



## ANNUAL REPORT PLWF 2022

*The Urge to Improve*

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## Foreword

Dear reader, citizen of this world,

Long term sustainable investing is about a future-oriented vision on transitions. The path towards the payment of living wages in global supply chains is part of a transition that delivers quality of life for more people. These transitions happen in operational business and requires a rethinking at system level.

Within companies, sustainability experts need to be in decision-making roles and lead a company to making the right policy commitments and adequate operational decisions. At the system-level, it is important to recognize challenges in the set-up of global supply chains, characterized by power imbalances and the unequal distribution of risks – and how to overcome these.

As responsible investors, we have values, money and power to promote transitions, through our commitment to do the right thing, the investments we make and the voice we can use. Engaging with our investees and influencing the system to make progress towards the payment of living wages in particular, and decent work in more general terms, is an important duty for us on the journey to combat poverty and inequality.

*Hans Stegeman, Head of Investment Strategy, Triodos IM (Founding member of the PLWF in 2018)*

## Key Message of the Platform

The 2022<sup>1</sup> Platform Living Wage Financials (PLWF) report presents the annual assessments of investee companies on living wage and living income and finds that even though some companies made progress, the overall progress on the topic of living wage and living income remains slow.

There is less progress seen as is desirable, and in the aftermath of the Covid crisis and the struggles with rampant inflation, living wage and living income for Food, Agri, Retail and Garment companies must be a priority.

The PLWF continues to engage with investee companies and is growing its leverage. The platform once again welcomed two new members, while one member left. The engagement of the PLWF tries to increase its focus on what is really happening on the ground, in what way are companies really implementing living wages and living incomes. There is an increase in performed wage gap analysis, which is a great first step, however it is still lacking on effective implementation.

### Key findings this year are:

#### Garment & Footwear sector

- Policy commitments and operational understanding of living wages are becoming more robust
- Evidence on the impact of multi-stakeholder collaborations is limited
- 25% of brands fail to promote Freedom of Association in supply chains
- Urgent need for impact assessments and wage gap analysis
- Positive momentum towards the integration of assessment findings
- Companies have lost ground on effectiveness measures

#### Agricultural & Food

- Recognition of living income in formal policies must advance
- Well-informed action towards supply chain wide targets is needed
- Feedback from stakeholders is not integrated in processes
- Weak complaint and remediation mechanisms for human rights grievances

#### Food Retail sector

- Income considerations for a company's own employees are increasingly in scope
- Companies often lack a clear strategy or KPIs on living wage.
- Lack of integration of a living wage/income in purchasing practices
- Weak complaint and remediation mechanisms for human rights grievances

The title of last year's report "The importance of long-term investor engagement on living wage" is still relevant. The PLWF sees how important it is to keep pushing on living wage and living income, and it gets even more important with expected economic recession. This year, the PLWF focused on the effectiveness of strategy implementation; the platform is convinced that we are at an inflexion point, and are beginning to see the positive effects of the living wage and living income policies of the companies we assess. This is borne out in the conversations we've had with NGO's, research institutes and the increasing number of companies that have succeeded the in implementation of living and living incomes.

<sup>1</sup> The PLWF report 2022, reports over its findings from the assessments performed in 2022. However, these assessments are based on corporate reports of investees of 2021.

## 1. Introduction

The PLWF is a coalition of 19 financial institutions that engage and encourage investee companies to enable living wages and incomes in their global supply chains.

The PLWF focuses on living wages for contracted workers in the garment and footwear sector, and for retail companies' own employees. Self-employed workers, such as cocoa and coffee farmers, are not paid a wage but earn an income from one or multiple income generating activities. As an investor coalition, the PLWF represents a total of €6.5 trillion of AUM.

As of 2022, the PLWF consists of the following financial institutions: ABN AMRO, Achmea Investment Management, Actiam, Aegon Asset Management, Amundi, AP2, APG, ASN Bank, a.s.r., Columbia Threadneedle Investments, Ethos Foundation, ING, Kempen Capital Management, LGIM, MN, NN Investment Partners, PGGM, Storebrand, and Triodos Investment Management. While one earlier member decided to leave, the PLWF has welcomed two new members, Ethos Foundation and LGIM, both already very active in both working groups and a great support to the PLWF.

### Impacts on living wage and living income

In 2019, 630 million people lived below the poverty line, even though they make an income or earn wages. This represents 19 per cent of all people working globally. These workers do not earn enough money to lift themselves and their families out of extreme or moderate poverty<sup>2</sup>. Earning a living wage or income means that workers earn enough money to provide a decent standard of living for themselves and their family within a regular work week<sup>3</sup>. This includes for example housing, education, food, healthcare and some extra savings for crisis times.

The PLWF recognizes that earning a living wage or living income is a key driver to lift people out of poverty. That is why the members are working extensively on using their leverage to direct investee companies towards holistic wage and income strategies in their direct operations and supply chains.

### Increasing leverage

One of the biggest assets of working as a platform is that the members can increase their leverage on investee companies by acting in concert as shareholders. Every two months, a plenary session provides the opportunity to share updates and to discuss challenges. Updates may include discussing regulatory or market developments and challenges can consist of irresponsiveness of companies or evaluating company disclosure.

A core element of the PLWF's work is assessing companies on their performance on living wage and/or living income to inform and enhance company engagements. The outcomes of these assessments are reported in chapters 3 and 5.

### Collective action beyond the platform

The PLWF recognizes the work that still must be done on the topic of living wage and living income. Therefore, the platform welcomes initiatives that can help that journey.

Last year, two specific initiatives fitted the purpose of the PLWF. The first one is the letter to the EU on recognizing living wage and living income as a human right and including the topic specifically in the EU Directive on Corporate Due Diligence<sup>4</sup> that is currently being developed. The letter was initiated by Fairphone and we recognized the importance of the content

<sup>2</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_734479.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_734479.pdf)  
<sup>3</sup> <https://www.globallivingwage.org/about/anker-methodology/#:~:text=A%20living%20wage%20is%3A,and%20her%20or%20his%20family.>  
<sup>4</sup> [https://ec.europa.eu/info/publications/proposal-directive-corporate-sustainable-due-diligence-and-annex\\_en](https://ec.europa.eu/info/publications/proposal-directive-corporate-sustainable-due-diligence-and-annex_en)

*“Following some delay, on 23 February 2022 the Commission presented its proposal for a corporate sustainability due diligence directive (CSDDD). The proposal sets out obligations for companies[MdH1] regarding adverse impacts on ‘actual and potential’ human rights and the environment, with respect to their own operations, the operations of their subsidiaries, and the value chain operations carried out by entities with which the company has an established business relationship. The proposal also includes penalties and liability for violations of the obligations” - EU Briefing on Corporate sustainability due diligence, p.2.*

by signing it as the platform<sup>5</sup>. Furthermore, the PLWF participates in the Informal Expert Group (IEG) for the OECD’s project to develop a handbook on living incomes and wages<sup>6</sup>.

