



ANNUAL REPORT PLWF 2021

*The Importance of Long-term Investor
Engagement on Living Wage*

In Memoriam

The PLWF dedicates this report to Professor John G. Ruggie (1944-2021), founder of the UN Guiding Principles on Business and Human Rights. Without doubt, the 'Ruggie Principles' are the foundation of our platform. We want to express our deepest respect and gratitude for the man who has so profoundly affected our work and that of many others all over the world. John Ruggie has been a true inspiration for the business and human rights community and will continue to be so for the years and decades to come.



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Key Message from the Platform

The 2020 PLWF report presents the annual assessment of investee companies on living wage and finds that although over-all progress is slow, tangible progress has been made in some areas. Companies are broadening their definition of living wage and undertaking initiatives like the collection of wage data to assess their impact, which we consider best practice- highlighting the way forward for their peers. That said, the actual payment of living wages seems an elusive concept with the provision of remedy to workers rarely coming to fruition. The PLWF continues to engage with investee companies, and is growing its leverage. With 3 new members on board this year, we continued our dialogue about the importance of formally recognizing living wage and/or living income as a salient issue and how to effectively realise the payment of living wages in company direct operations and supply chain.

Key findings this year are:

Garment & Footwear sector:

- For companies that collect wage data to identify 'living wage gaps', work on living wage gets more tangible
- 3 from 33 companies moved into higher category of development
- over-all payment of living wages in the supply chain is not happening

Agricultural & Food sector

- Human rights policy improved, but living wage is not yet included
- Pilot projects remain scattered and limited in scale
- Companies should start measuring living (income) gaps
- Companies rely (too heavily) on certification bodies

Food Retail sector

- Living wage considerations for own employees are often in scope.
- Increasing regulation on due diligence has a positive effect
- Companies still lack clear strategy and KPI's on living wage
- Audit schemes and certification bodies should include living wage

The title of this report “The Importance of Long-term Investor Engagement on Living Wage” refers to the complexity of supply chains in the context of current purchasing practices and highlights the need for understanding the barriers to the payment of living wage. Long-term investor engagement on living wage thus seeks to engage on corporate responsibility for supply chains, accountability for actions taken or not taken, and equipping companies with knowledge and tools to enable change. We also aim to foster multi-stakeholder cooperation, including governments, to accelerate advancement towards the payment of living wages.

Preface

Dear readers, dear members, and supporters of the Platform Living Wage Financials (PLWF),

As supporters of the International Labour Organisation (ILO)'s Core Conventions and the OECD guidelines for multinational enterprises, financial institutions must support living wage as a fundamental human right. Companies paying living wages allows their employees to meet basic needs. We know that it does not hinder corporate performance and, in fact, improves employee satisfaction and productivity, ultimately leading to enhanced customer satisfaction. Additionally, a living wage spurs economic development at a macroeconomic level. With these benefits in mind, a living wage is undoubtedly a catalyst to achieving the UN Sustainable Development Goals.

Since the PLWF was initiated, we have seen some progress, and clearly growing attention to this topic. The coalition has gained recognition as a credible voice with corporations, other investors, and civil society actors in the space. Still, the subject of wages is often challenging to discuss with divided and contrarian opinions. This prompts the need for collective action to stimulate sector-wide progress. The economic fallout from the Covid-19 pandemic has highlighted the issue of rising inequalities. We must prevent further disparities. Further need for action by the corporate and financial community is here. We encourage further collaboration and accelerated action now.



Kristi Mitchem, CEO, BMO Global Asset Management –
Member of the PLWF Since 2020

1. Introduction & background platform

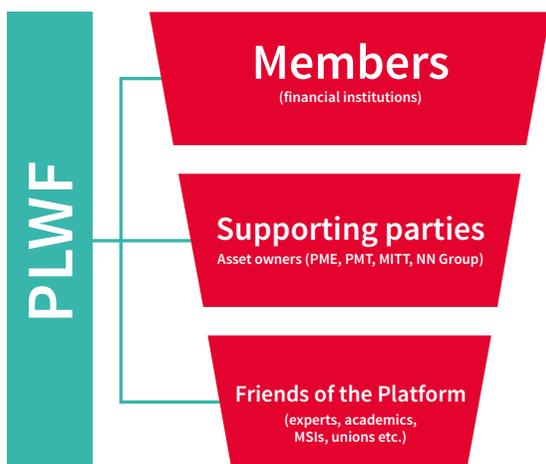
1.1 The Platform Living Wage Financials

The Platform Living Wage Financials (PLWF) is a coalition of 18 financial institutions that engage and encourage investee companies to address the non-payment of living wages and incomes in global supply chains. The PLWF focuses on the garment, footwear, agriculture, food and retail sectors. As an investor coalition with over €4.6 trillion of Assets Under Management and advice, the PLWF uses its influence and leverage to engage with their investee companies with regard to living wages and incomes in own operations and supply chains and thus contributing to social and economic resilience.

Since its formal launch three years ago, the PLWF expanded from 8 to 18 members. The coalition welcomed several international members and total Assets under Management more than quadrupled. Current members are:

ABN AMRO, Achmea Investment Management, Actiam, Aegon Asset Management, Amundi, AP2, APG, ASN Bank, a.s.r., BMO Global Asset Management, ING, Kempen Capital Management, MN, NN Investment Partners, PGGM, Store-brand, Robeco and Triodos Investment Management. The PLWF also has ‘Supporting parties’, asset owners affiliated with the PLWF members, and ‘Friends of the Platform’. Any organization or individuals involved with the topic of living wage/income may become a ‘Friend of the Platform’. The role of the Friends of the Platform is to inspire, challenge, inform, and provide feedback to the Platform. See Figure 1.

Figure 1. Working structure PLWF



1.2 Why living wages and living incomes?

Paying a living wage is instrumental in the battle against poverty reduction in the world. A living wage should cover the basic needs of workers and their families including living expenses such as food, clothing, housing, health care, and education, with enough left over for saving or some discretionary spending. However, in sectors that strongly depend on manual labour, such as garment, agriculture, food and retail, workers’ wages are often insufficient to cover basic living expenses. Wages in these sectors are often on or below the poverty line, even if there is a legal minimum wage and well-below national living wage estimates. As recognized by, among others, the International Labour Organisation (ILO) and the Organisation for Economic Co-operation and Development (OECD), living wage is a fundamental human right.

