS S1 compliance remains robust even when firms are compared to more similar firms based on observable characteristics through the matching analysis. However, the relationship becomes less conclusive once industry effects are considered, suggesting that industry-specific characteristics may partly influence the association.

Overall, these findings suggest that while employee board representation is associated with higher levels of disclosure compliance in initial model specifications, its effect becomes less clear once industry differences are taken into account. This may suggest that governance mechanisms and institutional context interact in shaping ESRS S1 disclosures, rather than operating in isolation.

7.3 Hypothesis 2. Joint Effect of Employee Board Representation and CSRD threshold

The second hypothesis examined in this study is stated as follows: *Employee board representation has a positive effect on ESRS S1 disclosure compliance in firms above the CSRD threshold compared to firms below the threshold.* However, the results do not provide support for this hypothesis. While both employee representation and the CSRD threshold are

associated with higher levels of compliance, the interaction effect between the two is not statistically significant. This suggests that the effect of employee representation does not differ depending on whether firms are above or below the CSRD threshold.

The finding indicates that although regulatory pressure and internal governance mechanisms could both play a role in shaping disclosure practices, they do not appear to reinforce each other in the way initially expected. One possible explanation for this result is that regulatory requirements under the CSRD create a more uniform reporting framework across firms. As noted by Christensen et al. (2021), sustainability reporting is often driven by external pressures such as regulation and stakeholder expectations. When such pressures become more formalised, as in the case of ESRS S1, firms may be required to comply with similar disclosure standards regardless of internal governance structures. This can limit the extent to which mechanisms such as employee representation influence reporting outcomes.

Moreover, employee representation may still contribute to improved disclosure practices, but in a more general way. Previous research suggests that employee representatives can enhance internal monitoring and improve information flows within the firm (Overland & Samani, 2022). This may help firms address employee-related issues and increase transparency. However, the results indicate that this effect is relatively consistent across firms and does not depend on the regulatory threshold.

Another explanation relates to the institutional nature of employee representation. As highlighted by Thomsen et al. (2016), employee representation is often shaped by legal and institutional frameworks rather than purely firm-level decisions. This may mean that its influence is more stable across different types of firms, rather than becoming stronger in specific regulatory contexts. Similarly, Jackson (2005) argues that governance structures are embedded in broader institutional systems, which may limit variation in their effects across firms. The results also align with prior research suggesting that firm characteristics such as size and external visibility play a more central role in explaining sustainability disclosures (Reverte, 2009; Christensen et al., 2021). Firms above the CSRD threshold are subject to stronger regulatory reporting obligations under the CSRD framework. This suggests that the observed differences in compliance may primarily reflect variation in regulatory exposure rather than differences in employee board representation

To summarize, these findings suggest that while employee representation is associated with slightly higher levels of ESRS S1 compliance, its effect does not vary depending on the CSRD threshold. Therefore, Hypothesis 2 is not supported. Instead, the results indicate that regulatory scope plays a more important role in explaining differences in disclosure compliance while employee representation contributes in a more uniform manner across firms.

8. Concluding Remarks

8.1 Conclusion

This study examines how internal governance and regulatory pressure influence the compliance of employee-related disclosures under ESRS S1. The results show that firms on average, report around half of the required disclosure items. This suggests a moderate level of compliance. At the same time, the large variation across firms implies that companies are at different stages in their adaptation to the ESRS S1 framework. It supports earlier research showing that regulatory changes do not immediately lead to consistent reporting practices, but rather involve a transition period where firms gradually adjust their processes and systems (Hummel & Jobst, 2024).

The findings highlight that firm size is one factor that explains ESRS S1 compliance. Larger firms consistently show higher levels of disclosure compliance which can be explained by greater resources, more developed reporting systems, and stronger exposure to external pressure (Reverte, 2009; Christensen et al., 2021). Larger firms are more likely to fall within the initial scope of the CSRD (wave 1), meaning that they are required to comply with ESRS requirements earlier than smaller firms. This earlier exposure to regulatory requirements increases the incentives to adapt reporting practices at an earlier stage. In contrast, smaller firms appear to face challenges in meeting the detailed requirements of ESRS S1 and may not yet be fully subject to the same regulatory pressure, which can limit their ability and incentives to provide comprehensive disclosures.

Regarding employee board representation, the findings provide some support for its role in shaping disclosure practices. Firms with employee representation generally exhibit higher levels of ESRS S1 compliance and this pattern remains visible when firms are compared to more similar firms through the matching analysis. However, the relationship becomes less conclusive once industry differences are taken into account, suggesting that the effect of employee representation may partly depend on broader industry-specific and institutional conditions. These findings are consistent with prior research emphasizing that governance mechanisms operate within institutional and industry-specific settings (Thomsen et al., 2016; Jackson, 2005).

The results further show that regulatory scope plays a central role in shaping disclosure behaviour. Firms above the CSRD threshold consistently report higher levels of compliance compared to those below. However, the interaction between employee representation and the CSRD threshold is not significant. This indicates that while both factors are associated with higher compliance, they do not reinforce each other. Instead, regulatory pressure appears to be the strongest driver of disclosure compliance. This finding supports the view that sustainability reporting is largely shaped by external pressures such as regulation and stakeholder expectations (Christensen et al., 2021).

Overall, this study contributes to the understanding of how firms respond to the introduction of ESRS S1 in the preparation phase. The findings suggest that differences in disclosure practices are primarily driven by firm size and regulatory exposure, while the role of internal governance mechanisms such as employee representation is more limited and context-dependent.

8.2 Contribution

The study contributes to the sustainability reporting literature in two ways. First, it provides early empirical evidence on how firms respond to and implement emerging workforce-related reporting requirements. Therefore, offering insights into the initial development of ESRS S1 compliance in practice. Second, it examines how internal governance mechanisms and external regulatory pressures shape employee-related disclosure compliance during the early implementation phase of ESRS S1. From a policy perspective, the findings indicate that formal reporting requirements and regulatory thresholds play a role in shaping disclosure practices, suggesting that regulatory design is central for improving reporting quality. At the same time, the limited effect of employee board representation suggests that internal governance mechanisms alone may not be sufficient to ensure consistent disclosure outcomes. Indicating that external regulatory requirements may play a more prominent role in shaping disclosure compliance. From a firm perspective, the results highlight that firms subjected to stricter reporting requirements tend to provide more detailed disclosures. While smaller firms may face greater challenges in meeting emerging reporting expectations.. From a governance perspective, the findings suggest that the influence of employee representation is dependent on context rather than consistently strong across firms. Finally, from a stakeholder perspective, the results indicate that the quality and comparability of employee-related disclosures may differ between firms, which has implications for how such information is interpreted and used.

8.3 Limitations

Limitations that should be considered when interpreting the results is that the sample size is relatively small, which may limit the broader applicability of the findings. Although the sample provides insights into early ESRS S1 reporting practices, a larger dataset could offer more robust and general conclusions. Second, the data collection process was time-consuming and involved several manual steps. To ensure accurate identification of ESRS S1 disclosures, annual reports were manually extracted and reduced to only include sections related to *"Own Workforce"* disclosures. These sections were then converted into separate PDF files for analysis in NVivo. While this approach improved the precision of the search results, it may also introduce the risk of excluding relevant contextual information. Furthermore, the coding process was conducted manually and with careful consideration to ensure fair and consistent scoring across firms. However, manual coding inherently involves a degree of subjectivity, which may affect the reliability of the results despite efforts to maintain consistency.

8.4 Suggestions for Future Research

Future research could build on this study by examining ESRS S1 disclosures once the framework is fully implemented and firms have had more time to adapt their reporting practices. As this study captures an early stage of implementation, it would be interesting to investigate whether disclosure patterns become more consistent over time and if the level of compliance increases as firms gain experience with the ESRS S1 requirements. In addition, future studies could focus on industries with high workload intensity and complex organizational structures. These firms often face demanding work environments and may have stronger incentives or pressures to report on employee-related issues. A deeper analysis of how such firms address ESRS S1 disclosures could provide further insights into how working conditions and organizational complexity influence reporting practices. Future studies could also expand the geographical scope and compare how ESRS S1 is implemented across different countries. Since employee representation and corporate governance structures vary across institutional contexts (Thomsen et al., 2016; Jackson, 2005), such comparisons could provide insights into how national systems influence sustainability reporting.

Finally, future research could explore the role of different types of employee representation in more detail. As prior research suggests that employee representatives may have varying objectives and influence depending on context (Nekhili et al., 2021), it would be valuable to investigate whether these differences affect disclosure practices under ESRS S1.