### Voting

In addition to their company engagements, the PLWF members are also able to exert influence through voting at AGMs.

The PLWF members have seen an increase in shareholder attention for social topics during AGMs over the last years. In 2022, there was a proposal on Living Wage this year concerning Sainsbury’s. A resolution that pushed for a living wage commitment to all the company’s workers, including contract workers such as store cleaners and security guards, was supported by almost a sixth of shareholders. Far too little to pass the resolution, but these minority votes still sent a strong message to the board, industry as a whole and may lead to subsequent change.

We will keep in contact with ShareAction<sup>7</sup> to discuss what voting activities related to living wages and living income will take place in the coming year.

### Input from stakeholders

To push investee companies on paying living wage and living income, advice from experts and our Friends of the Platform (FoPs)<sup>8</sup> is important. At the beginning of every year the FoPs provide the PLWF with useful feedback on topics to focus on in the coming assessment cycle. For 2022, focus was laid on less talking and more action. The investors’ engagement with companies on the provision of living wage and living income needs to reach the farmers and factory workers in the supply chains. Our investees’ supply chains are often long and complex, and in order to understand the effectiveness of our investees’ corporate action towards realizing living wages and incomes, stories from the ground are important testimonies to understand what works and what does not. In Chapter 4 the PLWF portrays smaller, integrated of companies and their “stories from the ground”. In addition to the ‘real stories’ on the ground, there were two topics highlighted by the FoPs that the PLWF recognizes to be important. The first one is transparency, translated into companies showing how they determine their wage gap in the supply chain through a living wage gap analysis. This is an important first step for investors to know that companies take the road to living wage and living income seriously.

Another topic that the PLWF highlights this year is the link between living wage and living income and other human rights. In Chapter 2 of this report, the PLWF assesses on the link between living wage and living income and gender, and evaluated whether adopting a gender-lens in its assessment methodology and engagement approach would be beneficial.

<sup>5</sup> <https://www.fairphone.com/wp-content/uploads/2022/05/Letter-Inclusion-Living-Wage-Income-in-EU-CSDDD.pdf>

<sup>6</sup> <https://mneguidelines.oecd.org/handbook-for-companies-to-enable-living-incomes-and-wages-in-global-supply-chains.pdf>

<sup>7</sup> <https://shareaction.org/>  
<sup>8</sup> The friends of the platform of the PLWF are: ACT, Amfori, Better Buying, Erasmus University, FairFood, Fair Labor Association, Fairtrade, Fair Wear Foundation, Fashion Revolution, Hivos, IDH, Katalyst Initiative, Living Wage Lab, Rainforest Alliance, Solidaridad, VBDO.

## 2. The link between Gender and Living wage and income

### Living wage and Gender equality

A living wage or income, or a fair wage or income, has been widely recognized as an economic empowerment tool for women. First, the aim of the implementation of living wages and living incomes is to alleviate poverty, as well as to ensure a decent quality of life for workers and their family. This is particularly beneficial for women, who account for a large share of low-paying jobs and are disproportionately affected by poverty. Second, with the concentration of women in low-earning jobs, increasing women's wage or income to a living wage or living income can narrow down the gender gap

#### WOMEN AND POVERTY

Despite the gradual progress towards gender equality over recent decades, at the current pace, it will still take an estimated 136.5 years to close the gender gap worldwide, and significantly longer to close the gap for women's opportunity and participation in the labor market overall (267.6 years)<sup>9</sup>. Consequently, women and girls are left in the most vulnerable positions under poverty. The Platform Living Wages Financials (PLWF) recognizes this issue but has not yet adopted a gender lens in its engagement approach with companies on their trajectories towards the payment of living wages/incomes. This article addresses the question of whether it should do so.

Taking a closer look at gender equality in two of the focus sectors of PLWF (Garment and footwear and Agri&Food sectors), we have found similar risks that women within these industries face, despite the difference in women's participation in the workforce.

caused by gender-based occupational segregation (also known as between-occupation wage/income gap). Third, a crucial part of living wage and living income programs globally is to push for transparency and clear responsibility in the supply chain, combined with stricter regulations regarding labour and human rights. This will provide more protection for women and drive brands and factories to adopt policies that are more in line with decent work standards.

Women's economic empowerment is essential to achieve gender equality, as it can also pave the way for social and political emancipation, with positive consequences for wider aspects of life, including both personal and collective pursuit. It should be noted that an increase in income for women to a living wage or living income alone cannot guarantee progress towards gender equality at work, as this has to be accompanied by other factors such as social protection, representation in leadership positions to accelerate women's voice, and effective implementation of law regarding violence against women and violation of human rights.

<sup>9</sup> WEF\_GGGR\_2021.pdf ([weforum.org](https://www.weforum.org)) World Economic Forum, Global Gender Gap Report 2021

### GARMENT SECTOR

Although women make up the majority of garment labour forces (more than 80%), gender inequality is still a pressing issue within the industry. A gender pay gap persists in the garment industry in Asia, as high as 41% in Pakistan, 33% in Sri Lanka and 22% in Bangladesh. This can be explained by women's concentration in lowest paid tasks and jobs (like weaving and sewing instead of cutting and management) that limit career growth opportunities. Informal employment still has a large share in Asia's garment and footwear industry, where temporary work and homebased work are very prevalent. Except for Vietnam and Sri Lanka, the majority of the garment workforce still fall under informal employment. Sexual harassment, as well as other forms of gender-based discrimination, is prevalent in the industry.

### FOOD & AGRI SECTOR

The ILO estimates that approximately 41% of agricultural workers worldwide are women, and for low-income economies, the statistics comes close to 50%. This number may be even higher in reality, as many women have an essential role in subsistence farming for their family and are often unremunerated and thus overlooked in statistics and policies. Across the world, and in low-income countries in particular, women have less access to resources than men do, both in terms of actual ownership and institutionalized ownership rights to agricultural assets like land (less than 20% of landowners are women), livestock to material, financials assets and infrastructure, as well as education and technical trainings. In addition, they also face a high risk of abuse, sexual harassment, and gender-based violence as the nature of their work often lacks oversight, is located remotely and requires working alone.