In this report, we mainly refer to the term ‘living wage’. This is accurate for the garment and footwear sector, where workers are hired by their employees and receive a salary. For the agriculture and food companies, however, we engage investee companies on the broader concept of ‘living income’ for

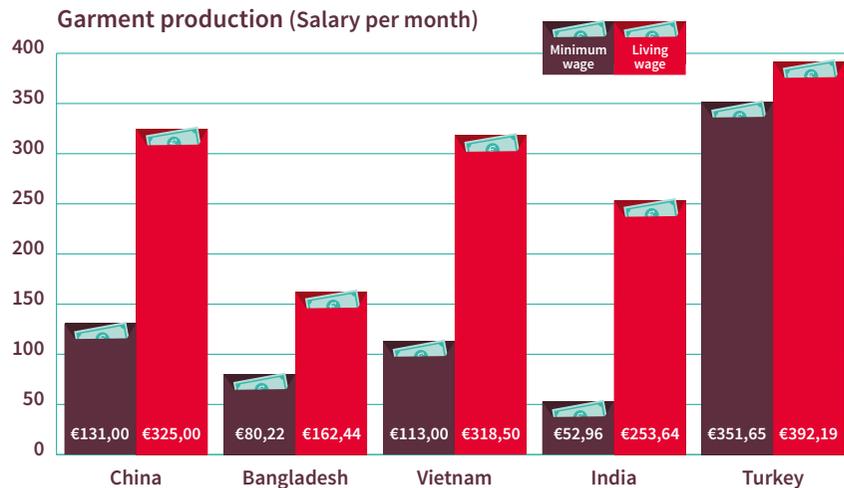
BEST PRACTICE: L. TEN CATE

A good example on how to start with living wage as a smaller company is L. ten Cate. As ten Cate stated on the PLWF website / Best practices: *ten Cate has an overview of all cost drivers of the prizes of their garments. Wages is one of them, and the company has created a step-by-step plan to improve the wages working towards living wages at all suppliers. This means that both ten Cate and supplier will find a way of how to adapt these extra costs and in the end, we are all here to create better circumstances for all parties.*

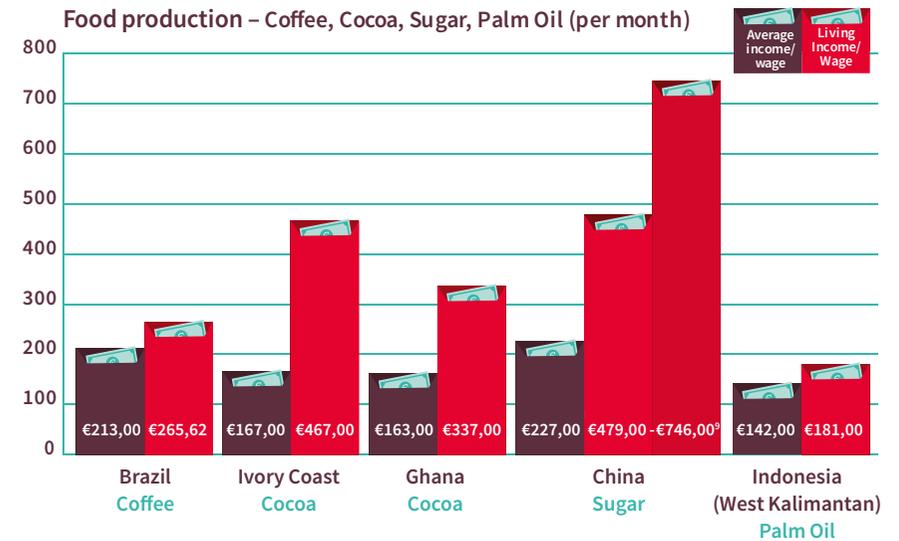
To read more about ten Cate’s Approach towards living wage
www.livingwage.nl

self-employed farmers. The food retail workstream focuses on both living wages and living incomes. For more information about the difference between these concepts, see [this infographic](#) by Friend of the Platform IDH.

At present, there are still large gaps between minimum wage and living wage in both the garment and footwear and the agriculture, food and retail sectors. Therefore, it is important that we keep pushing companies towards enabling living wages.



A full overview of all textile producing countries and the corresponding wage gaps can be found on the website of the [Sustainable Garments and Textile Agreement](#). The data in this overview comes from the [Wage Indicator database on living wage](#), which utilises the living wage methodology of Richard and Martha Anker ([Anker Methodology](#)). The numbers are converted from the country's currencies to Euro in August 2021.



For food production, we took a sample of different food types that are widely produced in the world combined with the countries that are large producers of these commodities. All living income/wage calculations are from different studies; however, all the numbers are calculated through the Anker Methodology.

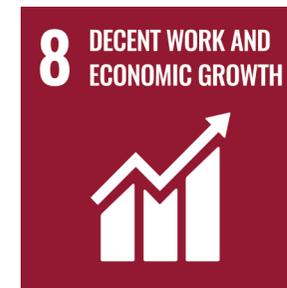
1.3 Meaningful Engagement

Meaningful engagement is a core pillar of the PLWF. We see meaningful engagement as a collaboration between companies and investors, we cannot expect individual companies to solve a systemic issue such as living wage on their own. Therefore, the PLWF engages with 33 listed garment and footwear brands, 12 food producing companies and 9 food retail companies and seeks to expand its reach in these sectors even further. By guiding and assessing companies on payment of living wages in their direct operations or supply chains and building a 'benchmark' to determine which companies have been leading on the issue and which need to do more, we aim to motivate the 'laggards' to follow their better-performing peers. Our engagement methodology provides insight into the payment of a living wages in the supply chains of our investee companies. It also helps these companies to become aware of the issues, and to obtain tools to aid the implementation a living wage. In the end this should lead to an increase in the payment of a living wage.

By engaging on living wage, we honor our commitment to the United Nations Guiding Principles (UNGPs) and OECD Guidelines for Multinational Enterprises, wherein financials are asked to act with due diligence and to identify and mitigate salient human rights risks. In doing so, we also aim to help reduce poverty and stimulate economic growth. We perceive the platform's engagement trajectory as a concrete contribution to advancing the United Nations Sustainable Development Goals, specifically Goals 1: 'No poverty'; and 8: 'Decent work and economic growth'.

In 2020 Lieke Alofs has conducted a reasearch on the salience of the work of the PLWF on investee companies. The responsive companies stated that PLWF plays an important role in increasing the awareness of investee companies about living wage issues and the interests of relevant stakeholders in the issue. There is no evidence yet to support that the work of PLWF has directly changed purchasing practices, however, the Platform is aware that taking up such a topic takes time, and real systemic change is a long-term objective. Therefore, the platform will keep pushing investee companies to make the necessary changes for payment of living wages in the supply chains.

From: Alofs, L. (2021). Talking About a Living Wage: Enhancing Shareholder Salience for the Implementation of a Living Wage (Master Thesis). Erasmus University Rotterdam.



Interview with Achmea IM and ASN Bank on the development of PLWF

How it started & what's next

With 18 financial institutions, 4 supporting parties, 14 friends and over 4.6 trillion assets under management, the Platform Living Wage Financials has come a long way since its foundation in 2018. All the way from a conference on human rights in Geneva where the idea was born. Co-founders Irina van der Sluijs and Arthur van Mansvelt were there from the start. How do they look back and what should be next?