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9. Appendix

Appendix 1: Robustness and Model Validity

Appendix 1.1: Pairwise Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) compliance_index	1.000							
(2) employee_rep	0.343***	1.000						
	(0.000)							
(3) csrd_threshold	0.531***	0.484***	1.000					
	(0.000)	(0.000)						
(4) roa	0.231***	0.113**	0.200***	1.000				
	(0.000)	(0.022)	(0.000)					
(5) ln_assets	0.547***	0.381***	0.581***	0.234***	1.000			
	(0.000)	(0.000)	(0.000)	(0.000)				
(6) leverage	0.155***	0.126**	0.116**	-0.134***	0.314***	1.000		
	(0.002)	(0.010)	(0.018)	(0.006)	(0.000)			
(7) pbv	-0.068	-0.036	-0.119**	0.414***	-0.174***	-0.049	1.000	
	(0.168)	(0.470)	(0.016)	(0.000)	(0.000)	(0.320)		
(8) revenue_growth	-0.094*	-0.079	-0.142***	-0.050	-0.086*	-0.072	0.159***	1.000
	(0.056)	(0.112)	(0.004)	(0.317)	(0.082)	(0.149)	(0.001)	

**** p<0.01, ** p<0.05, * p<0.1*

Appendix 1.2: VIF

Variable	**VIF**	**1/VIF**
ln_assets	1.83	0.545934
csrd_threshold	1.75	0.570358
Roa	1.39	0.721824
Pbv	1.37	0.730449
employee_rep	1.35	0.743093
leverage	1.20	0.833874
revenue_growth	1.05	0.954935
Mean VIF	1.42	

Appendix 2: Summary statistics compliance index

Appendix 2.1: Summary statistics per year

	N	2024	2025
		Mean	Mean
compliance index	208	15.226	18.601
s1_1	206	.971	.981
s1_2	206	.903	.913
s1_3	206	.956	.981
s1_4	208	1.375	1.587
s1_5	208	1.442	1.71
s1_6	208	1.087	1.375
s1_7	208	.793	1.082
s1_8	208	1.442	1.683
s1_9	208	.255	.49
s1_10	208	.774	.837
s1_11	208	.428	.663
s1_12	208	1.236	1.438
s1_13	208	1.337	1.625
s1_14	208	.562	.76
s1_15	208	.466	.962
s1_16	208	1.226	1.51

Appendix 2.2: Summary Statistics by Industry

Industry	N	Mean	SD	Min	Max
Communication Services	28	17.75	7.491	8	28
Consumer Discretionary	50	18.5	6.048	5	27
Consumer Staples	10	22.5	3.240	17	26
Financials	26	17.808	8.065	0	26
Health Care	56	15.589	6.638	2	26
Industrials	118	17.89	5.584	5	27
Information Technology	60	14.483	6.500	0	26
Materials	24	18.917	4.960	11	27
Real Estate	44	14.068	6.464	0	26

Appendix 3: NVivo wordlists

ESRS Disclosure Requirement	Nvivo English Wordlist	Nvivo Swedish Wordlist
S1-1 Policies related to own workforce	Policies, Impacts, Risks, "Child labour", opportunities, "forced labour", "Policies related to its own workforce"	Policy, Riktlinjer, Personalpolicy , Risker, Påverkan, Möjligheter, barnarbete, Tvångsarbete, Arbetsstyrka
S1-2 Engagement with own workforce and workers' representatives, existence of channels to raise concerns or needs and approaches to remedy	"Channels to raise concerns or needs", "grievance mechanisms", "remedy, "potential impacts", "actual impacts", "persons with disabilities", "Global Framework Agreements, "GFA'", "processes to provide or cooperate in remediation", "workers' representatives"	"Rapporteringskanaler", "Visselblåsarsystem", "Medarbetardialog", Klagomål, "Klagomålsmekanismer", "Åtgärdsprocess", Åtgärder, "Kanaler", "Kanal", "Potentiell påverkan", "Faktisk påverkan", "Funktionsnedsättning", "Globala ramavtal", Remediering, "Arbetstagarrepresentanter", "Fackliga representanter"
S1-3 Actions and resources related to own workforce	Actions, Resources, Mitigate, "Effectiveness impacts", risks, opportunities, remediation, leverage, dependencies, "Mitigate impacts", "Material impacts"	Åtgärder, Resurser, "Minska risker", Effektivitet, Risker, Möjligheter, "Avhjälpande åtgärder", Påverkan, Beroenden, "Väsentlig påverkan", "planerade aktiviteter"
S1-4 Targets related to own workforce	Targets, Metrics, Tracking, Performance, "workers' representatives", "Target area"	Mål, Målsättningar, Nyckeltal, Indikatorer, Uppföljning, Resultat, "Arbetstagarrepresentanter", Målområde, strategi, KPI, ambitioner
S1-5 Characteristics of the undertaking's employees	Headcount, Gender, Country, "Employee turnover", "non-guaranteed hours employees", "information on employee headcount by gender", "Number of permanent employees", "Employee headcount", "Employee headcount breakdown", FTE, "Full-time equivalents", "Number of employees", "Total number of employees who left the company"	"Antal anställda", Kön, Land, Personalomsättning, Timanställda, Könsfördelning, Tillsvidareanställda, deltid, Personalstruktur, Heltidsekvivalenter, "Antal medarbetare", Personalavgångar, "Andel anställda", "Andel kvinnor", "Andel män", "Efter land", "Per land", "Visstidsanställning"
S1-6 Characteristics of non-employees in the undertaking's own workforce	"Non-employees", Headcount,, Estimates, "business model", Dependencies, FTE, "Full-time equivalents", "Temporary employees", "Permanent employees", "Non-guaranteed hourly employees", "Contract type", "Not employed"	"Icke-anställda", "Antal personer", Uppskattningar, "Affärsmodell", Beroenden, Heltidsekvivalenter, "Tillfälligt anställda", Tillsvidareanställda, "Timanställda", "Avtalstyp", "Ej anställd"

S1-7 Collective bargaining coverage and social dialogue	"Collective bargaining coverage", "Social dialogue", Undertaking "Collective bargaining" "Collective bargaining agreements" "Workers' representatives", "Collective bargaining" "European Economic Area", "EEA" "European Works Council", "EWC" "Societas Europaea", "SE", "Works Council" "Societas Cooperativa Europaea", "SCE", "Works Council", "Non-EEA" "Workplace representation"	"Kollektivavtalstäckning", "Social dialog", "Social dialog", Företaget, "Kollektiv förhandling", "Kollektivavtal", "Arbetstagarrepresentanter", "Europeiska ekonomiska samarbetsområdet", EES, "Europeiskt företagsråd", "Societas Europaea", SE, "Arbetsråd", "Europakooperativ", "Arbetsplatsrepresentation", "Täckningsgrad", "Kontinuerlig dialog", "Företrädare från arbetsplatsen"
S1-8 Diversity metrics	Gender, "Top-management", "Gender distribution", Headcount , "Gender diversity", "Age distribution", "Executive management"	Kön, "Högsta ledning", "Könsfördelning", "Antal anställda", "Könsmångfald", "Åldersfördelning", "ledningsgruppen"
S1-9 Adequate wages	"Adequate wage", "Adequate wage benchmarks", "Collective Bargaining", "Lowest wage", Pay, CBA, CBAs	"Skälig lön", "Tillräckliga löner", "tillräcklig lön", "Lönebenchmark", "Kollektivavtal", "Lägsta lön", "Minimilön", Lön, "Kollektivavtalade löner", "lönepolitik", "Lönekartläggning", "Lika lön"
S1-10 Social protection	"Social protection", "Sickness", "Unemployment", "Maternity leave", "Social security", Benefits, Retirement, "Acquired disability", "Parental leave", "Employment injury", "Unemployment starting"	"Socialt skydd", Sjukdom, Arbetslöshet, "Föräldraledighet", "Social trygghet", Förmåner, Pension, Funktionsnedsättning, "Arbetsskada", "Arbetslöshet vid anställningens slut", "ohälsotal", "Totala sjukskrivningar", "Korttidssjukskrivningar", "Långtidssjukskrivningar"
S1-11 Persons with disabilities	"Disabilities", "Employees with disabilities"	Funktionsnedsättning, "Anställda med funktionsnedsättning"
S1-12 Training and skills development metrics	Training, "Performance review", "Average training hours", "Average training hours per employee" "Personal development", "Training hours", "Training hours per employee", "Career development", "skills development", skills	Utbildning, "Medarbetarsamtal", "Genomsnittliga utbildningstimmar", "Utbildningstimmar per anställd", "Kompetensutveckling", "Utbildningstimmar", "Karriärutveckling", Kompetenser, "Utvecklingssamtal", "Ledarskap"
S1-13 Health and safety metrics	"Occupational safety and health management system", "Recordable work-related accidents", Sites, "Recordable work-related ill health", "Fatalities" , "Accidents", "Ill-health", "Certified health", "sickness absence rate", "Lost time Injury Frequency Rate", "Health and safety metrics"	"Arbetsmiljöledning", "Arbetsrelaterade olyckor", Arbetsplatser, "Arbetsrelaterad ohälsa", Dödsfall, Olyckor, Ohälsa, "Certifierad arbetsmiljö", Sjukfrånvaro, "Arbetsskadefrekvens", "Arbetsmiljö och säkerhet"