### The role of the PLWF

Advocacy for living wages and incomes and the broader concept of decent work already indirectly contribute to promoting women economic empowerment. While the PLWF is committed to this endeavor, the platform's methodology has so far not taken any gender-sensitive approach. The PLWF assessment methodology provides a comprehensive assessment on different aspects regarding living wages and incomes, ranging from policy commitment and engagement with stakeholders including trade unions, to impact assessments and the integration of findings and tracking performances, to remedy and grievance mechanisms and transparency overall. Taking a gender-sensitive approach in these criteria could mean, for example, that companies should have a gender policy as part of their living wages and incomes commitment, or by disaggregating data for gender and job roles when identifying wage and income gaps and tracking and evaluating the performance of their corporate actions.

While theoretically possible, the question is whether such changes in the PLWF methodology would be practical, applicable and enhance the effect and outcome towards the goal. Based on the PLWF's experience, internal discussions and expert interviews, the current conclusion is:

1. The definition of living wages/income will not differ when taking a gender lens. It is a family concept, as it aims at the household as a whole, not at separate individuals.
2. Efforts to implement living wages and incomes at this moment mostly focus on closing the living wage/income gap, not so much the gender wage/income gap. Only few studies have been done on equal pay for equal work close to the poverty line, and the progress towards the

payment of living wages/income is still too slow to lend itself to a more comprehensive strategy that integrates a gender lens.

*“The current stage of the living wage efforts is still too premature for having a gender lens at this point”- Tiffany Rogers – Fair Labor Association*

There is no question that brands should integrate a gender lens in policies and initiatives as part of their responsible purchasing practices, and also work with local partners to understand gender barriers in compensation systems. However, this is beyond the focus of the PWLF’s work towards living wages and living incomes.

*“You cannot reach gender equality for cocoa farmers only by increasing prices because there’s so much to it, for example, gender-based discrimination and violence or women’s lack of access to land ownership, which is rooted in gender stereotypes and would require a shift in behavior and thinking.” – Alien Huizing - Fair Trade*

For these reasons, the PLWF has chosen to maintain its focused effort on the progress on living wages and incomes with the established methodology, while overall encouraging its investees to tackle gender inequality in their supply chain. This being said, the link between living wage and income and other human and labor rights, including specific gender issues, should not be underestimated and remains part of working towards the common goal of living wages and incomes for all.

With special thanks to Anh Trinh and Triodos for their contribution to this chapter.

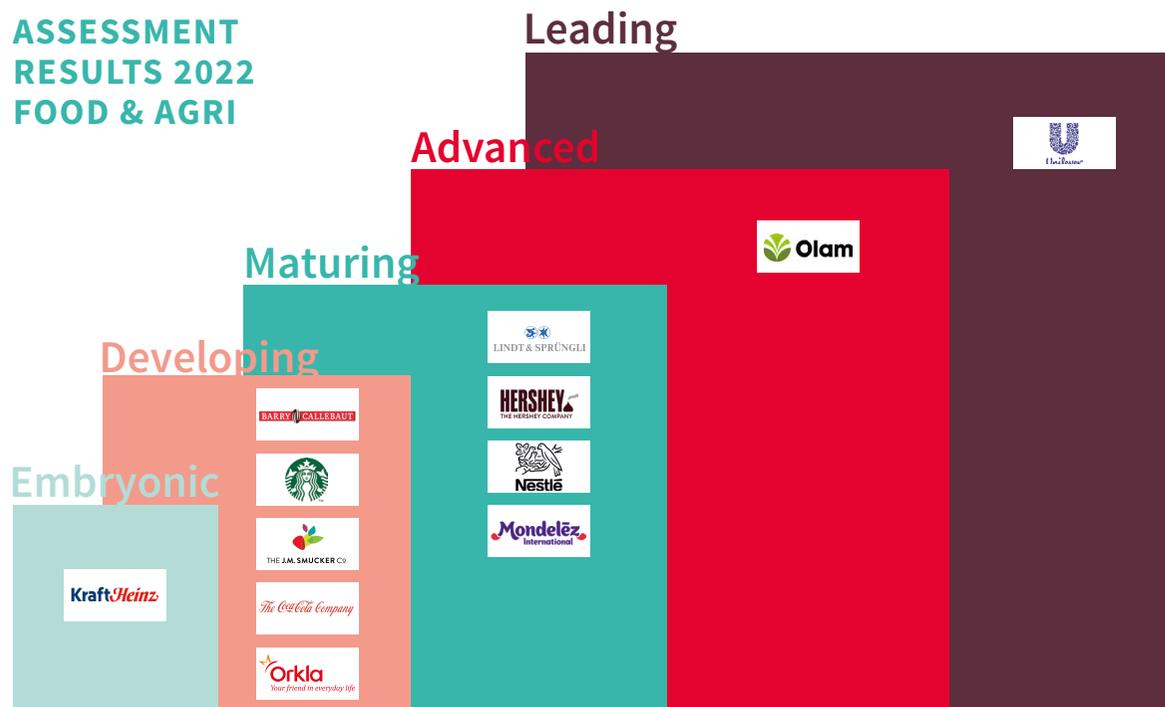


### 3. Assessment results Food & Agri and Food Retail

#### Insights from the agricultural and food companies

The members of the Food & Agri and Food Retail working groups<sup>10</sup> assessed 12 companies from the food and agricultural industry on their efforts to promote living incomes in 2022. The results, main findings and developments seen with the coffee and cocoa companies on the topic of living

#### ASSESSMENT RESULTS 2022 FOOD & AGRI



KEY FINDINGS	WHAT IS NEEDED FOR 2023
<ul style="list-style-type: none"> <li>Recognition of living income in formal policies must be better</li> </ul>	<ul style="list-style-type: none"> <li>Companies must take genuine responsibility on the topic of living income</li> </ul>
<ul style="list-style-type: none"> <li>Well-informed action towards supply chain wide targets is needed</li> </ul>	<ul style="list-style-type: none"> <li>Companies should take informed and targeted action focused on real world outcomes for farmers in their supply chains</li> </ul>
<ul style="list-style-type: none"> <li>Feedback from stakeholders is not integrated in processes</li> </ul>	<ul style="list-style-type: none"> <li>Companies need to move from just discussing the topic to actually acting on it by integrating in processes to achieve living incomes</li> </ul>
<ul style="list-style-type: none"> <li>Weak complaint and remediation mechanisms for human rights grievances</li> </ul>	<ul style="list-style-type: none"> <li>Companies need to open this mechanism to external stakeholders, such as farm level workers and track its use to ensure effectiveness</li> </ul>

income are reflected below. Overall, there is little progress seen in comparison to last year with only Olam and Unilever advancing to the next level. Most companies have shown less concrete action towards living income in 2022. Unilever continues to lead again this year and managed to climb from advanced category to the leading category, mainly by improving its score on how the company pursues long-term relationships with the supplying farmers, associations and cooperatives. Orkla has been added to our assessments this year and lands in the developing category mainly due to its recognition of living wage as a salient issue.