*Irina van der Sluijs
Co-founder PLWF & Engagement manager at ASN Bank, currently NNIP Senior Responsible Investment specialist*

“Looking back, the PLWF gave the topic of a living wage the boost it deserved. We’ve grown from 2 billion euro to 4 trillion euro in assets under management in recent years, so we carry more weight. You can also tell by the stakeholders that are involved in PLWF meetings such as our Friends of the Platform. But also in our engagement talks, this evolved from mainly professionals in sustainability to buying managers and directors on c-level and in boardrooms. Today it’s even a term of condition to join us, a whole company needs to be dedicated. This is crucial, because providing a living wage requires for companies to take a deep dive into the subject and change core practices.”

“One of the challenges for example in the garment sector is that local governments keep wages low on purpose, to maintain their competitive advantage. So you need solid cooperation - sector wide - to set things in motion and to create sufficient leverage. It requires a tailor-made approach based on fundamental human rights and to take a step further than the standard risk analysis done by rating agencies. For example the PLWF subsequently asks questions like: how do you report, how do you mitigate, what will you do to make progression? You’ll find the answers to these questions in this report to a certain extent, as far as I’m concerned upcoming reports will get more and more specific.”

“But all the same, the difference we were aiming for is definitely taking off. Stakeholders now realize that meaningful engagement goes beyond drinking a cup of coffee together. It’s about holding each other responsible for running a business in a more humane way.”

“For that matter, till now we have been quite patient, so I think the PLWF has to think about

“Inclusive investment is a buzz word right now, let’s make it one for the long term”

means of escalation. We want companies to do their best and that they show that they are making progress. And if not, ask how will they change it. Look at what the movement of Follow This is doing for Shell, maybe we need something like this for the garment sector? The PLWF is thriving, right now it needs a push to make a living wage even more mainstream.”

“Looking forward I would say: awareness check, policy on paper check. Right now companies need to go to the core and this will hurt financially a bit, but government can help to create a level playing field so to keep a competitive advantage. Therefore, governments should set a baseline, so companies are being pushed into a more balanced business operation. Like Stella Mc Cartney put it very strongly in an interview recently in the FT: ‘Our industry has ducked below the moral standards for hundreds of years. We need to be regulated.’ I couldn’t agree more, and the financial sector definitely has a part in this. Inclusive investment is a buzz word right now, let’s make it one for the long term. Interfere and care about other people, the era of looking away is long over.”

Continued with Arthur van Mansvelt on page 12

2. Living Wage in the current context

The PLWF sees stakeholder dialogue as an important tool to understand developments on Living Wage and to see where the impact of the platform can be increased. Dialogue is regularly facilitated between the PLWF and Friends of The Platform to exchange views with different actors and collect intelligence on the topic. Below we summarize the main challenges and developments with regard to living wage versus previous years.

2.1 Convergence of living wage methodologies

One of the challenges to the implementation and payment of a living wage is a lack of one consistent global definition and approach. One of the biggest positive developments last year was a greater alignment between different

“At IDH, The Sustainable Trade Initiative, we work to secure living wages through the Roadmap on Living Wages and its implementation in key sectors. We work to strengthen international alignment and to build tangible solutions regarding living wage. Earning a living wage means workers receive sufficient wages to afford a decent standard of living for the worker and their family. Establishing consensus on how to access and measure living wage gaps for example will ensure credibility and sustainability of living wage efforts.”
Sonia Cordera, Deputy Director at IDH.

1 The PLWF has sent out a questionnaire to the Friends of the Platform to ask what developments they detected on Living Wage in the last year. The answers on these questions are used to describe this chapter.

organizations that currently provide living wage definitions and calculation methodologies. For example, there has been an effort between different schemes on living wage to align approaches through for example the **IDH Living Wage Roadmap** and many living wages pilots in different supply chains.

At an organisational level, the **Fair Labor Association (FLA)** requires its member companies to collect wage data from a representative sample of companies and then use the analysis to develop actionable fair compensation blueprints that can be used by companies to close the living wage gap¹.

Important tools, in the fight to achieve living wages, include policies to uphold freedom of association and promote the implementation of collective bargaining agreements. This provides workers with a better platform to protect their own labour rights. We recognize the work of **Act on Living Wages (ACT)** which has used its existing dialogue platforms to promote the need for freedom of association and dispute resolution mechanisms. This is done by providing practical tools and the infrastructure to protect workers, this had an additional advantage of helping to keep communication channels open during the pandemic. Separately, IDH has developed tools to measure living wage gaps in supply chains and had an important impact on the alignment of different living wage schemes.

Moreover, we are pleased to see that the UN Global Compact recently clarified corporate expectations on the Global Living Wage for its members. Additionally, in June of this year, the Business for Inclusive Growth (B4IG) Coalition pushed forward Living Wage as a corporate priority.

2.2 Living Wage and Covid-19

The impact of the Covid-19 pandemic has sidelined or slowed down further developments on payment of living wages. As global economic activity declined, workers were sent home due to healthcare restrictions or due to reduced demand for production orders, leaving them without jobs and little to no income or social security to provide for their family. The Covid-19 pandemic has shown that voluntary living wage protections have not worked

properly, and therefore, shifted the current discussion towards the need for a stronger legal framework that can address different social circumstances across supply chains.

In addition, Covid-19 made it clear that practices by brands to maintain strong supplier relationships not only help promote living wages within global supply chains but also helps to increase supplier resilience to systemic shocks such as Covid-19. Building resilient supply chains means prioritizing long term relationships with suppliers that are built on clear communication and fair purchasing practices. This will not only enable trust between brands and suppliers but demonstrates that worker welfare remains a priority.

The PLWF has taken several steps to promote awareness of these Covid-19 impacts to their investee companies. The PLWF has endorsed the [ILO call to action, to protect garment workers' rights and livelihoods](#). As a second step, the PLWF has sent out an investor expectation letter to brands in April and May of 2020 to outline the ILO call to action and make them aware of the actions the PLWF expects. These actions included:

- Paying manufacturers for finished goods and goods in production
- Maintaining effective and open lines of communication with supply chain partners about the status of business during the pandemic
- Direct financial support to factories when possible
- Promoting core ILO labor standards as well as a safe and healthy workplace
- Continuing to strengthen social protection system for workers globally.

As an additional step, the PLWF has included the Covid-19 actions that were stated by the ILO in the assessment methodology used to evaluate brand

performance. Where there is a lack of action by brands, the PLWF engaged on the topic in their annual engagement meetings with brands.

2.3 Legislation

We have previously emphasized our contentment with the developments around mandatory environmental and human rights due diligence (mEHRDD) legislation in the EU. This legislation is expected to include liability and enforcement mechanisms and access to remedy provisions for victims of corporate abuse. Though living wage will not be an explicit reporting element, accurate due diligence will naturally allow for it to be assessed as a salient risk. The expected EU mEHRDD legislation is part of a broader trend of legislative efforts to steer companies towards respecting and adhering to human rights, initially designed at the national level. Financial institutions, like ourselves, will soon have to comply with the EU Taxonomy which obliges them to perform due diligence and ESG analysis on their investment portfolios. In addition, the “do no significant harm” checks will need to be performed for all investments to comply with taxonomy objectives. We applaud these developments as they reflect commitments from governments and public bodies to protect human rights.