S1-14 Work-life balance metrics	"Leave", Entitlement, "Family-related leave", "Collective bargaining", "Work life balance metrics", "Maternity leave", "Paternity leave", "Parental leave", "Carers´ leave", "Work-life balance"	Ledighet, Rättighet, "Familjeskäl", "Familjerelaterad ledighet", "Kollektivavtal", "Balans mellan arbete och privatliv", Föräldraledighet, "Pappaledighet", "Vård av anhörig", "Barnafödande", "Adoption", "Balans arbete och privatliv", "ledighet av familjeskäl"
S1-15 Remuneration metrics	"Pay-gap", "Gender pay-gap", "Annual total remuneration ratio", "Median employee annual total remuneration", "Pay level of male employees", "Gross hourly pay level", "Calculation of gender gap", "Equity gap", "Remuneration metrics"	"Lönegap", "Könsbaserat lönegap", "Total ersättning", "Medianlön", "Lönenivå för män", "Bruttotimlön", "Beräkning av lönegap", "Löneskillnad", "Ersättningsmått"
S1-16 Incidents of discrimination and other human rights incidents	"Incidents of discrimination", "Human-rights incidents", "Incidents of discrimination", "Discrimination", "Harassment", "Impacts", "Channels to raise concerns or needs", "Grievance mechanisms", "Violence", "Gender equality", "Combating discrimination", "Severe human rights impacts", "Connectivity with financial statement data"	"Diskrimineringsincidenter", "Mänskliga rättigheter", Diskriminering, Trakasserier, Påverkan, "Rapporteringskanaler", "Klagomålsmekanismer", Våld, "Jämställdhet", "Incidenter", "Mångfald", "Anmälningar", "Allvarlig påverkanrelaterade till mänskliga rättigheter", "Människorättsincidenter"

Appendix 4: Content Analysis 2024

Disclosure requirement S1-5 *Characteristics of the undertaking's employees*

Characteristics of employees[1]

	2024[2]			
	Female	Male	N/A or other[3]	Total
Number of employees	101,139	31,923	5,504	138,566
Number of permanent employees	78,405	25,959	3,364	107,728
Number of temporary employees	22,676	5,928	2,140	30,744
Number of full-time employees	44,070	17,674	1,398	63,142
Number of part-time employees	57,069	14,249	4,106	75,424

1. 94 employees are reported as 'unknown' in terms of permanent/temporary contract type. 58 people out of these are female and 36 are male. These 94 people are included in the full-time/part-time figures but not in permanent/temporary.
2. Total employee headcount as of 30 November 2024.
3. The data is globally aggregated from our markets based on different legal requirements and systems. This category summarises colleagues for whom gender data is not available due to legal or technical reasons, as well as colleagues with a registered other gender in line with relevant local legislation in applicable markets. We continue our work to further improve our systems for global data aggregation and with that data quality and scope.

Characteristics of employees – Employee turnover[1]

	2024
Number of employee turnover	52,063
Share of employee turnover, %	38

1. Voluntary employee turnover includes all assignments terminated voluntary by the employees (including temporary contracts/assignments that have ended). Since a large portion of our total workforce are in stores where many contracts are temporary, the H&M Group total will reflect that.

Characteristics of employees – Number of employees by countries

Number of employees by countries (where we have more than 10% head count)	2024[1]
Germany	16,164
USA	14,847
Sweden	10,690
Other Countries	96,865

1. Total employee headcount as of 30 November 2024.

Source: Telia Annual Report 2024
Score: 2

Disclosure requirement S1-7 *Collective bargaining coverage and social dialogue*

Collective bargaining

S1-8 Collective bargaining coverage and social dialogue

SEB operates under collective bargaining agreements in Sweden, Latvia, Lithuania, Finland, Denmark, Germany and Luxembourg, representing 87 per cent of the group's workforce globally and 89 per cent in the EEA-area. In addition, we have a European Working Council (EWC) agreement and work continuously with the EWC in transnational matters for all countries in the EEA-area. There are no collective bargaining agreements outside the EEA.

Figure 51: Collective bargaining coverage and social dialogue

	Collective bargaining coverage		Social dialogue
Coverage rate	Employees – EEA (for countries with >50 empl. representing >10% total empl.)	Employees – Non-EEA (Estimate for regions with >50 empl. representing >10% total empl.)	Workplace representation (EEA only) (for countries with > 50 empl. representating >10% total empl.)
0–19%		Non-EEA	
20–39%			
40–59%			
60–79%			
80–100%	Latvia, Lithuania, Sweden		Latvia, Lithuania, Sweden

Source: Skandinaviska Enskilda Banken (SEB) Annual Report 2024
Score: 2

Collective bargaining coverage and social dialogue, S1-8

All employees in Sweden are covered by collective agreements, except management. PayEx employees in Denmark and Finland are also covered by collective agreements. This means that a total of 58 per cent of employees are covered by collective agreements. Other employees are not covered by collective agreements. For Employees which are not covered by collective agreements, working conditions are mainly regulated by labour law in each country. Swedbank's European Works Council is a forum for social dialogue, information and cooperation with employee representatives.

Calculation methodology

In Sweden and Denmark, all employees are covered by collective agreements with exception of senior executives in Sweden. This means that these end up in the range 80–100. In Finland, only PayEx employees are covered by collective agreements. In order to report the contribution ratio in Finland, a calculation has been made of the proportion of employees in Finland that are covered by collective agreements compared to the total number of employees.

In the table for collective agreement coverage and social dialogue, Swedbank presents information about the proportion of employees covered by collective agreements and employee representation (through employee representation in Swedbank's European Works Council and/or as a result of collective agreements). No assumptions are made.

	Collective agreement coverage		Social dialogue
Degree of coverage	Employees – EEA[1]	Employees – outside the EEA[1]	Workplace representatives, EEA[1]
0	Norway, Estonia, Latvia, Lithuania, Spain	China, USA	Spain
1–19%	Finland		
20–39%			
40–59%			
60–79%			
80–100%	Sweden, Denmark		Sweden, Norway, Finland, Denmark, Estonia, Latvia, Lithuania

1) European Economic Association (EEA).

Source: Swedbank Annual Report 2024
Score: 2

Disclosure requirement S1-8 *Diversity metrics*

Diversity important for long-term success and development
Being an inclusive workplace for all is an important aspect of social sustainability. Rottneros works continuously and long-term to create a safe and stimulating working environment where everyone thrives, regardless of age, gender, ethnicity, or sexual orientation. When the organisation is characterised by diversity, the opportunities to achieve set goals increase. It creates a broader perspective on issues and a more dynamic working environment. The potential for fast and accurate decisions increases. Inclusion and diversity also strengthen the conditions for finding the right skills for each position and the possibility of reaching the entire potential labour force in the market in the locations where Rottneros has its operations, which is critical for the company's long-term development. The proportion of female employees was 18 percent during the year.

Source: Rottneros Annual Report 2024
Score: 1

S1-9 Diversity metrics

S1-9 Age distribution of employees in percent	2024	2023
Percentage of employees under 30 years old	49.3%	49.5%
Percentage of employees 30-50 years old	48.3%	48.6%
Percentage of employees over 50 years old	2.4%	1.8%

The proportion of employees under the age of 30, as well as those between 30 and 50 years old, decreased by roughly 1%. This is linked to the overall decline in the number of employees, as shown in Table S1-6: Employee headcount by gender. Freelancers and contractors are not included in this calculation.

S1-9 Employees in top management by gender	2024	2023
Number of women in top management	17	13
Number of men in top management	69	57
Number of other employees in top management	0	0
Percentage of women in top management	19.8%	18.6%
Percentage of men in top management	80.2%	81.4%
Percentage of other employees in top management	0	0
Total employees	**86**	**70**

In 2024, we experienced an increase in both female and male top management by 31% and 21%, respectively. Top management is defined as the two levels below the administrative management and supervisory bodies. At MTG, gender distribution is assessed by counting the total number of men and women in these leadership positions, excluding freelancers and contractors from the calculation.