<sup>10</sup> In 2022, this were a.s.r. and Storebrand Asset Management (working group chairs in 2022), ABN AMRO, Achmea IM, Amundi, APG, LGIM, MN, NN Investment Partners, PGGM and Triodos Investment Management.

### Key findings:

- **Recognition of living income in formal policies must be better.** Like last year, the illustration above shows that most companies are in the developing or maturing phase. This means they recognize not being able to earn a decent income as a serious issue for coffee and cocoa farmers, but they do not always have mature policies and processes in place to effectively address this. Only few agri and food companies in the PLWF engagement pool have prioritized and formally embedded living income in their corporate policies. Some commit to enabling ‘fair’ incomes instead, but these would in practice not meet living income estimates and be insufficient for farmers to sustain their livelihoods. There have been some positive developments this year, such as Orkla’s recognition of living wage as a salient issue. Although this is a step in the right direction, the company still lacks effective processes to achieve living incomes in its supply chain.

#### BEST PRACTICE BY OLAM

Olam stands out as the leader amongst companies in the cocoa supply chain. Building upon its strong score from last year, the company fulfils all key aspects on the road towards farm-level living incomes in its cocoa business and therefore was upgraded to the Advanced category.

Olam has a clear target to achieve farm-level living incomes by 2030. This target is not only within less than a decade from today and therefore quite tangible, but also backed Olam’s clear, comprehensive, and recognized definition of living incomes, which are rightly calculated on a country-by-country basis and include crucial parts of household expenditures like food, health care, shelter, education, clothes, etc. Most importantly, Olam is undertaking concrete efforts to achieve its ambitious goals by 2030, including farmers’ income diversification projects, tracing and tracking of income developments by using the Olam & Farmers Information System (OFIS), educational efforts for future generations, and more. We encourage Olam to continue reporting annually on progress towards a living income and share its experiences in dialogues with other companies where applicable.

- **Well-informed action towards supply chain wide targets is needed.** Companies are urged to recognize living income as a salient issue and embed this in their corporate policies. To effectively address this issue, a logical next step would be to set concrete targets around a living income benchmark (For example, see Olam’s example in the box below). The assessment results show that these are best practices that are 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.
- **Engaging with stakeholders to benefit coffee and cocoa farmers in supply chains.** Most companies seek collaboration, for instance with NGOs specializing in living wages, Multi-Stakeholder Initiatives on this topic, or workers unions. This is a welcome first step to understand the issue. However, few actually engage with organizations representing farmers or other relevant stakeholders. In addition, it is not clear to what extent stakeholders’ feedback is integrated in the companies’ work or processes to measure living incomes.
- **Weak complaint and remediation mechanisms for human rights grievances.** On average, the companies from our engagement pool score

### NESTLÉ'S INCOME ACCELERATOR PROGRAM

After having completed a successful pilot, Nestlé launched its Income Accelerator Program earlier this year. Aiming to improve the livelihoods of cocoa farmers in the company's supply chain and closing the living income gap, this innovative program rewards cocoa farmers for good practices that benefit the community and the local environment. This includes sending their children to school, engaging in income diversifying activities, and adopting good agricultural practices such as pruning and agroforestry. These rewards, that are paid in cash, should incentivize cocoa farmers in Nestlé's supply chain to do the right thing and, in turn, contribute to closing the living income gap.

The PLWF applauds Nestlé's innovative approach to supporting smallholders and hopes the company will successfully manage and expand the program in the coming years, benefitting the livelihoods of many farmers and their families.

the least points on our remedy indicator. This is worrisome. Complaint and remediation mechanisms are a key tool for companies to manage and redress human rights grievances. Although all companies report having such mechanisms, these are often not accessible for external stakeholders, particularly farmers and farm-level workers, let alone being promoted. It is also unclear how effective these mechanisms are and to what extent human rights complaints have been received from them. To ensure effectiveness, companies should at a minimum, track complaints and report data on the origin, number and type of human rights related complaints received, as well as how these were handled.

### What is needed for 2023

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 income

should be a priority to coffee and cocoa companies and true corporate commitments, company-wide action and target-setting is very important. This is an even more critical issue as the world struggles with rampant inflation. Companies should periodically factor in inflation rates so that farmers do not lose purchasing power, especially in these times where lack of rainfall is decreasing yields. The cost of climate challenges should not be borne by the most vulnerable.

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 is most needed. A company-wide approach underpinned by concrete targets for most impact is crucial. This should be part of their more general human rights due diligence as required now in several countries within Europe<sup>11</sup> and the upcoming EU Mandatory Human Rights and Environmental Due Diligence Directive.