And while awaiting legislative breakthroughs, it must be made clear to brands, governments and all other stakeholders that there is no time to sit back and wait. If anything, the pandemic has shown us that workers further down the supply chain are still among the most vulnerable, particularly women and migrant workers. Their rights, if they had any, have proven to be easily dismissed. Legislation and multi-stakeholder agreements are crucial, but at the same time we encourage our investee companies to go the extra mile now, because workers cannot wait for legislation.

Interview with Achmea IM and ASN Bank on the development of PLWF

“When I met the colleagues from ASN Bank and MN on a conference on human rights in Geneva in 2016, the three of us worked in the field of human rights and responsible investing. At that time the S in ESG was still pretty much underestimated and overlooked. We decided to work together and raise awareness, which resulted in the start of The Platform Living Wage Financials early 2018 [red. at that time Arthur worked for Triodos Investment Management]. We choose this specific topic deliberately, to make the social aspect in ESG as tangible as possible.”



Arthur van Mansvelt
Co-founder PLWF
& Senior engagement
specialist at Achmea
Investment Management

“The platform has grown beyond our expectations and internationally more and more financial institutions are interested in joining. I think because we’ve past the phase of awareness, and now is the time to actually act and contribute to change. A great conversation starter on the topic of living wage - especially in the clothing sector - is the business-case. Large garment brands see that better pay for workers improves worker retention, reduces training costs and can improve product quality. But besides much talking, most brands still have to start paying up. It is therefore promising to see a couple of frontrunners that we engage,

now start to report on the pay gap, so benchmarks are published and bars are being raised.”

“What fascinates me personally is that it is still considered normal behavior to buy cheap stuff at the expense of others, even though we know better. I find this ethically both very interesting and very challenging. I believe the solution is to

“A great conversation starter on this topic is the business-case”

change current supply chains from within, both in the food and clothing sector. Right now, chains of production often have two perverse features. First, employees at the end of the chain are anonymous so we don’t see who is ‘paying the price’ so to say. Second, prices are simply too low so a lot of food and clothing is thrown away. So if we start paying the real ‘fair’ price for products this could decrease social injustice and environmental damage.”

“This doesn’t happen automatically though, it’s crucial to keep increasing the pressure on companies. We need the power of multiple stakeholders working together to collectively

change deeply rooted and deeply complex structures. I am pleased that investors increasingly see these social and environmental issues as a risk to long term value creation. And it is great to have the opportunity to work with likeminded investors and key stakeholders in our living wage platform. I hope the platform can expand further, because the more leverage the platform gains, the more impact we can make.”

3. Company assessments 2021

3.1 Measuring progress on living wages

The PLWF members annually review investee companies' performance on living wages against a robust living wage methodology. This is a core element of our meaningful engagement approach. Measuring and monitoring progress provides us with valuable insights into where companies stand on their journey to implementing living wages. We recognize that companies are unlikely to implement living wages in the short term. However, by guiding and encouraging them to implement adequate measures, we aim to positively impact wages across their supply chains. Based on our annual assessments, we also create a benchmark to determine which companies from the sector have been leading on the issue and which need to do more. In doing so, we aim to motivate 'laggards' and promote sector-wide change.

Since 2019, the PLWF has broadened its original focus on garment and footwear companies to engage companies from the agricultural, food and retail sectors. We understand that these sectors have their own challenges therefore, we have tailored methodologies for all three focus industries. Each methodology asks companies to act with due diligence and to identify and mitigate underpayment, while also considering sector-specific issues. What we ask from our investee companies evolves over time, as do our expectations of what best practices look like. We adjust our methodology accordingly. In 2021, we implemented several changes compared to last year:

- The Garment and Footwear Working Group's most significant update is based on one of the shortcomings identified from last year's assessment outcomes. We now require companies to show how they use their risk assessment to inform their responsible sourcing policies and purchasing practices.

OUR LIVING WAGE METHODOLOGY

The PLWF has developed a living wage methodology to assess and map company performance. We consulted industry experts and an independent accountancy firm during this process and aligned with the leading UNGPs to help ensure the quality and robustness of our methodology. The questions we use to rate our investee companies serve as a guide on what good performance looks like. In line with the UNGP Reporting Framework, it aims to set out a clear process for companies to follow in order to effectively address the issue of underpayment in their operations and supply chain². The assessment methodology can be found on the [PLWF Website](#). For 15 investee garment companies that have been assessed by ASN bank in cooperation with PLWF partners, an assurance process with accountancy firm Mazars has been followed – See [Appendix 1](#)

- The Agricultural and Food Working Group has made several changes in the methodology, including higher standards on what we expect from companies' human rights and living income policies, also in terms of board level responsibility. The PLWF asks companies to more clearly articulate how their efforts should lead to real impact.
- The Food Retail Working Group based its review on its first experiences with the assessment methodology in 2020. Compared to last year, they aimed to consolidate the methodology and bring more focus to key issues and reduce the number of questions. The methodology focuses on the different aspects of living wage at retailers, ranging from own employees, supply chains of private labels to other suppliers of products sold at retailers.

This chapter presents the outcomes of the 2021 company assessments. The PLWF reviewed a total of 54 companies this year: 33 companies from the garment and footwear sector, 12 agricultural and food companies, and 9 food retail companies.

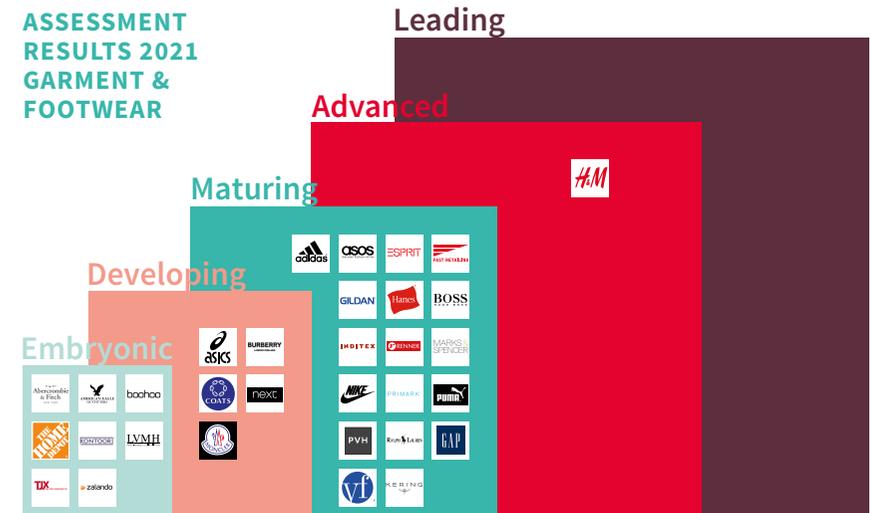
² <https://www.livingwage.nl/platform-living-wage-financials/living-wage-assessment-methodology-background-and-qa/>
<https://www.livingwage.nl/food-producers/>
<https://www.livingwage.nl/food-retail/>