Source: Modern Times Group (MTG) Annual Report 2024
Score: 2

Disclosure requirement S1-15 *Remuneration metrics*

S1-16

Remuneration metrics (pay gap and total remuneration)

Aggregated gender pay gap

	2024
Aggregated gender pay gap, [%]	11.4

Remuneration ratio

	2024
Annual total remuneration ratio [%]	874.9

The gender pay gap disclosed relates to the average pay level of all Rejlers employees across all segments except the Group CEO, regardless of employee category.

Accounting principles S1-16

Remuneration ration
The annual total remuneration ratio compares the highest-paid individual's total remuneration to the median remuneration of all employees, excluding the highest-paid. The total renumeration for the highest paid individual at Rejlers reflects the annual base pay.

Calculated according to formula: Annual total remuneration for the undertaking's highest paid individual / Median employee annual total remuneration (excluding the highest-paid individual)

Gender pay gap
Defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees. Calculated according to this formula:

(Average gross hourly pay level of male employees – average gross hourly pay level of female employees) / Average gross hourly pay level of male employees x 100

Source: REJLERS Annual Report 2024
Score: 2

Compensation metrics (pay gap and total compensation)
Holmen is to pay market salaries and apply differentiated and individual pay setting, within the limits set by pay agreements, based on the difficulty and responsibilities of the position and the individual's performance. Minimum wage requirements, statutory or contractual, must be complied with. Action plans and annual pay surveys are drawn up in line with the Swedish Equality Act as part of Holmen's work to create an inclusive workplace in which everyone is given the same development opportunities. Where unwarranted pay differences have been discovered, action plans have been adopted in consultation with the unions.

Source: Holmen Annual Report 2024
Score: 1

Disclosure requirement S1-16 *Incidents of discrimination and other human rights incidents*

Incidents, complaints, and severe human rights impacts

During 2024, we did not have any work related grievance, incidents or complaints.

Accounting Principles and methodologies
Thule requires that the following three types of incidents be reported in the sustainability digital platform:

1) On-premise or off-premise accidents which result in professional medical treatment and personal injury.
2) Cases of harassment.
3) Cases of discrimination.

INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

	Number
Work-related grievances, incidents, and complaints	0
Number of complaints filed through channels for own workers to raise concerns (including grievance mechanisms) to the National Contact Points for OECD Multinational Enterprises	0
Total number of incidents of discrimination, including harassment	0
Severe human rights impacts and incidents	0
Total number of severe human rights incidents connected to the company's workforce	0
Total amount of fines, penalties, and compensation for damages for incidents	0
Reconciliation of the monetary amounts disclosed above with the most relevant amount presented in the financial statements	0

Source: Thule Group Annual Report 2024
Score: 2

Anti-harassment Policy
Husqvarna Group fosters a workplace free from harassment, discrimination, and bullying for employees and third parties. The policy defines prohibited behaviors and offers clear guidance for reporting violations. Retaliation against individuals who report in good faith or assist in investigations is strictly forbidden. The Executive Vice President of People & Organization is responsible for implementing the anti-harassment policy.

Source: Husqvarna Group Annual Report 2024
Score: 1

Appendix 5: Content Analysis 2025

Disclosure requirement S1-7 *Collective bargaining coverage and social dialogue*

S1-8 – Collective bargaining coverage and social dialogue

Proact operates in 11 European countries: Sweden, Norway, Denmark, Finland, Germany, the Netherlands, Belgium, United Kingdom, the Czech Republic, Latvia and Estonia. In most of these countries, Proact is not covered by a collective agreement. Working conditions and terms of employment are determined by our policies and national legislation. The exceptions are Belgium and Finland, where collective agreements apply to the entire workforce. This means that just over 4 per cent of Proact's total workforce is covered by collective agreements.

Proact respects the right of association and enables social dialogue through direct interaction between management, HR, employees and workers' representatives, for example through health and safety committees and safety officers. There are no agreements for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.

Coverage Rate	Collective bargaining coverage: Employees – EEA	Social Dialogue: Workplace representation
0-19%	Sweden, Norway, Denmark, Latvia, Estonia, Czech Republic, Netherlands, Germany, United Kingdom	Sweden, Norway, Finland, Denmark, Latvia, Estonia, Czech Republic, Germany, United Kingdom
20-39%		
40-59%		
60-79%		
80-100%	Finland, Belgium	Netherlands, Belgium

Disclosure requirement S1-10 Social Protection

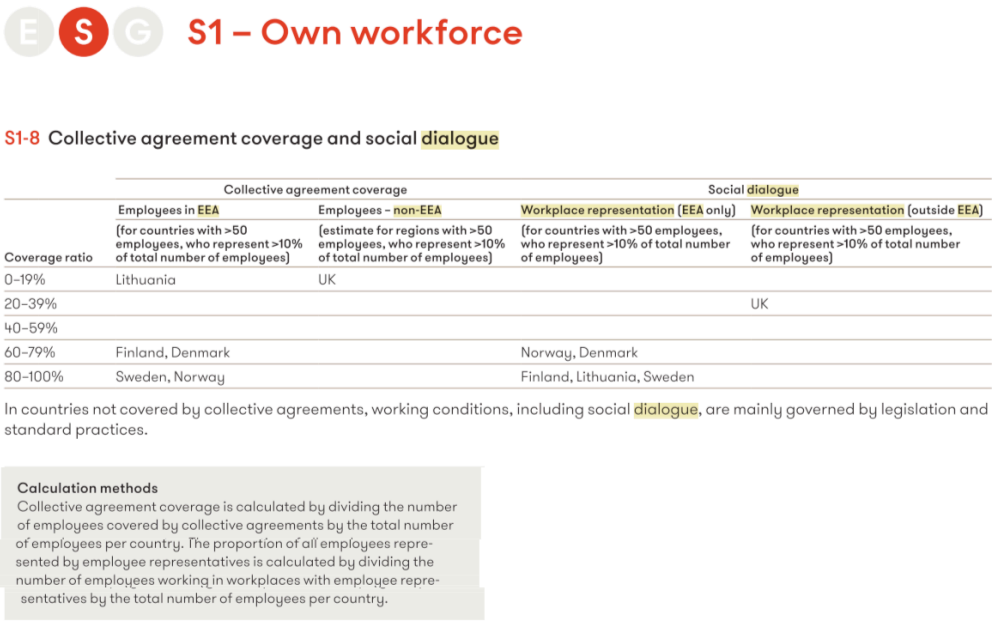
S1-11 Social protection

All employees are covered by social protection against loss of income due to major life events including sickness, unemployment, parental leave, retirement, employment injury and employment acquired disability either through public programs or through benefits offered by the company.

Source: Viaplay Annual Report 2025
Score: 1

Source: Proact collective Annual Report 2025
Score: 2

Disclosure requirement S1-7 *Collective bargaining coverage and social dialogue*



E S G S1 – Own workforce

S1-8 Collective agreement coverage and social dialogue

	Collective agreement coverage		Social dialogue	
	Employees in EEA	Employees – non-EEA	Workplace representation (EEA only)	Workplace representation (outside EEA)
Coverage ratio	(for countries with >50 employees, who represent >10% of total number of employees)	(estimate for regions with >50 employees, who represent >10% of total number of employees)	(for countries with >50 employees, who represent >10% of total number of employees)	(for countries with >50 employees, who represent >10% of total number of employees)
0–19%	Lithuania	UK		
20–39%				UK
40–59%				
60–79%	Finland, Denmark		Norway, Denmark	
80–100%	Sweden, Norway		Finland, Lithuania, Sweden	

In countries not covered by collective agreements, working conditions, including social dialogue, are mainly governed by legislation and standard practices.

Calculation methods
Collective agreement coverage is calculated by dividing the number of employees covered by collective agreements by the total number of employees per country. The proportion of all employees represented by employee representatives is calculated by dividing the number of employees working in workplaces with employee representatives by the total number of employees per country.

Source: Nobia Annual Report 2025
Score: 2

Disclosure requirement S1-14 *Work-life balance matrix*

Work-life balance metrics

Parental leave

2025	Total number	of whom women	Share of women, %	of whom men	Proportion of men, %
Number of employees entitled to parental leave[1]	73	31	42	42	58
Number of employees who took parental leave during the year	17	9	53	8	47
Number of employees who returned to work during the year after parental leave	15	7	47	8	53
Number of employees who returned to work after parental leave and were still employed 12 months after their return	18	8	44	10	56
Return to work rate[2]	15	7	100	8	100

[1] Employees eligible for parental leave refers to employees who are covered by the organisation's policies, agreements or laws that include a right to parental leave.
[2] Number of employees who returned to work after parental leave divided by the total number of employees who should have returned to work after parental leave.