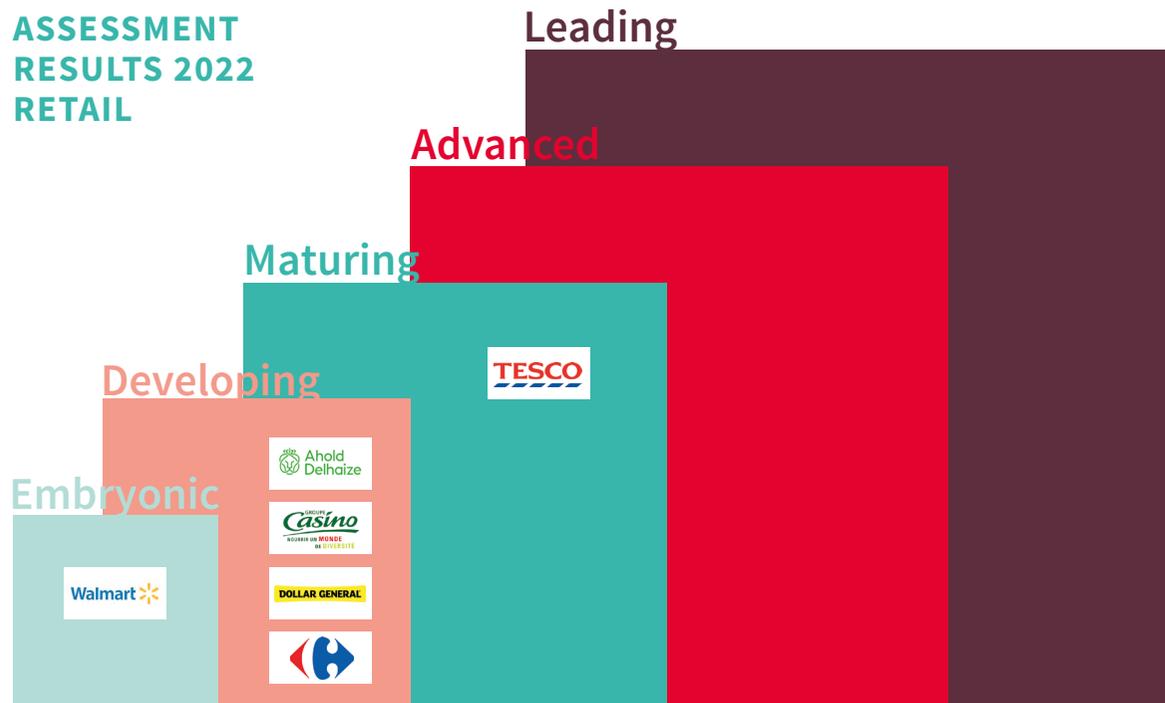
<sup>11</sup> I.e. Norway requiring explicitly this due diligence to include living wages

### Insights from the food retail companies

The members of the Food, Agriculture and Retail Working Group also assessed 6 retail companies in 2022. The company results are presented below whereas the main findings and recommendations for retail companies on living wages are presented to the right.

The illustration below shows the results for 2022. Most of the companies remain in the developing category. Only two companies within the developing category have improved score, whereas the one in the embryonic

### ASSESSMENT RESULTS 2022 RETAIL



KEY FINDINGS	WHAT IS NEEDED FOR 2023
<ul style="list-style-type: none"> <li>Income considerations for a company's own employees are increasing</li> </ul>	<ul style="list-style-type: none"> <li>This income consideration needs to assess the gap between actual wages paid and living wage. Now even more so due to the rising cost of living.</li> </ul>
<ul style="list-style-type: none"> <li>Companies often lack a clear strategy or KPIs on living wage</li> </ul>	<ul style="list-style-type: none"> <li>Companies need to show further commitment to progress, present a time-bound plan that prioritizes attention on the most salient living wage/income risks based on scale, scope, and remediability</li> </ul>
<ul style="list-style-type: none"> <li>Lack of integration of a living wage/income in purchasing practices</li> </ul>	<ul style="list-style-type: none"> <li>Companies need to work with the buying groups and its members to implement a living wage/income policy for the purchasing practices of the buying group</li> </ul>
<ul style="list-style-type: none"> <li>Weak complaint and remediation mechanisms for human rights grievances</li> </ul>	<ul style="list-style-type: none"> <li>Companies should better document and disclose how they respond appropriately to complaints and that effective remedy is provided</li> </ul>

category scores lower this year in comparison to last year. Transparency and disclosure continue to be a challenge and it is disappointing not to see more progress this year either. Tesco continues to lead this year. However, its score remains unchanged within the maturing category.

### Key findings:

- **Income considerations for a company's own employees are increasing.** More companies have either done an assessment of the payment of living wages for their own employees or have stated that they will do so. However, still only a limited number of retailers are starting to assess the gap between actual wages paid and a living wage. The reason for this is twofold: a) the rising cost of living and the stress it puts upon employees and b) in order to be an attractive employer in times of staff shortage in several countries.
- **Companies often lack a clear strategy or KPIs on living wage and living income.** A clear strategy and 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 their broader supply chains and procurement practices. Companies should identify and report their most salient living wage/income risks based on scale (how severe the issue is), scope (how widespread the issue is) and remediability (how hard it would be to put right to resulting harm). Only one company reports having identified supply chains with salient living wages and incomes risks. Further, the lack of involvement of senior management can result in weak formal strategies and KPIs on living wage and income. 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. Linking these KPIs to executive remuneration can help advance this issue.
- **Lack of integration of a living wage and income as an element in purchasing practices.** Companies are not integrating living wage and income in their sourcing activities and do not coordinate their efforts with

buying groups and their members to implement a living wage and income policy. Only one company seems to have requirements for its cocoa sold in the UK to be sourced certified by Rainforest Alliance, which includes programs for farmer to assess the gap to a living wage/income and measure progress. The certification also requires buying groups to do their part with good purchasing practices. However, this is not the case for all certification bodies and thus retailers and buying groups should use their leverage against these certifications bodies as well as authorities and policy makers pushing for regulation, which in the end will benefit them by creating a level playing field.

- **Weak complaint and remediation mechanisms for human rights grievances.** Most companies communicate that they have grievance mechanisms available for every employee in the company. However, there is little evidence on how this happens in practice: if complaints are answered and proper remedy is provided, if grievances are independently assessed, or if the mechanisms extent to their supply chain.

### What is needed for 2023

The results of the 2022 living wage and income assessments will be integrated in PLWF's engagements with companies in our target sectors.

Monitoring the rising cost of living in the markets where operations and supply chains are will continue to be crucial. Companies could use employee surveys as a tool to elevate and assess the topic of living wage and income and to ensure that the workers' voice is heard. Companies should also use their leverage towards audit schemes, certification bodies and governmental institutions to enable living wage and living income implementation and data gathering. At this moment, certification bodies and audit schemes do

not sufficiently consider living wage and living income and there is a lack of publicly available benchmark information. As a result, companies state that they face difficulties scaling up their living wage and living income initiatives due to a lack of knowledge. Finally, a company-wide approach underpinned by concrete targets for the most impact is essential. Working on living wage and living income should not be an isolated topic in the CSR department, but integrated in to governance, sourcing departments, buying groups and across brands and markets. Most retail companies have not taken this step yet. This is even more pressing now that compulsory human rights due diligence is required in many European countries and there is upcoming regulation on the same from the EU. We do not see enough progress and companies need to be prepared for these regulatory requirements.