3.2 Insights from the garment and footwear sector

The Garment and Footwear Working Group³ has assessed 33⁴ garment and footwear brands over the summer of 2021. Below the results and a high-level summary of the key findings of the 2021 living wage assessments are presented. The results are presented in the figure

KEY FINDINGS	WHAT IS NEEDED FOR 2022
<ul style="list-style-type: none"> Little progress on brands' disclosure of engagement with trade unions and multi-stakeholder initiatives (MSIs). 	<ul style="list-style-type: none"> Incorporating the views of Labor organizations and NGO's in policies and practices.
<ul style="list-style-type: none"> Brands have scored variedly on their approach to remedy. 	<ul style="list-style-type: none"> Companies must commit to close the gap between actual wages and living wage estimates, and let that be reflected in purchasing practices.
<ul style="list-style-type: none"> Where companies assess wage data and measure living wage gaps, progress towards results is becoming more tangible. 	<ul style="list-style-type: none"> Brands should embed the payment of living wages into their strategic priorities and set concrete targets to achieve this.
<ul style="list-style-type: none"> Companies disclosed Covid-19 statements, yet these actions do not replace structural improvements needed throughout the supply chain. 	<ul style="list-style-type: none"> There is a change of brands represented in our leader board.

ASSESSMENT RESULTS 2021 GARMENT & FOOTWEAR



Results

This year, we observed that of the companies we assessed, 20 are undertaking the collection of wage data, either as part of a pilot scheme or a broader commitment to assess the living wage gap across their operations. We view this as tangible progress because in order to fix a problem, one must first measure it. That said, overall, progress has been limited since last year's assessment cycle. Only eight of the thirty-two companies had a better score this year, of which six scored three or more points better. A total of 5 companies, PUMA, H&M, Hugo Boss, Ralph Lauren and VF Corp progressed to a higher category of development. Zooming in on living wage policy and definition, scores remain scattered. Some brands have scored zero points, while others have scored all five. Seven companies had no policy or statement on the issue, while twelve consider it a salient issue with some form of board oversight. The main elements missing are the acknowledgement of living wage as a salient issue and, a complete definition that includes the family- component of living

3 Working group members (as per August 2021): Achmea Investment Management, Actiam, Aegon Asset Management, Amundi, AP2, ASN Bank, BMO Global Asset Management (working group chair since August 2021), Kempen Capital Management, MN, Robeco (working group chair in the first half of 2021), Storebrand and Triodos Investment Management

4 We refrain from disclosing the score of one of the companies under engagement scope giving its limited exposure to the apparel sector. Textile products represent less than one fourth of its product portfolio.

wage. The PLWF wants to emphasize the importance of these elements. Acknowledging living wage as a salient concern means that a company prioritizes the issue which in turn affects policy-level interventions and internal company-wide commitment. The same goes for the inclusion of the family component, the definition determines the company's approach and should ideally including a target wage. The main findings for 2021 were:

- **Little progress on brands' disclosure on engagement with trade unions and multi-stakeholder initiatives (MSIs) is observed.** Collaboration with (local) trade unions, worker representatives as well as MSIs helps companies to expand their knowledge and formulate concrete solutions to problems down the chain. Companies are expected to present concrete evidence on the way stakeholder engagement feeds back into company-wide processes and responsible purchasing practices.
- **Assessing impact: Living wage gaps identified** Thanks to the development of various methods and tools to assess and compare wages paid to leading living wage benchmarks, we see more companies making these

analyses. We see these wage gap analyses as a significant step forward, as they clearly identify the problem and are instrumental in setting priorities, targets and measuring progress.

- **Brands have scored variedly on their approach to remedy.** The PLWF applaud companies that are transparent about the types of grievances they receive, specifically human rights and living wage

related complaints. An example of best practice in this area is **Adidas' public documentation** on the complaints issued, the solutions offered and the status of these grievances. Still, many brands do not enable grievances to be accessed by external parties and assessed independently by third parties. It cannot be stressed enough that external, independent grievance mechanisms are crucial for the confidentiality, anonymity, and safety of workers to install external complaints mechanisms. Furthermore, brands are encouraged to implement grievance mechanisms throughout their entire supply chain, instead of a select number of manufacturing operations, in order for all workers to use their right to complain and to receive remedy.

- **This year, possibly more than last year, the effect of Covid-19 on brands and their workers was reflected in company's public documentation.** The PLWF is highly appreciative of the fact that companies have made their Covid-19 response public, which has given insight into supply chain management in crisis times. There are however two critical points to be raised. First and foremost, workers have proven again to be most vulnerable and unprotected. Brands are expected to prioritize workers' health, safety and livelihoods even when control of the pandemic is gained again. Although Covid-19 statements provide meaningful information, these do not replace structural improvements needed throughout the supply chains.
- **Lastly, a change in the categorization of brands following our assessment is seen.** A first observation here is that an increasing number of brands are now considered 'maturing' in their effort toward the payment of a living wage. This is a very positive achievement that merits attention. It shows that the majority of companies are considering living wage as a salient issue. At the same time, even within the maturing category, there is a broad spectrum of achievement in terms of company performance against the assessment criteria. The second observation refers to the

BEST PRACTICE BY PUMA

PUMA successfully collaborated with a factory in Vietnam to increase wages for factory workers. In its report "Reaching Living Wage for Garment Workers", the FLA states that the use of data has led to positive impact. In three years, the factory, its workers and PUMA, through their collaboration, achieved closure of the living wage gap. PUMA continues to invest in the scalability of its fair compensation program and is actively using the FLA's Fair Compensation Dashboard to monitor wages on a regular basis and ensure progress towards a living wage.

<https://www.fairlabor.org/report/reaching-living-wage-garment-workers>

change in leadership in the analysis. This year H&M has been the only company included in the advanced category. This relates to the methodological update that requires companies to show the link between their risk assessments and the implementation of responsible purchasing practices.

What is needed for 2022

Due to the structure of our methodology, which is closely aligned with the UNGPs and focuses on corporate policies and processes, we saw limited impact from the effects of Covid-19 on brand policies and practices in the 2021 assessment results. The PLWF considers the valuable work of labor unions and non-governmental organizations when raising concerns about labor practices used by the brands under our engagement scope. This information is crucial to understand how companies manage their relationships with suppliers and remediate affected workers when needed. Yet this is only one piece of the puzzle, where the overarching goal is that companies implement structural processes to advance the payment of living wages across their supply chain.

While brands are laying out more comprehensive strategies on labor practices across their supply chain, there is still limited evidence of living wages being paid in sourcing countries. This is driven by the lack of accountability on how brands embed the payment of living wages into their strategic priorities. There needs to be a genuine corporate ambition to set a dot in the horizon. Companies must publicly commit to close the gap between actual wages and living wage estimates, this must then be supported by responsible purchasing practices and meaningful industry collaborations. Revising and updating the PLWFs assessment methodology annually is crucial to ensuring its robustness, to truly nudge companies to embed this accountability and showcase meaningful progress. Considering the important facts about

wage levels, both for a company’s human rights risk assessment and in our investor dialogue, we will further encourage companies to do living wage gap analyses as part of their human right’s due diligence.