Source: Catena Annual Report 2025
Score: 2

Disclosure requirement S1-15 *Remuneration metrics*

S1–16 Remuneration

In 2025, the annual total remuneration ratio of the highest-paid individual compared to the median-based annual total remuneration amounted to 12.92.

Ferronordic reports the gender pay gap for 2025 between female and male employees, broken down by employee category and country. The gender pay gap is influenced by factors such as gender distribution across different employee categories and seniority levels.

Category	Gender pay gap (%)
Service technicians	54.9
Warehouse staff	-17.9
Administrative staff	21.6
Sales staff	20.7
Managers (non-executive)	18.9
Management Team	26.9

Accounting principles

S1–16: §97a Gender pay gap
The gender pay gap includes all employees' gross hourly pay level and is calculated as:

$$\frac{\text{(Avarage gross hourly pay level of male employees - avarage gross hourly pay level of female employees)}}{\text{Average gross hourly pay level of male employees}} \times 100$$

Average gross hourly pay has been calculated as the total gross hourly pay for each gender divided by the number of employees in the respective category.

S1–16: §97b Annual total remuneration ratio
Total remuneration includes fixed salary, variable cash compensation, cash benefits, benefits in kind, and the fair value of long-term incentive programs, in accordance with the Group's remuneration policy.

The annual total remuneration ratio includes all employees as of 2025 and is calculated as:

$$\frac{\text{Annual total renumeration for the Group's highest paid individual}}{\text{Median employee annual total renumeration (excluding the highest paid individual)}}$$

The median is based on all employees within the Group, excluding the highest-paid individual. The ratio has not been adjusted for purchasing power differences between countries. As this is Ferronordic's first reporting according to ESRS S1–16, comparative figures for previous years are not reported.

Source: Ferronordic Annual Report 2025
Score: 2

Disclosure requirement S1-15 *Remuneration metrics*

S1-16 – COMPENSATION METRICS

Pay gap and total remuneration	2025
Annual total remuneration ratio	17.45:1
Gender pay gap	30%

Accounting policy
The annual total remuneration ratio is calculated as the highest paid individual compared to the median annual total remuneration for all employees (excluding the highest paid individual), shown as a percentage difference.

The gender pay gap is calculated as follows: (Average gross hourly pay level for male employees minus average gross hourly pay level for female employees) divided by average gross hourly pay level for male employees multiplied by 100.

While awaiting legislation and reporting requirements linked to the EU Pay Transparency Directive, Arjo is currently not calculating the gender pay gap for reporting purposes but will do so in accordance with the directive once it is implemented.

Arjo's reported pay gap of 30 percent is strongly influenced by the company's global operational structure, where many of its female employees work in countries with lower wage levels, such as the Dominican Republic and China. These geographical differences in wage structures have a significant impact on the Group's overall consolidated results.

Source: Arjo AB Annual Report 2024
Score: 2

Disclosure requirement S1-11 *Persons with Disabilities*

S1-12

Persons with Disabilities

Bufab has a positive view of a diversified workforce and works actively to promote inclusion throughout the organisation. The information in the table is based on data reported from our companies. Due to legal or cultural constraints, data may be missing or inaccurate. We follow the definitions of disability applicable in each country where Bufab operates. In some cases, it may also be difficult to draw a clear boundary in the reporting, which may affect the completeness of the underlying data.

Workers with disabilities

Workers with disabilities	Unit	2025	2024
Workers with disabilities	%	1.1	0.7

Source: BUFAB Annual Report 2025
Score: 2

Appendix 6: Extracts from Annual Reports - Own Workforce (Duni Group, English) 2024

SOCIAL INFORMATION

S1 Own Workforce

Impacts, risks and opportunities

ESRS 2 SBM 3 Material impacts, risks and opportunities and their interaction with strategy and business model

S1 OWN WORKFORCE Material impacts, risks and opportunities			Value chain location[1]			Time horizon[2]		
ESRS subtopic	IRO description	IRO type	U	O	D	S	M	L
Working conditions	High level care for employee well-being	Actual positive impact		x		x	x	x
	Providing major employment opportunities in some production sites	Actual positive impact		x		x	x	x
	Obsolete equipment in own production and logistics affecting health and safety	Potential negative impact		x		x	x	
Equal treatment and opportunities	Recruitment and protection of employees from vulnerable groups	Actual positive impact		x		x	x	x
	Insufficient reward and recognition in some parts of the organization	Financial risk		x		x	x	

[1] Value chain location: upstream (U), own operations (O), downstream (D)
[2] Time horizons: short-term (S), mid-term (M), long-term (L)

DUNI GROUP | The Architects of Dining

Duni Group
Duni Group in brief
Comments by the Chairman of the Board and CEO
The year in brief
Duni Group as an Investment

Directors' Report
Strategic Report
Sustainability Report
Risk management and governance

Financial information
Financial statements
Other

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Other

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Achieving the company's sustainability goals is only possible through the active engagement and dedication of the employees. Duni Group is committed to creating a diverse and inclusive working environment and to providing fair and decent working conditions for all employees. Careful consideration of employee-related impacts is an important part of the strategic efforts to build a value-based culture where everyone counts and feels that they make a difference.

When assessing impacts, risks and opportunities related to its own workforce, the company has considered all business locations and all categories of employees, including full-time and part-time, temporary and agency workers, trainees and interns. The company has considered various employee-related aspects, including, among others, working conditions, fair treatment, health and safety, recruitment challenges and regulatory environment.

The company has recognized several positive impacts in relation to its workforce. Some of the Duni Group manufacturing sites are located in remote rural areas, therefore they create major employment opportunities for people living in these regions, highly appreciated for good working conditions. Duni Group has a good employer reputation in its locations, owing to the high level of care for the employee well-being and favorable environment for employees from vulnerable groups like migrants, refugees and persons with disabilities.

In 2023 Duni Group participated in Business & Human Rights Accelerator Program and conducted Human Rights Due Diligence (HRDD) in line with Human Rights and Labour Principles of the UN Global Compact. The outcomes of HRDD have been used in the materiality assessment for the year 2024, in addition to the other sources of DMA like stakeholder interviews and company Enterprise Risk Management (ERM). The company has an action plan to follow up on HRDD findings and address topics raised there.

The company has carefully considered health and safety impacts that are particularly inherent in the manufacturing activities. The company is aware of systemic issues regarding obsolete equipment in some parts of production and logistics operations that can potentially expose employees to health and safety hazards. Timely replacement of old equipment is sometimes limited by financing possibilities. However, the company is taking active steps to ensure adequate maintenance and proactive replacement in order to minimize potential negative impacts. The company has a Global Health and Safety Directive, and the manufacturing sites have local policies and procedures to mitigate health & safety hazards and ambition to implement ISO 45001 certification in all manufacturing facilities.

In certain parts of the organization the company has identified risks of losing employees due to insufficient reward and financial recognition in line with market demands. Increased employee turnover heightens financial risks connected with additional recruitment and replacement costs. Duni Group is working on improving its remuneration, bonus and employee benefit guidelines and processes to make sure that it is structured, transparent and in line with market expectations. The company is also implementing a process for registering reasons why employees leave their jobs to get better insights into workforce retention factors.

The company has not identified any significant risk or incidents of forced, compulsory or child labor in its own operations.

Policies

S1-1 Policies related to own workforce

Duni Group has implemented policies, including the Human Rights Policy, the Code of Business Conduct (CoBC), and the Diversity, Equity & Inclusion Directive (DEI). These policies align with internationally recognized frameworks such as the International Labour Organization (ILO) conventions and the UN Guiding Principles on Business and Human Rights. The Human Rights Policy outlines commitments to protect vulnerable groups, ensure fair labor practices, and respect all internationally recognized human rights. The Diversity, Equity & Inclusion Directive promotes equal pay, inclusive recruitment, and anti-discrimination practices. These policies apply to all employees and contractors, addressing issues such as gender equity, workplace safety, and environmental sustainability. The company uses employee engagement tools to monitor compliance and effectiveness, ensuring policies drive meaningful impact.

For more information about the above policies, please refer to page 93-94.