#### POSITIVE DEVELOPMENTS IN THE SUGAR SUPPLY CHAIN

In the sugar sector, by the end of 2021, the Bonsucro global standard adopted a living wage strategy and introduced a living wage indicator in its production standard. In March of 2022 a 'living wage' working group was formed with end-users, traders, producers, NGOs and trade unions. The task of the working group is to guide the implementation of the living wage commitment as defined in the standard. Active engagement of end-users and brands will be vital within this process.

It is expected that the working group will set clear KPIs by March 2023 for the upcoming year on themes such as defining geographical priority areas, a shared responsibility framework and implementing collective actions to validate tools and living wage benchmarks and ultimately design a concrete approach for the sugar sector to actually achieve a living wage for workers in producing countries by March 2024.

In 2021, the PLWF worked with Bonsucro and Dutch trade union CNV Internationaal to develop a roadmap for living wages in the sugar supply chain. PLWF is pleased to see the above developments and will further encourage Bonsucro and its members to give priority to this important work on living wages and – income. We look forward to see a comprehensive workplan, with concrete steps and timelines.

For more info: [Bonsucro](#)

## 4. Experiences from the ground

Living Wage and Income in practice – what are solutions on the ground? Earlier this year, the PLWF’s FOPs advised us to focus on what is happening on the ground. How are living wages and living incomes being implemented? And how do we see that intentions on paper are translated into actions that really benefit the people that do not yet earn a living income or living wage?

As financial institutions, we are quite removed from what is happening in our investees’ supply chains on the ground. Thus, finding out how policies are implemented and finding evidence of payment of living wages and living

incomes is a complex task. PLWF members primarily depend on the information that is given by the investee companies themselves, but also consult and consider the reports and insights from civil society organizations. Furthermore, there are smaller companies who really step up the game that we can learn from. Hence, we have talked to Fairphone and Wakuli Coffee giving their vision as social enterprises on what paying living wage and living income really entails in practice. Recognizing that these companies are both smaller and younger than the stock-listed investees that the PLWF engages with, we have added two of the investee companies, H&M Group and Tesco, to help shape the broader picture.

Wakuli	Fairphone	Tesco	H&M Group
Wakuli sells fresh roasted, high quality “specialty” coffee. They have shortened the value chain, resulting in a significantly better price for the farmer and fresher coffee at mid-market prices, thus positively impacting the consumer. Wakuli’s mission is to enable smallholder farmers to invest in their farms to move towards a living income.	Fairphone is an electronic company producing smartphones. They focus on making a positive impact across the value chain in mining, design, manufacturing and life cycle, while expanding the market for products that put ethical values first.	Tesco Plc (Tesco) is a multinational retailer of general merchandise. The company carries out business through multi-format stores and online. It operates stores in various formats differentiated by size and range of products sold, including large, small, dotcom only and one-stop.	H&M Group engages in the sale of clothing, accessories, footwear, cosmetics, and home textiles. The company products include accessories, underwear, cosmetics, sportswear, and other apparels for men, women, and kids. They have roughly 4800 stores worldwide.
Coffee	Electronics	Banana	Textiles
\$8.9M 	\$25M 	57,89 B 	\$23.07 B 
41 	124 	354,744 	107,375 (converted to full-time positions) 

### **What do companies do on living wage and living income?**

Companies have different strategies when it comes to living wages and living incomes. This year, Tesco has made an official public commitment to the payment of living wage in the banana supply chain, this is an important case study for them. This commitment states “Our ambition is that from January 2024, we will only source from banana producers who pay a living wage to all workers no matter the volumes sourced by Tesco”<sup>12</sup>. To follow up on this commitment, Tesco has been working with IDH and the World Banana Forum to establish the living wage benchmarks in the biggest banana producing markets and support the development of tools for implementation of living income. H&M Group is an example of a company that has been working on the topic for a relatively long period already. Responsible purchasing practices and setting up factory wage management systems are the areas where the Swedish garment brand believes to have most influence. At the same time, the company promotes workplace dialogue and collective bargaining agreements, and advocates for good statutory minimum wages and stronger social protection schemes in production countries – two areas where, the company believes, the biggest lasting impact can be made, but that are hard to influence as a single company.

Fairphone and Wakuli are examples of smaller social enterprises that implement standards that result in better wages for workers in the supply chain. Fairphone has introduced a living wage premium in the factory where their phones are produced. A living wage premium is a markup of the price to ensure that all workers who are part of the phone production line earn a living wage. However, as Fairphone is not the only or exclusive customer of its factories, not all employees in the factory are working on products for Fairphone. As a consequence, the Fairphone premium is being divided over all employees of the factory as part of their salary, which in turn means that

wages are increased but not on the level of a living wage (yet). Wakuli’s strategy on living income also entails setting aside a premium, as well as assisting farmers with bookkeeping and crop management. On average, farmers who produce for Wakuli earn 25% more than other coffee farmers for their crops, but no living income yet. Wakuli focuses on the long-term objective of living income for all farmers in their supply chain.

### **Data collection and impact on the ground**

Presence on the ground is instrumental for impactful action as this allows for understanding workers’ needs and the local context. Companies often start their living wage or living income journey collecting data - one of the most important actions to undertake when a company wants to start implementing living wages or incomes.

Before implementing a living wage or living income, it is important to know what the gap is. Before they made their official commitment, Tesco has been collecting data for the last three years to understand what the wage gap looks like. Fairphone, Wakuli and H&M Group, are already working with employees in the supply chain to gain insights in workers satisfaction and the impact of higher wages. H&M Group collects wage data of over 1350 factories through monthly performance data reports and third party assessments. In several countries H&M Group also uses surveys to ask workers if they are able to meet her and her family’s needs. These insights inform action plans with participating suppliers and country specific strategies. Based on employee survey results in their Chinese factory, Fairphone has seen wage satisfaction rise from 27% to 43% since they implemented the living wage premium. Wakuli obtains information from intensive field research and interviews with farmers.

<sup>12</sup> <https://www.tescopl.com/blog/tesco-commits-to-paying-the-living-wage-gap-to-banana-producers/>

Insights from the ground also help understand the impact of the interventions that brands have taken. Fairphone knows they have impacted 3700 workers in their supply chain and Wakuli has seen their upgraded purchasing practices reach 3613 farmers in 2020.

In 2020, H&M Group had external experts carrying out an impact assessment of the company's previous wage strategy to understand what works well and where they can be more effective. The outcomes of H&M's 2020 impact assessment show how different components of its wage strategy have helped improve workers' wages. The company is among the first large garments brands to do so. Setting up factory wage management systems and promoting workplace dialogue programmes, trade union presence and higher productivity were all found to drive wages. At the same time, the study showed significant variations of the impacts in different countries, which underlines the shows that it is important to take the local country context into account. Workers only benefit when policies are effectively implemented, which is why it is important to show what exactly is happening and who is benefitting.