3.3 Insights from the agricultural and food companies

The members of the Food, Agriculture and Retail Working Group⁵ assessed 12⁶ companies from the food and agricultural industry in 2021. The results are presented in the figure. The results are presented in the figure In this paragraph, the main findings are discussed, and the developments seen with the coffee and cocoa companies on the topic of living income are reflected on.

KEY FINDINGS	WHAT IS NEEDED FOR 2022
<ul style="list-style-type: none"> Companies’ human rights policies are maturing, but recognition of living incomes in formal policies must be better 	<ul style="list-style-type: none"> Companies should prioritize living income, firmly embed this in formal policies and show increased corporate commitment
<ul style="list-style-type: none"> Brands are yet to measure their living income gaps and set targets to close these 	<ul style="list-style-type: none"> Companies should start measuring living income gaps to identify where risks are greatest and publicly commit to closing these
<ul style="list-style-type: none"> Pilot projects remain scattered and limited in scale 	<ul style="list-style-type: none"> A company-wide approach underpinned by actionable targets for most impact is crucial
<ul style="list-style-type: none"> Companies rely (too heavily) on certification bodies 	

5 In 2021, this were Achmea Investment Management (working group chair in 2021), Amundi, a.s.r., BMO Global Asset Management, MN, NN Investment Partners, PGGM, Robeco, Storebrand and Triodos Investment Management

6 One company’s assessment results are excluded from this year’s overview as the engagement with this company has only started relatively recently.

**ASSESSMENT
RESULTS 2021
FOOD & AGRI**



The above figure shows that most companies are in the Developing or Maturing phase. This means that they recognize income deficit as a serious issue for coffee and cocoa farmers, but they generally lack mature policies and processes to effectively address this. This is in line with what we saw last year. Some main findings of this round of assessments are given below:

- Not all companies truly commit to living incomes.** While we see human rights policies maturing, formal living income policies and statements are often still lacking. Companies are sometimes committing to enabling ‘fair’ wages and incomes that would in practice not meet living income estimates and be insufficient for farmers to sustain their livelihoods. These companies are urged to recognize living income as a salient issue and embed this in their corporate policies. There are some positive developments, such as The Hershey Company publishing a living wage and living income position paper.

- Brands are yet to measure their living income gaps and set targets to close these.** To effectively address the issue of living income, a logical step following a policy commitment would be to set concrete targets around a living income benchmark (also see Unilever’s example in box page 18). However, the assessment results show that this remains a best practice that is rarely seen. In fact, most companies are yet to have a clear understanding of the living conditions of farmers in their supply chains. While companies increasingly put effort into mapping their supply chains and experimenting with blockchain technologies to improve traceability, few conduct on-the-ground research to collect household-level data including on incomes. Estimations of living income gaps are rare too, which would be partly due to the lack of publicly available benchmarks. We recognize that collecting household data is complex and resource intensive but do believe that this investment is crucial for companies to understand where living income pose the greatest risk and what is needed to support those who produce their commodities.
- Pilot projects continue to be scattered and limited in scale.** A third observation is that while each of the companies runs or finances at least one program to support farmers’ livelihoods, these initiatives remain scattered and limited in scale. Many companies provide support through pilot projects, but do not have structural company-wide projects in place. Just like last year, companies are encouraged to use their impact assessments to identify the key areas where support is needed, run pilots, collaborate with others, measure the impact of their work, and scale-up their efforts when successful.
- Relying on certification bodies:** Finally, this year’s assessment cycle showed that quite a few companies heavily rely on certification bodies for monitoring compliance with human rights standards and measuring impact of sustainability efforts. While the PLWF sees certification as an

important tool, companies should show more accountability and cannot fully delegate this to others.

What is needed for 2022

Living incomes are still aspirational in the supply chains of food and agricultural companies. As outlined above, the members of the Food, Agricultural and Retail Working Group expect and encourage investee companies to take responsibility and play their part in addressing this issue. Living wage and living income should be a priority to coffee and cocoa companies and true corporate commitments, company-wide action and target-setting is very important.

Just like last year, investee companies are asked to recognize living income as a salient issue and firmly embed this in their corporate policies. In addition, companies should identify risks of underpayment by collecting household data and take adequate action where it's most needed. A company-wide approach underpinned by concrete targets for most impact is crucial.

BEST PRACTICE BY UNILEVER

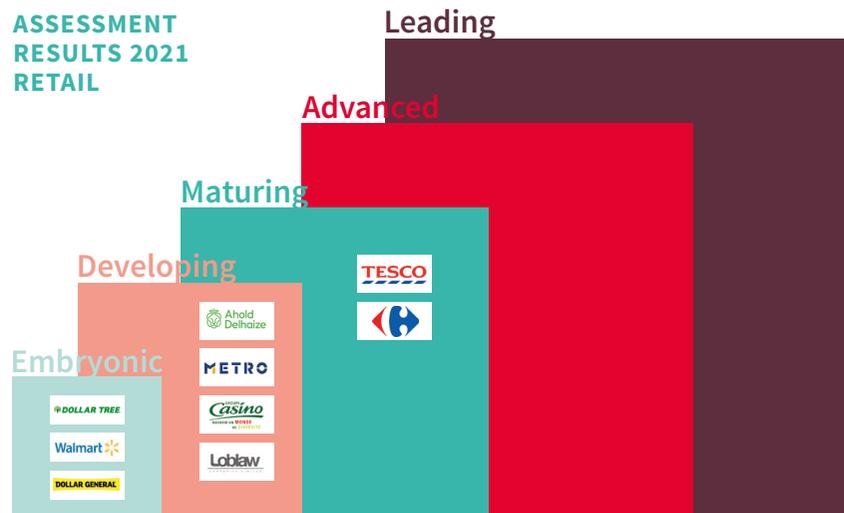
At the beginning of this year, Unilever committed to “ensuring that everyone who directly provides goods and services to Unilever earns at least a living wage or income, by 2030”.

Even though the company is still exploring what concrete efforts are needed to meet this target, the PLWF applauds this step. Company-wide commitments are rare but very much needed for creating large scale positive impact. And what gets measured, gets done. We encourage others to follow and set their dot on the horizon.

3.4 Insights from the food retail companies

The members of the Food, Agriculture and Retail Working Group also assessed 9 retail companies in 2021. The results are presented in the figure in this paragraph, the main findings and recommendations on how to give living wage a more mature place in corporate policies and practices are presented.