Health and safety
Duni Group adopts a proactive approach to workplace safety, guided by its Global Health & Safety Directive and the Work Environment Directive. These directive encompass risk assessments, employee training, and the use of safety management systems. These efforts aim to mitigate hazards associated with production machinery, physical workloads, and workplace stress, ensuring a safe environment for all employees.

Equal opportunities and anti-discrimination
The Diversity, Equity & Inclusion Directive serves as a cornerstone of Duni Group's commitment to creating a fair and inclusive work environment. This Directive explicitly prohibits discrimination based on personal characteristics such as gender, ethnicity, or disability and others mentioned in the DEI Directive. Regular risk assessments and feedback surveys inform improvements, and targeted initiatives like leadership training enhance workplace diversity and inclusion.

More information about the Diversity, Equity and Inclusion Directive can be found on page 94.

Engaging with own workforce

S1-2 Processes for engaging with own workforce and workers' representatives about impacts

Duni Group actively engages its workforce through structured mechanisms, including employee engagement surveys, regular co-worker dialogues, and focus talks. These channels provide employees with opportunities to share feedback, influencing organizational decision-making. The company prioritizes continuous improvement. Duni Group Management has the operational responsibility for ensuring that the employee engagement takes place, and its results are reflected in decision-making.

The table on page 68 shows the key types of the employee engagement.

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Type of employee engagement	Description of employee engagement
Regular Meetings with Workers' Representatives	Engagement with workers' representatives happens on a regular basis, fostering open dialogue on workforce matters and ensuring that employees' voices are included in decision-making processes.
Co-worker Dialogues, Focus Talks, Regular Check-ins and Department Meetings	These occur periodically and are essential for direct communication, gathering feedback, and addressing team-specific issues. They serve as platforms for managers and employees to discuss goals, concerns, development plans and progress.
Continuous Employee Engagement Surveys	Duni Group Employee Engagement Survey is an AI-based, real-time engagement tool for all employees. It provides anonymous insights into leadership quality, employee well-being, engagement, and the overall work environment. The survey includes over 60 questions across 9 scientifically backed categories and allows for continuous monitoring of employee sentiment and workplace dynamics. It also allows for commenting and feedback. This combination of regular meetings, structured discussions, and feedback ensures a comprehensive approach to workforce engagement at various levels and stages.

Engagement outcomes are assessed through structured reviews and employee sentiment analysis. For instance, employee engagement tools tracks leadership quality, work environment satisfaction, and inclusion metrics, enabling targeted improvements.

Duni Group maintains agreements with workers' representatives that emphasize respect for human rights, fair labor practices, and workplace safety. These agreements play an important role in:

- Facilitating open dialogue on workforce issues
- Providing a platform for identifying and addressing systemic challenges related to labor rights and workplace conditions
- Ensuring compliance with international human rights standards, such as the ILO conventions, by incorporating workers' feedback into corporate policies and initiatives

Insights from the above mechanisms influence decisions on workplace safety, training programs, and inclusion initiatives, ensuring alignment with employees' needs and expectations.

Duni Group has not signed a Global Framework Agreement with a global union federation.

S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

Employee engagement mechanisms described in disclosure S1-2 provide a platform for employees to raise concerns. Duni Group Employee Engagement Surveys include a possibility to send comments to management that can be anonymized, and to receive immediate feedback from managers on the concerns raised. Outcomes from the engagement process allow for making decisions and planning actions aimed at remediating negative impacts.

Moreover, Duni Group has a whistleblowing procedure (Trumpet), managed by an independent third party (Whitepaper Advisors Sweden AB). The channel enables employees to report misconduct securely, covering areas such as discrimination, harassment, corruption, and workplace safety. Employees can report concerns through Trumpet via web forms, phone, or in-person meetings, with guaranteed confidentiality. Grievances reported through the whistleblowing system are assessed by a whistleblowing committee consisting of senior Board members and executives. For more information about the Whistleblowing Policy refer to page 94.

Employees can also raise concerns by contacting their local People and Culture (P&C) team if they find it more suitable.

New employees are introduced to these processes during onboarding, while current employees receive updates in department meetings and leaders' meetings. Regular announcements and training materials on internal communication portals ensure continuous awareness and reinforce trust in grievance channels.

Actions

S1-4 Taking action on material impacts on own workforce, and approaches to managing risks and pursuing opportunities related to own workforce, and effectiveness of those actions

Key actions to address material impacts, risks and opportunities related to the own workforce include updating relevant policies, providing trainings on and investing in workplace well-being. These measures are integrated into the company's strategic plan to ensure alignment with sustainability goals and "Living the Change" ambition. Each year an action plan for employee-related activities is prepared, and responsibilities are assigned to the relevant individuals and departments.

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Actions in 2024

Key actions conducted in 2024 to address employee-related impacts	
Policy updates	Key policies and directives have been revised, including the Whistleblower Policy, Code of Business Conduct, and Human Rights Policy.
Employee trainings	A comprehensive training program has been conducted on topics such as Sustainability, Human Rights, and Leadership (such as Leading Yourself and Others), Conflict Management, Active Listening and Change Management to enhance workforce awareness and skills. Most of them were online training courses that gave employees a possibility to interact and share their knowledge and skills. An e-learning platform has been used for sustainability training.
Work environment monitoring	Duni Group Employee Engagement platform has been implemented in the organization to gain insights into the work environment and improve employee well-being.
Reward and recognition	A comprehensive plan has been developed for salary equity, gender pay gap and remuneration transparency to be in line with the new EU Pay Transparency Directive.
Diversity, equity and inclusion	DEI (Diversity, Equity, and Inclusion) training has been conducted specifically for leaders to foster an inclusive work culture and address potential impacts related to employee diversity and cohesion.
Health & Safety	Annual evacuations drills are conducted. Evaluation of implementing the ISO standard for Health & Safety (ISO45001) in the company's converting operations and paper mill. Smeta audits of four converting sites have been conducted.
Employee onboarding	Global Onboarding process has been initiated as a key tool to ensure that each newcomer has a smooth, structured and standardized onboarding experience.
HCM software	Human capital management software (DuniBase) has been implemented throughout the organization as an important enabler for competence development, performance management and DEI activities.

The actions target all employees, including temporary, agency, trainee, and full-time workers. Each business site is responsible for promoting workforce environment initiatives related to health & safety, diversity, equity & Inclusion (DEI), and employee well-being. "Leading Yourself" training is offered to all employees, while leadership skills and change management trainings are addressed to leaders at different levels to strengthen management capabilities across the organization.

Planned actions

Duni Group's long-term ambition is to be a value-based and purpose-driven organization, known for strong culture and high motivation, with strong and flexible collaboration capabilities to work both in permanent and cross-functional teams focused on sustainability goals and customer needs. To achieve this, mid-term targets and action plans have been developed for realization of the ambition within the next two years:

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Area	Planned Activities
Leadership development	Continuous leadership training program Sustainable leadership program including DEI Mentorship program Inner Development Goals program
Competence improvement	Updated performance development process in DuniBase Upskilling program in Commercial team Standardized global onboarding process
Organizational excellence	Encourage matrix and cross-functional work Implement global travel management system Improve the process and set targets for living wages Promote well-being at work Continuous People Meeting process
Health & safety in manufacturing	Conclude the implementation of the common incidents and accidents reporting system Certify more manufacturing sites according to the ISO standard for health and safety (ISO45001).

The aim of the above activities is to meet Duni Group's aspiration to

- Believe in employees and let them grow
- Have the right competence in the right place
- Have a strong performance development culture
- Lead from situational approach and a growth mindset
- Reward behaviors that lead to the higher purpose as a sustainable value-driven company

Metrics and targets

S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Duni Group has established clear, measurable targets to track progress in managing employee-related impacts, risks and opportunities to reinforce the company's strategic commitment to fostering employee engagement, inclusion, and sustainability. There are four overall targets and several specific targets addressing particular sustainability matters. The targets include:

- **Leadership** – strength of leadership at all levels of the organization perceived by employees,
- **Engagement** – level of employee commitment to achieve the company's goals,
- **Net Promoter Score (eNPS)** - a global index that measures employees' willingness to be ambassadors for the company and recommends it as an employer.

The following targets are used for managing Diversity, Equity and Inclusion (DEI):

- **Inclusion index** – level of inclusiveness of the work environment perceived by employees in several aspects such as fair treatment and decision making, integrating differences, cultivating diversity, psychological safety, trust and sense of belonging,
- **Percentage of female managers** - with the aim to have a balanced gender distribution of managers throughout the Duni Group at all levels including top management,
- **Percentage of managers trained in DEI** – through a dedicated internal training,
- **Percentage of employees who participated in DEI activity** – such as workshops, trainings, lectures, monitoring and similar.