As mentioned, after a study of three years, Tesco is now really starting the implementation of their living wage strategy. They will start working with banana suppliers to develop wage improvement plans to really show how the extra money Tesco is investing goes towards the wages of the workers in the field. These practices will be audited and checked by certification bodies in the future. They are also working with IDH to get more retailers involved.

### **Working together is key for improvement**

Given the current situation of long and often opaque supply chains, having local partners is crucial to make progress towards the payment of living

wages. For instance, Fairphone receives relevant contextual information from NGOs in their production country China such as what employees see as important in their daily life and how families could be affected by better working conditions, Integrating engagement with worker representation groups is one of four themes in Tesco's human rights strategy; they consider interacting with these groups, including labour unions, as integral to the future success of their projects. They work, for example with Banana Link in West Africa, a non-profit organization that works with labor unions and small scale farmers for fair and equitable banana production<sup>13</sup>. Wakuli finds that cooperation within the sector is important, they work with the Futureproof coffee collective to get the right insights on costs and expenses on a community level and can base their actions on that information.

However, limited cooperation within the supply chain and between competitors is still one of the key obstacles for reaching living wages and incomes. Paying a living wage premium or better wages is not enough by only a single customer of a factory or farm, as the effect on the workers' income and well-being is diluted. Companies sourcing from the same factory or location must cooperate to reach a living wage and/or income.

For the coming years, it is therefore crucial that companies show what they are achieving on the ground. Fairphone will be publicly sharing their way of calculating living wage premiums and Tesco will encourage their peers to join their living wage initiative in the Banana sector. It is one of the key messages the PLWF supports for the coming years: Human rights are not optional, but mandatory in global supply chains, and brands cannot compete on exploiting the most vulnerable to and shifting risks down global supply chains.

<sup>13</sup> <https://www.bananalink.org.uk/>

## 5. Assessments results Garment and Footwear

### Insights from the garment and footwear sector

The garment and Footwear Working Group<sup>14</sup> has assessed 34 garment and footwear brands over the summer of 2022. Below, the key findings and lessons for 2023 are presented.

### Garment methodology

Whilst there were no changes to the methodology this year, the intention is to update it for the 2023 assessment cycle to reflect the need for living wages to be paid in the entire supply chain and, also to align with developments relating to due diligence legislation (EU CSDDD, CSRD, Taxonomy etc) and to accommodate more mature companies.

In 2022 changes previously made to the Garment and Footwear Working Group’s assessment methodology were embedded, placing greater emphasis on the need for brands to integrate risk assessment results into their responsible sourcing policies and purchasing practices. This year group focus was on the development of methodology guidance for working group members, in order to promote consistency across individual assessments. In the coming months, a similar guidance for brands, outlining key areas of best practice will be developed.

This year, the biggest improvement was seen under the Policy pillar of the working group’s assessment methodology. This links to the overarching sentiment that brands are more concerned with intentions, strategies and approaches but consistently fail to report tangible results and evidence of wage gaps being closed.

KEY FINDINGS	WHAT IS NEEDED FOR 2023
<ul style="list-style-type: none"> <li>Policy commitments and operational understanding of living wages are becoming more robust</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of living wage and other human rights in the performance appraisal process for key personnel</li> </ul>
<ul style="list-style-type: none"> <li>Limited evidence on the impact of multi-stakeholder collaborations</li> </ul>	<ul style="list-style-type: none"> <li>The utilisation of multi-stakeholder initiatives and trade unions as a tool to advance living wage payments</li> </ul>
<ul style="list-style-type: none"> <li>25% of brands fail to promote Freedom of Association in supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Commit to uphold freedom of association, per the ILO conventions or by other means</li> </ul>
<ul style="list-style-type: none"> <li>Urgent need for impact assessments and wage gap analysis</li> </ul>	<ul style="list-style-type: none"> <li>Development of iterative processes to assess and define key risks</li> </ul>
<ul style="list-style-type: none"> <li>Positive momentum toward the integration of assessment findings</li> </ul>	<ul style="list-style-type: none"> <li>Provision of narrative on the link between company risk-assessment and changes to purchasing practices</li> <li>Data driven approaches to factory data collection, aiding suppliers in the set-up of wage management systems</li> </ul>
<ul style="list-style-type: none"> <li>Companies have lost ground on effectiveness measures</li> </ul>	<ul style="list-style-type: none"> <li>Use of qualitative and quantitative indicators to monitor the effective implementation of the living wage policy or statement</li> <li>Implement independent and anonymous grievance mechanisms and ensure workers are using it</li> <li>Transparency on cases identified and remedial action</li> </ul>

<sup>14</sup> Working group members (as per August 2022): Actiam, Aegon, Amundi, ASN Bank, AP2, Columbia Threadneedle Investments (working group chair since August 2021), Ethos, Kempen, LGIM, MN, Storebrand, Triodos IM

As a group, we are left to ponder what the underlying obstacles are. Is data collection too cumbersome, and Living Wage benchmarking too inadequate? The solution is considered to be multifaceted. Brands that perform the best aim to embed living wage implementation throughout the organization and have management buy in at the most senior level. They also maintain closer, long-term relationships with suppliers and take a worker-centric approach to dialogue. While data driven approaches are advocated, these should not be a hinderance to positive impact on the ground. That said, it's not all 'doom and gloom', there has been progress, thus fuelling the optimism of the group. A

total of six companies improved their category this year and for the first time there are two companies, Puma and H&M Group, in the Advanced category. Overall, 19 out of 34 companies improved their score.

Broadly speaking, there is satisfaction with the implementation of responsible purchasing practice for most brands in the assessment, the development of wage management strategies, commitments to pay suppliers on time, consider factory capacity in the ordering process alongside programs to train employees and suppliers on the importance of living wages all contributes to the ultimate realisation of living wages for workers.

## ASSESSMENT RESULTS 2022 GARMENT & FOOTWEAR



### Key findings

There is positive momentum towards the integration of impact assessments, through improved responsible purchasing practices. Brands are increasingly considering their policies around procurement and if this supports suppliers in their ability to provide living wages and appropriate working conditions. Overall, there has been an improvement in the average scores of the assessments; 6 out of 34 companies improved their category this year and we have 18 companies in the Maturing category, representing more than half of the data set.