KEY FINDINGS	WHAT IS NEEDED FOR 2022
<ul style="list-style-type: none"> Living wage considerations for own employees are increasingly in scope 	<ul style="list-style-type: none"> Development of clear corporate living wage strategies and KPI's, with a clear link to executive remunerations
<ul style="list-style-type: none"> The increasing regulation on due diligence has a positive effect in several markets 	<ul style="list-style-type: none"> Companies should use their leverage towards audit schemes and certification bodies to incorporate living wage.
<ul style="list-style-type: none"> Companies often lack clear strategy and KPI's on living wage 	<ul style="list-style-type: none"> Companies should Initiate and scale up projects to address living wage in supply chains.
<ul style="list-style-type: none"> Retail companies should do more to incorporate living wage standards in audit schemes and certification bodies. 	
<ul style="list-style-type: none"> For some companies, Covid-19 has been a limiting factor in implementing living wage. 	



The figure above shows the results from 2021. An important change is that Loblaw is now in the developing category. Loblaw has made substantial progress regarding policy development, the commitment to fair wages, and enhanced disclosure. Also, Carrefour has made steps and is now in the maturing category together with Tesco. Some key findings of the 2021 assessments are given below

- **Income considerations for a company’s own employees are increasingly in scope, however, still only a limited number of retailers are starting to assess the gap between actual wages paid and living wage.** More companies have either done an assessment of the payment of living wages regarding their own employees or have stated that they will do so this year. Beyond assessing the gaps, we see that more companies consider, or aim to do so in the short term, paying a living wage to their own employees. However, several companies have not started to monitor

the gap between actual wages paid and living wages and have a blind spot regarding living wages for own employees in their policies.

- **The increasing regulation on due diligence has its impact in several markets.** New legislation in the European Union, such as Germany’s Supply Chain Due Diligence Act, the French “Loi de Vigilance and the Dutch IMVB-covenant, has created momentum for human capital concerns and incentivized companies to increase their efforts on monitoring and improving their own but also their suppliers’ operations. These new rules and regulations are playing a positive role to achieve progress on human rights in general, but also help the advancement of living wage and living income. The EU Social Taxonomy might further fuel this discussion by including living wage in its standards.
- **Companies often lack a clear strategy or KPIs on living wage.** A clear strategy or KPIs on living wage is often absent. Instead, companies focus on small scale pilot projects of which the lessons learned do not yet translate to other supply chains and procurement practices. Further, the lack of involvement of senior management can result in weak formal strategies and KPIs on living wage. To address the more systemic issues and to organize sufficient leverage within a company and its supply chains, involvement of the board and senior management is key. Logically, a link between a living wage strategy, KPIs and executive remuneration is an important building block to increase involvement of the board and the organization as a whole.
- **Retail companies could do more to raise the standard of audit schemes certification bodies to incorporate living wage and income.** Companies are hesitant to exercise their leverage to enhance legislation and data gathering. There are several examples where companies feel that they would encroach on another party’s area of responsibility by addressing their concerns on living wage regulation and documentation.

- **For some companies COVID-19 has been a limiting factor in the implementation of living wage policies and initiatives.** Some companies have made positive progress on living wage assessments in their supply chains, for instance by measuring the living wage gaps using the IDH salary matrix. On the other hand, there are examples where COVID-19 has halted the implementation of living wage policies, imposed restrictions have limited the progress in undertaking living wage assessments due to an inability to perform audits.

What is needed for 2022

The results of the 2022 living wage assessments will be integrated in PLWF's engagements with companies in our target sectors. Based on the observations as described, the following focus areas for our engagement going forward are identified:

- **Developing corporate living wage strategies and KPIs, with a clear link to executive remuneration.** The PLWF encourages companies to develop a living wage strategy and integrate KPIs into the long-term incentive plans of executives. An example of such a KPI would be the number of supply chains that are covered by a living wage program. There are examples where executive remuneration was linked to CSR by means of ESG indices or rankings. However, the PLWF considers this as insufficient and not doing justice to a) the specific role of retail companies regarding living wage

CARREFOUR

Carrefour has made the promising step to include living wage in its policy regarding group wide remuneration for over the 30 markets in which it is active. Incorporating living wages in remuneration policies of retailers is an important step forward. First of all, because retailers are large employers in countries worldwide and a significant group of these employees have relatively low wages. Secondly, because it enables retailers to legitimately engage with suppliers to enable living wages in salient supply chains. <https://www.carrefour.com/en/csr/commitment/act-people-remuneration-and-decent-wages-our-employees>

and b) the necessary oversight of the already ongoing steps and projects within their own organizations.

- **Using leverage of companies towards audit schemes, certification bodies to enable living wage implementation and data gathering.** At this moment, certification bodies and audit schemes do not sufficiently consider living wages and there is a lack of publicly available benchmark information. As a result, companies state that they face difficulties scaling up their living wage initiatives due to a lack of knowledge. Therefore, the PLWF encourage companies to use their leverage towards audit schemes and certification bodies to incorporate living wage and income. Such efforts will solve the significant data gaps on the payment of living wages.
- **Initiating and scaling up projects to address living wage in supply chains.** The PLWF asks investee companies to continue initiating, running, and supporting initiatives that aim to reach living wages. It is encouraged to explore possibilities for scaling up initiatives and using the lessons-learned in more supply chains. The PLWF advocates that retail companies take their responsibility and work jointly with key suppliers, instead of just strengthening their supplier code of conduct and therefore shifting the burden and challenges to other parts of the supply chain. We also wish to stress the importance of tracking impacts and advocate companies to measure the effectiveness of their programs.

LIVING WAGE AND SUGAR

PLWF is taking up the challenge to address living wage in more supply chains. Specifically for the agro, food and retail sectors PLWF is working closely with CNV Internationaal and Bonsucro to develop a roadmap for integrating living wage considerations in the sugar supply chain. A supply chain which is relevant for a wide number of production chains and touches the lives of a large number of workers in over 110 countries.

4. Real world impact and improvement points of the PLWF

4.1 The positive impact of engagement

Last year the PLWF conducted research among key stakeholders (Friends of the Platform) on the perceived impact the activities of the PLWF were creating. From the questionnaire sent out, the PLWF was very pleased to note that stakeholders who responded classified the impact of the PLWF as “very high” in terms of both keeping living wages on the corporate agenda and pushing for change. The PLWF is seen as a collective that provides corporate stakeholders with more leverage internally to improve purchasing practices and supporting dialogue between different actors within the industry. The surveyed stakeholders felt that due to the work of PLWF, there is a growing awareness among the civil society of the potential of investors to promote or create awareness and action within corporate management decision making on topics such as living wage. With help from the PLWF, civil society has better access to and knowledge of the financial sector which helps design their advocacy strategies in a more effective way.