Moreover, the company has specific targets to measure sustainability awareness throughout the organization:

- **Sustainability awareness** – employee awareness of Duni Group's sustainability goals and efforts,
- **Sustainability competence** - percentage of employees who completed an e-learning on Code of Business Conduct.

Duni Group actively tracks the effectiveness of its policies and actions using a combination of quantitative and qualitative measures. Key methods include:

- **Duni Group Employee Engagement Platform:** Tracks real-time employee sentiment through regular surveys and provides data on leadership, inclusion, engagement, ENPS index and sustainability awareness, supported by AI technology. Survey results are expressed on a scale from 1 to 10, except for the ENPS index that is presented on a scale from –100 to +100. For more information about Duni Group Employee Engagement Surveys, please refer to disclosure S1-2.
- **KPI Monitoring:** Performance against defined targets is reviewed monthly to ensure alignment with organizational goals.
- **Policy Impact Reviews:** Annual assessments are conducted to evaluate the effectiveness of policies such as the Diversity, Equity & Inclusion Directive and the Human Rights Policy.

Target are set annually, and the progress is monitored on a monthly, bi-annual or annual basis. Duni Group Employee Engagement performance reports are easy to use for managers and team leaders at all levels, enabling them to address concerns and sentiments as soon as they arise and incorporate them in daily actions.

The table on page 71 shows the performance against targets and information about tracking methodology.

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Target name	Actual 2024	Actual 2023	Goal 2024	Goal 2026	Tracking methodology
Leadership	8.0	7.9	8.1	8.5	Monthly surveys with 22 selected questions out of the library of over 60 questions on leadership and engagement. Monthly review of results.
Engagement	7.7	7.6	7.9	8.5	Monthly surveys with 22 selected questions out of the library of over 60 questions on leadership and engagement. Monthly review of results.
eNPS index	18	n/a	16	20	Measured monthly based on the employees' response to the question on how likely they are to recommend working at Duni Group. Monthly review of results.
Inclusion	7.3	7.3	7.5	7.6	Bi-annual inclusion survey including 7 questions. Review of results every 6 months.
% female managers	35%	34%	n/a	40%	Statistics from the HCM system (DuniBase), reviewed annually.
% managers trained in DEI	20%	20%	20%	75%	Training participation statistics, summarized annually.
% employees in DEI activities	20%	20%	n/a	75%	Statistics gathered by the People & Culture team, summarized annually.
Sustainability awareness	7.4	n/a	7.9	8.1	Bi-annual sustainability survey including 6 questions. Review of results every 6 months.
Sustainability competence	41%	45%	n/a	100%	Statistics from the LMS system (DuniBase), reviewed annually.

20% of the managers have been trained in DEI and it is a continued area of focus for the company. Achieving the interim target of 75% by 2026 is critical for maintaining progress toward the ultimate goal of having 100% of managers trained in DEI by 2028. To meet these milestones, the company recognizes the importance of implementing a more structured approach, formalizing the monitoring process, and taking stronger action to encourage manager participation.

In 2024, the targets for Leadership and Engagement were not fully achieved, although performance remained above the benchmark index. A late-year decline, following strong earlier performance, was likely driven by organizational changes and uncertainty.

To address this and sustain positive progress, ongoing efforts will focus on strengthening self-leadership, navigating change, and enhancing feedback and communication through dedicated training programs.

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S1-6 Characteristics of the undertaking's employees

Employees by gender

Employees by gender	Number of employees (head count)
Male	1,281
Female	1,262
Total head count at year- end	**2,543**

Employees by country

Employees by country	Number of employees (head count)
Australia	86
Germany	1,053
Netherlands	51
Poland	505
Sweden	366
Thailand	229
UK	53
Other countries	200
Total head count at year-end	**2,543**

Employees by contract type and gender

Employees by contract type	Female	Male	Total
Number of permanent employees	1,176	1,165	2,341
Number of temporary employees	64	103	167
Number of non-guaranteed hours employees	22	13	35
Total head count at year-end	**1,262**	**1,281**	**2,543**
Number of full-time employees	1,021	1,141	2,162
Number of part-time employees	241	140	381
Total head count at year-end	**1,262**	**1,281**	**2,543**

Employees by contract type and region

Employees by contract type	Europe EEA	Europe non-EEA	Asia-Pacific	Middle East / Africa	Total
Number of permanent employees	1,704	301	336	3	2,341
Number of temporary employees	136	28	3	0	167
Number of non-guaranteed hours employees	28	7	0	0	35
Total head count at year-end	**1,868**	**336**	**336**	**3**	**2,543**
Number of full-time employees	1,637	188	334	3	2,162
Number of part-time employees	231	148	2	0	381
Total head count at year-end	**1,868**	**336**	**336**	**3**	**2,543**

Employees turnover

Number of employees who left during the year	Employee turnover (%)
289	11%

Employee characteristics is based on actual data gathered in the company's HCM system and represents the headcount as at 31 December 2024 in accordance with the ESRS definition. The number of employees reported in other parts of the Annual and Sustainability Report amounts to 2,483 and refers to the number of full-time employees at the end of the year.

Employee turnover ratio is calculated by dividing the number of employees who left during the year by the number of employees at year-end.

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S1-8 Collective bargaining coverage and social dialogue

	Collective Bargaining Coverage	Collective Bargaining Coverage	Social dialogue
Coverage Rate	**Employees – EEA (for countries with >50 employees representing >10% total employees)**	**Employees – Non-EEA (estimate for regions with >50 employees representing >10% total employees)**	**Workplace representation (EEA only) (for countries with >50 emplpyees representing >10% total employees)**
0-19%	–	–	–
20-39%	–	–	–
40-59%	–	–	–
60-79%	–	–	–
80-100%	Sweden, Germany	–	Sweden, Germany, Poland

CSRD requires to report collective bargaining and social dialogue information only for companies with more than 50 employees representing at least 10% of total employees, therefore only Sweden, Germany and Poland are included in the above table.

The determination of working conditions and terms of employment for employees not covered by collective bargaining agreements varies depending on the specific entity. In entities where collective bargaining agreements are in place, the terms of such agreements may influence the employment conditions of employees not formally covered, ensuring consistency and alignment with established practices within that entity.

In entities without collective bargaining agreements, working conditions and employment terms are determined based on Duni Group's internal policies, industry standards, and applicable local labor laws. This ensures fairness and compliance while maintaining equitable and competitive employment conditions across all entities within the Duni Group.

Duni Group has collective bargaining agreements in place for certain entities in the EEA. These agreements vary by entity and are designed to align with local labor laws and the specific needs of the workforce. While some entities operate under a single agreement, others may have multiple collective bargaining agreements that cover different groups of employees. In some entities, collective agreements may cover both unionized and non-unionized employees, increasing the coverage rate.

Duni Group has agreements with the (main) trade unions to fulfil the requirements of EU Directive 2009/38/EC.

There are no collective bargaining agreements outside of the EEA.

911 employees (36%) are covered by formal workers' representation mechanisms. This includes representation through trade unions, works councils, or other legally recognized worker bodies.

For 1,472 employees (58%) working conditions and terms of employment are directly governed or influenced by collective bargaining agreements.

The difference between workers' representation (36%) and collective bargaining coverage (58%) indicates that not all employees represented by collective agreements are formally part of a workers' representation structure.

Workers' representation includes employees formally covered by trade unions, works councils, or other recognized bodies, while collective bargaining agreements account for employees whose terms are governed by these agreements. Definitions of workers' representation vary between countries depending on local legislation and practice.

Workers' representation and collective agreement coverage rates are generally higher in the EEA than in other regions due to established legal frameworks and regional labor standards. There are non-documented or informal representation structures in some regions not included in the data reported.

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S1-9 Diversity metrics

Top management by gender and age

Board of Directors	Male	Female	Total head count at year-end
Age under 30 years	–	–	–
Age 30-50 years	1	1	2
Age over 50 years	3	3	6
Total	4	4	8
Distribution (%)	50%	50%	100%

Duni Group Management	Male	Female	Total head count at year-end
Age under 30 years	–	–	–
Age 30-50 years	3	–	3
Age over 50 years	3	1	4
Total	6	1	7
Distribution (%)	86%	14%	100%

Top management is defined as the Board of Directors, and executive management consisting of the CEO and his direct reports who are members of the Duni Group Management. From 2025 the Duni Group Management consists of two females and five males.

