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Revision of ESRS Set 1: Introduction of complex living wage estimates to calculate an adequate wage benchmark (ED ESRS S1-9)

Dear Patrick, dear Chiara,

On behalf of the Deutsches Rechnungslegungs Standards Committee (DRSC) I am writing to inform you about a specific issue which continues to raise significant concerns in our constituency, and which we, therefore, consider important for the success of the ESRS revision: the introduction of living wage estimates to calculate an adequate wage benchmark during the revision of ESRS S1 (ED ESRS S1-9 – Adequate wages).

The DRSC notes that in their [letter](#) of 27 March 2025 and in their [letter](#) of 1 July 2025, the European Commission has tasked EFRAG to take a number of points into account as far as possible; with a priority on ensuring that no new data points are added to the ESRS. In recent months and weeks, the DRSC has performed several outreaches with preparers and other stakeholders. In doing so, we noted that there is a strong emphasis on this aspect of data point reduction and simplification. We also note, that the work of the European Commission and EFRAG in this regard is under close scrutiny. In other words, the success of the ESRS revision significantly depends on preparers and other stakeholders acknowledging the simplifications while being in no doubt that the amended ESRS do not impose new or more stringent disclosure requirements.

The current general impression of the exposure drafts and the V0 of the amended ESRS is that there is an improvement towards a more principles based ESRS concept on the one side, but at the same time, the level of disaggregation and required level of detail rises and new concepts and new terminology seem to increase uncertainty and to result in the need for extensive discussions with auditors of the sustainability report about – possibly new – understanding of these concepts and terminology.

Contrary to the simplification requests of the European Commission the [exposure draft](#) of ESRS S1 introduced a very complex concept of living wage estimates as a new benchmark to assess whether or not an undertaking's employees are paid an adequate wage. We understand that the V0 still includes living wage estimates. Thus, new data points are added to the ESRS. Furthermore, the amended ESRS S1 refers to the ILO wage setting principles and the ILO principles on estimating a living wage which shall be applied to calculate an adequate

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wage benchmark. These are further new requirements. Neither the introduction of living wage estimates nor the mandatory consideration of ILO principles represents simplifications. Therefore, the amended ESRS S1-9 is perceived as going in a wrong direction, a direction that is not in line with the objectives of the European Commission's omnibus project which is to simplify and clarify the ESRS.

The vast majority of our constituents perceive these changes in the amended ESRS S1-9 as an increase in burden for preparers. We acknowledge that the living wage estimates and ILO principles that EFRAG introduced are the result of a bi-partisan agreement reached by the social partners at the ILO (see [Basis for Conclusions](#) of the exposure draft of ESRS S1). Nevertheless, the amendments are new requirements (see [Log of Amendments](#) of the exposure draft of ESRS S1). Therefore, we note that the inclusion of living wage estimates and the ILO principles in ED ESRS S1-9 are not in line with the objectives of the European Commission's omnibus project.

Calculating a (country-specific) living wage involves a great deal of effort in terms of data collection, also with regard to verifiability of the information for the auditor of the sustainability report. Therefore, if a country outside the EU does not have a wage level established through collective bargaining or a statutory minimum wage (that takes into account the ILO wage setting principles), it should not be required to use living wage estimates to calculate an adequate wage benchmark. Moreover, living wage estimates are complex to collect and, in practice, difficult to carry out without external service providers. Comparable data, provided by independent sources, such as the EU Commission, are not yet available. Another conclusion is therefore that the proposed disclosures will hardly meet the criteria for sustainability information, as they lack comparability and reliability.

If you would like to discuss this further, please do not hesitate to contact me.

Yours sincerely

Georg Lanfermann