Ultimately, living wages cannot be delivered by ESG or sourcing departments. Living wages will require innovation and leadership from C-suite executives and boards. PLWF plays an important role in ensuring that living wages are on the agendas of the people in corporations who can make them happen. And just as importantly, PLWF is helping to create a critical mass of shareholders willing to support innovation and leadership on living wages.
Martin Curley, Katalyst Initiative⁷

4.2 Points for further improvement

As the PLWF is growing and shaping its strategy, there is always room to learn and take on further challenges. One of the challenges that is mentioned in the survey focuses on the use of aligned tools to measure progress on living wages at assessed companies. For example, more emphasis on using living wage benchmark research would enhance the impact of the PLWF further as it would be easier to compare the results with other benchmarks and living wage schemes in the field. Another suggestion focuses on the growth of the PLWF. As the members focus on large international companies, their impact would increase if the PLWF would become a pan-European organization. A final, and interesting suggestion, aimed at the way the PLWF assesses improvement on living wage in company supply chains, is to “*challenge brands to develop more creative and complementary ways to achieve living wage.*” This has encouraged the PLWF to accept new and different approaches and stimulate brands that think outside of the box on Living Wage.

The PLWF is open to these suggestions. At the moment, the PLWF is developing a strategy to increase its leverage at companies even more by, for example, encouraging the use of escalation mechanisms such as votes against management, or the filing of shareholder proposals at investee company AGMs. Other suggestions will be taken into account when scoring methodologies are reviewed and will be discussed between members. The PLWF will further review how to best align its methods with the tools and material developed by some of the Friends of the PLWF.

⁷ www.katalystinitiative.org

4.3 Structural Challenges toward Living Wages

The PLWF and the Friends of the PLWF have identified some structural challenges that should be addressed by the joint efforts to achieve living wages for workers in different supply chains.

THERE IS A NEED TO EMBED SUSTAINABILITY INTO CORPORATE STRATEGY

- At present most companies do not fully acknowledge their role in achieving a living wage, do not have a clear roadmap on the topic and do not have clear KPIs which translate into executive compensation.
- Limited knowledge of human rights topics in buying and selling departments and lack of corresponding KPIs is a related obstacle as purchasing and CSR departments often are not integrated.

MORE ALIGNED LIVING WAGE METHODOLOGIES ARE NEEDED

- There is inconsistency in existing approaches to calculating living wages, and it is difficult to access accurate and reliable living wage estimates in certain countries or regions within countries (e.g. urban/rural areas) and sectors.

GREATER COLLABORATION AMONG (CIVIL) ORGANIZATIONS WORKING ON LIVING WAGES IS ESSENTIAL

- Furthermore, the (civil) organizations driving the change collaborate insufficiently. As such, organizations do not speak with one voice and have no clear unified strategy or position on, for example, who in the value chain should carry the responsibility and cost of paying living wages.

ENSURING PAYMENT OF LIVING WAGES TO THE WORKERS

- Increasing the margins of producers does not necessarily translate into increased wages for workers. Ensuring that the markup ends up in the pockets of the workers is complex and expensive.
- As brands source from a shared supplier bases, it is almost impossible for individual brands to sustainably improve wages, so brands sourcing from the same locations need to collaborate to ensure living wages at factory- and farm-level. The lack of a legal framework prevents a level playing field for brand and retailers, while governments and businesses may fear losing competitiveness in the global competition.
- There may be resistance from producers on perceived inappropriate interference within their business sphere as they are complying with legal standards. Further, inflation or micro-inflation because of wage increases may cancel out the wage gains of the workers.

5. Concluding remarks

The PLWF is positive about the results of this year's assessment cycle. Investee companies are moving into higher categories, despite the application of increasingly strict methodologies. However, many conclusions in the current report reflects last year's observations. Progress towards the implementation of living wages along supply chains is slow and underlines the importance of long-term engagement.

On a positive note, we have seen more companies, especially in the garment sector, beginning to assess wage data to identify gaps, with the help of tools from the Fair Labor Association, Fair Wear Foundation and other expert organizations. In the Food Agri and Retail sector companies are becoming increasingly aware of the need for transparency and have also stepped up in their commitment to living income.

For the garment and footwear sector, true accountability and publicly disclosed targets for closing living wage gaps, supported by responsible purchasing practices and meaningful industry collaborations are not prevalent. Evidence of real impact remains limited. The assessment results of the food and agricultural are in concordance with the previous year. For many companies in these sectors the focus remains on increasing corporate commitments to address the underpayment of workers in their direct operations and supply chains, along with measuring wages and incomes. For food retail companies clear progress is seen in addressing living wage for employees, however there is less progress in scaling-up projects focused on addressing living wage in global supply chains.

These findings overlap with some of the structural challenges identified by the PLWF and the Friends of the PLWF, as described in Chapter 4.3. Positively, there have been several best practices highlighted throughout the report.

Moving forward:

Looking ahead, we will focus our engagement efforts even more on the following points, encouraging companies to make their work on living wages more tangible, with data, targets and timelines.

1. Companies should understand living wage and/or living income as a salient human right issue and embed this in their corporate policies. In those policies special attention should be given to the recognition of workers families in the estimation of living wage and the need for discretionary income, as well as assigning accountability for living wages to the company's board.
2. Companies should increase transparency and traceability in their supply chains, so that they are able to identify key challenges to the implementation of living wages, to show that they are in control of their programs to pay living wages and can publicly prove the effectiveness of their efforts.
3. Companies should focus more on living wage gap data analysis. in order to assess living wage data to identify wage gaps, set targets and act to close the gaps.
4. Companies should also show how they cooperate with MSI's and labor unions in their living wage programs and scale up pilot projects on living

wages and achieve greater impact with the lessons learned from these projects.

5. Governments need to live up to their responsibility to protect and need to use legislation as a tool to create level playing fields and to support companies' efforts to implement living wages along supply chains.

In the coming years, the platform will continue to use its leverage to promote living wages by focusing on the identified priorities in terms of the understanding of the importance of living wages, greater transparency, as well as wage gap analyses in order to make improvements in these areas. Furthermore, with the help of old and new friends of the platform, the platform is keen to take a more holistic view, e.g. by looking into the (potential) role that regulators and legislation can play for the advancement of living wages, and by allowing for more bottom-up insights from suppliers so that various trajectories of change can be better understood and activated in engagement calls with brands, for instance, via unionizations, empowerment suppliers vis-à-vis brands, a more balanced approach to sharing financial risk, responsible purchasing practices and ring-fencing, long-standing commitments and relationship building. Overall, more collaboration is needed and as investors, we can see how to facilitate partnerships for the sustainable development goals.

Annex 1 Assurance for ASN Bank’s investee companies

At ASN Bank, garment companies have been assessed since 2017. The experts at accountancy firm Mazars have been supporting us by drafting the assessment methodology and by providing assurance to our work. The assessment methodology can be found [here](#). Each assessment took about 2 weeks to fully conclude. A four eyes principle was used, which means that each assessment was second read by different colleagues or by PLWF partners. Then the assurance process with Mazars started. Their team reviewed our evidence and scoring, and checked overall consistency of final ratings given. Investee companies had the opportunity to respond to requests for additional information and questions raised. After a few rounds of discussions, the assessment cycle was concluded and assurance was given after approval of the Board of De Volksbank, our mother company.



The results of the assured garment companies 2021 living wage assessments.