Distribution of employees by age

Age under 30 years	Age 30-50 years	Age over 50 years	Total head count at year-end
434	1,205	909	2,543
17%	47%	36%	100%

Employee diversity distribution is based on actual data gathered in the company's HCM system and represents the headcount as of 31 December 2024, in accordance with the ESRS definition. The number of employees reported in other parts of the Annual and Sustainability report is 2,483 and refers to the amount of full-time employees at years-end.

S1-10 Adequate wages

All employees in Duni Group are paid adequate wages in line with applicable regulations and benchmarks.

Adequate wage information has been verified based on payroll data from all Duni Group companies, comprising basic wage plus any fixed additional payments that are guaranteed to all employees. The lowest wage for each entity has been compared against the relevant adequate wage benchmark:

- Companies in EEA: Minimum wage or collective agreement levels, as defined by Directive (EU) 2022/2041.
- Companies outside EEA: Wage levels established by legislation, collective agreements, or international norms (e.g., living wage benchmark).

S1-13 Training and skills development metrics

Employees that participated in performance and career development reviews

Employees that participated in regular performance and career development reviews (%)	Female	Male	Total
Blue collar employees	25%	22%	23%
White collar employees	64%	70%	67%
Total employees	47%	41%	44%

Average training hours per employee

Average training hours per employee	Female	Male	Total
Blue collar employees	7	9	8
White collar employees	13	14	13
Total employees	10	11	10

Regular performance and career development reviews are structured discussions between employees and their managers, focusing on performance assessment, goal setting, and career development planning. The number of employees who completed formal performance and career development reviews during the reporting period is tracked by the People & Culture Team. It includes employees who have completed at least one formal performance or career development review during the reporting period.

White collar employees had a much higher participation rate than blue collar employees.

Average training hours are calculated by dividing total recorded training hours by the number of employees in each category.

The practices for conducting reviews and reporting training hours may differ across regions or entities, and the collection of comprehensive data can be challenging.

Actual data has been gathered for companies representing 82% of employees. It is assumed that all eligible employees within each category have access to and are offered performance reviews and training opportunities.

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S1-14 Health & safety metrics

Duni Group defines an accident as an injury which leads to an employee not being able to finish their working day. All figures in the table below are for Duni Group employees. Data for non-employees and other value chain workers are not included except for fatalities, of which there were none in 2024.

Health & safety metrics	2024
Percentage of own workers in headcount who are covered by the company's health and safety management system based on legal requirements and/or recognized standards or guidelines	100%
Percentage of own workers who are covered by a health and safety management system which is based on legal requirements and/or recognized standards or guidelines and which has been internally audited and/or audited or certified by an external party	14%
Number of fatalities as a result of work-related injuries and work-related ill health	0
Number of recordable work-related accidents (excluding fatalities)	60
Rate of recordable work-related accidents*	15.84
Number of cases of recordable work-related ill health	0
Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	729

* The rate of recordable work-related accidents has been calculated according to ESRS, by dividing the number of registered cases with the total number of hours worked multiplied by 1,000,000.

To calculate the rate of recordable work-related accidents, data on total hours worked has been collected in three different ways depending on the availability of data at the subsidiaries. Most production sites utilize electronic time management systems, while for other sites payroll data or estimations based on days worked during 2024 have been used. When estimating the number of hours worked, assumptions such as annual leave and sick days have been considered.

There were no recorded cases of ill-health or fatalities in 2024.

Currently, only the converting factory in Poznan is ISO45001 certified. Other manufacturing sites have health and safety management systems that are reviewed internally and as part of other external audits, such as Smeta, FSC, ISO9001 and ISO14001 audits. This does not include any regulatory inspections that may be carried out at the manufacturing sites.

S1-15 Work-life balance metrics

Family-related leave metrics	Male	Female	Total
Number of employees entitled to take family-related leave	1,281	1,262	2,543
Percentage of employees entitled to take family-related leave	100%	100%	100%
Number of entitled employees who took family-related leave	64	104	168
Percentage of entitled employees who took family-related leave	5%	8%	7%
Number of employees who returned from parental leave	28	25	53
Retention rate after one year (%)	68%	37%	52%

The data collection and analysis for family-related leave metrics were based on the company's records. The number of employees entitled to take family-related leave was assumed to include all employees. Family-related leave reported above consists primarily of parental leave, while carer's leave is only a small proportion and has been reported for companies where there are systems in place to differentiate it from the sick leave or other types of employee absences.

Some entities did not provide data, and in these cases, it was assumed that no employees within these entities took family-related or parental leave during the reporting period.

The retention rate after one year was calculated as the percentage of employees who remained with the company 12 months after returning from parental leave.

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S1-16 Remuneration metrics (pay gap and total remuneration)

Gender pay gap 2024

Average gross hourly earnings, basic salary, SEK Male	Average gross hourly earnings, basic salary, SEK Female	Aggregated gender pay gap
279	230	18%

Gender pay gap is the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees. The basic salary used to calculate this ratio reflects ordinary guaranteed short-term remuneration.

Annual total remuneration ratio

Annual total compensation of the highest paid individual, TSEK	Median annual total compensation for all employees, TSEK	Aggregated total remuneration ratio
7,330	485	15

Annual total remuneration ratio is calculated according to ESRS definition - as the ratio of the highest paid individual's total annual compensation to the median annual total remuneration for all employees (excluding the highest-paid individual). Total annual compensation includes base salary, benefits in cash and in kind as well as the fair value of long term incentives.

Both above metrics have been calculated based on data for 2,348 employees, covering 92% of employees, from the following countries: Australia, Germany, Poland, Slovenia, Sweden, Thailand, Austria, Switzerland, Denmark, Finland, the UK, Hong Kong, Norway, New Zealand and the Netherlands. The data is adjusted for purchasing power differences between countries. This was calculated based on The World Bank Certified online tool pppcalculator.pro.

S1-17 Incidents, complaints and severe human rights impacts

Three (3) complaints were raised using the whistleblowing system, Trumpet. One (1) complaint was identified as being a qualified case where appropriate actions were taken, and the two (2) unqualified cases related to health & safety were handed over to the relevant People & Culture department for further review and actions. More information about the definition of what is a qualified whistleblowing case can be found in the Whistleblowing Policy.

Work-related grievances, incidents and complaints

Work related grievance, incidents and complaints	2024
Total number of incidents of discrimination, including harassment	7
Number of complaints filed through channels for own workers to raise concerns (including grievance mechanisms):	1
Number of complaints filed through channels for own workers to raise concerns (including grievance mechanisms) to the National Contact Points for OECD Multinational Enterprises:	0
Total amount of fines, penalties, and compensation for damages as a result of incidents and complaints	0
Number of incidents of discrimination/harassment under review	1
Number of remediation plans being implemented	2
Number of remediation plans that have been implemented, with results reviewed through routine internal management review processes	5
Number of incidents no longer subject to action	5

Two questions are asked in the employee engagement tool concerning feeling free from harassment, discrimination and bullying. The employee engagement tool is used throughout Duni Group except for the following entities: Paper + Design blue collar workers, Duni Thailand, Seti and BioPak Group. For these subsidiaries, other forms of reporting mechanisms are in place.

For all negative responses in the employee engagement tool, an escalation process is triggered whereby the People & Culture department reaches out to the employee for additional information. At this stage in the process, the employee is still anonymous.

Seven cases have been reported during 2024. All cases have been addressed by the local People & Culture department and corrective actions, such as for example trainings, have been implemented to ensure non-repetition of inappropriate behavior.

Severe human rights impacts and incidents

Duni Group offers several ways for workers to raise concerns in their work environment. Employees can either contact their managers, the local People & Culture manager, workers' council, workers' union or by using the employee engagement tool or the Duni Group whistleblowing channel, Trumpet.

There have been no reported severe human rights incidents connected to the company's workforce in 2024. Severe human rights incidents refer to child labor, forced labor and/or lawsuits concerning human rights violations.

Social audits following the Sedex methodology, Smeta, have been conducted at all converting factories apart from the converting factory in Slovenia (acquired in September 2024) and New Zealand (closed in September 2024). No cases of child or forced labor were identified during these audits and no fines, penalties or damages have been paid in connection with such incidents.

Appendix 7: Use of Artificial Intelligence

Artificial intelligence tools, such as ChatGPT, were used as a supporting tool during the writing process of this report. The tool was used to a limited extent where it supported language editing, improving language quality and structuring sentences in a more academic manner. The AI was also occasionally used to shorten parts of the text when adjustments were needed to meet the page limitations, while keeping the original meaning. The use of AI was restricted to language related support and did not replace the author's own work. All content in the thesis was written by the authors themselves. All ideas, analyses, interpretations, and conclusions were developed independently and critically reviewed by the authors.