- **Robust policy commitments and increased operational understanding.** Overall, the highest scoring companies have the most robust policies in place, considering living wage as a salient issue and having board level commitment to sustainability and social performance. What the Platform considers to be incredibly relevant is that there is increasing evidence of living wages (and human rights in general) being integrated into employee trainings to build the capacity and understanding of key-staff to implement living wages. In addition, narrative on the link between human rights

risk management and the performance assessments of those involved in the implementation of living wage programs is key.

- **Limited evidence on the impact of multi-stakeholder collaborations.** The PLWF firmly believes that change is best achieved when working together. While most companies are members of initiatives such as ILO Better Work, Fair Labor Association (FLA) or ACT on living wages, there is still limited evidence of how these collaborations help brands advance living wages. It raises the question whether this is merely a lack of disclosure or if brands lack the understanding and insight into how MSI's help them realize the payment of living wages. We note a number of brands are awaiting guidance on their ability to disclose information from the FLA's Fair Compensation Tool; this may positively impact their scores under our assessment methodology.
- **25% of brands fail to promote Freedom of Association in supply chains.** Freedom of association (FOA) is a prerequisite to collective bargaining and an enabler of higher wages in and of itself. Respect for FOA provides workers with the voice and representation to negotiate collectively with employers on the terms and conditions of work, including wages and benefits. The Platform Living Wage Financials cannot stress enough the importance of brands upholding this right themselves and being proactive in the communication and monitoring of implementation protocols by suppliers and partners. It is alarming to conclude that over 25% of the companies under assessment in 2022 still fail to do so. Further, where brands operate in regions that do not have this level of social protection, we have encouraged the facilitation of equivalent means for workers to communicate discontent over labour practices, without fear of reprisal.

<sup>15</sup> <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621145/rr-working-marks-spencer-supply-chains-140121-en.pdf;jsessionid=5B72F36D-68086F724EF519BEF8E54134?sequence=4>

#### SPOTLIGHT ON COATS

Coats reported in its 2021 Sustainability report that it has completed the implementation of its Living Wage programme, with all manufacturing sites now being fully compliant. Although the company has achieved a living wage, it has not reached the Advanced category. There are a few reasons for this, and there is room for improvement:

- work still needs to be done to extend living wage implementation up its supply chain (e.g., cotton cultivation)
- relationships with trade-unions can be strengthened, which is important because payment of living wages is a continuous process
- transparency could be increased.

- **Urgent need for impact assessments and wage gap analysis.** While the PLWF has witnessed an increasing use and disclosure of impact assessments and wage data collection, we only see a handful of brands going the extra mile to research the causes of wage gaps and what impact this has on the every-day lives of workers. An example of best practice in this area comes from Marks & Spencer who commissioned Oxfam to perform a wage gap analysis<sup>15</sup> in the UK and India to identify the impact of the wages paid on workers' lives. Marks and Spencer publicly responded to Oxfam's findings and suggestions by presenting next steps to address the issues. Broadly speaking, brands need to identify the part of their supply chain and operations that pose the highest risk of non-payment of living wages. As brands onboard suppliers and source from new regions, an assessment of living wage impacts should be factored into the decision-making process.

- **Positive momentum toward the integration of assessment findings.**

Where brands do undertake impact analyses, this can result in the integration of these findings into their living wage and boarder human rights risk management framework. This often shows up in the form of regular updates to materiality matrices, disclosure of key sourcing risks but most importantly improvements to responsible purchasing practices. Brands are increasingly considering the impact of their procurement measures on a supplier's ability to uphold working conditions that support a living wage. Best practice in this area can be seen from Ralph Lauren who, as part of their wage management strategy, are rolling out a capacity management tool for suppliers. Understanding a supplier's capacity allows them to only place orders they know the supplier can fulfil and helps mitigate the risk of subcontracting.

*Adidas, Responsible Sourcing & Purchasing Policy*, outlines 10 commitments they make to suppliers and is yet another example of best practice seen in our assessment cycle.

- **Companies have lost ground on effectiveness measures.** Companies lost ground on the effectiveness of their efforts to realise living wage, with scores for tracking performance and remedy going down. Ultimately, there are still too few brands closing living wage gaps- an ongoing theme from last year's report. Given the current global cost of living crisis, a brand's ability to keep abreast of changes to the worker's lived experience is central to the effective implementation of living wage programs and highlights the need for iterative impact assessments. Feeding into this, too many brands are lacking effective grievance mechanisms; more than half in the data set scored 2 points or less. So, beyond wage gap analysis

how are they keeping up to speed with wage related risks in the supply chain? The PLWF encourages brands to maintain close relationships with suppliers and workers on the ground. Key to this is for the worker's voice to be heard and their concerns recognised and remediated. In order to build trust, brands should consider the local context and provide access to multiple communication tools, be it worker apps, hotlines or an email address- there must be a mechanism for the independent and anonymous communication of worker grievances and brands should be transparent in disclosing prevalent issues alongside their remedial actions.

### What is needed for 2023

Brands really need to start considering the effectiveness of their living wage programs. Those in the business, responsible for the implementation of living wage and human rights programs, should be incentivised to act and held accountable for any underperformance. The role of MSIs and trade unions is currently under-utilised, improved wages and effective remedy for workers is likely best achieved collaboratively. Further, brands should be more vocal in their support for freedom of association and collective bargaining; they should also be proactive in communicating with and upskilling suppliers on these issues. More embedded responsible purchasing practices are needed, with evidence that brand impact assessments feed through to costing models and supplier pricing negotiations. Finally, as important as wage gap analysis is, a worker-centric approach is just as important. Brands should talk directly to their workers to understand job-satisfaction and other obstacles and provide appropriate grievance mechanisms so the worker voice can truly be heard.

## 6. Conclusions and recommendations

In the 2021 PLWF report, the outlook for 2022 included focus on the wide embedding of living wage and living income in to corporate policies, transparency and traceability, living wage and living income gap analysis, corporation with MSI's and labor unions and the role of governments. All of these topics are still very much part of the focus moving forward to 2023. Once again it becomes clear how difficult the implementation of living wages and living income is for investee companies. Long term engagement is therefore key and the platform needs to keep pushing companies to evolve and make a top priority of the topic.

The PLWF realises that investment in training and education on living wages and living income is crucial, therefore we researched the link between living wages/ living income and gender this year. And even though the topic of gender will not be a primary focus in the assessments, the development and the link between the two is very important to the PLWF.

In addition, we have learnt from best practices, with the stories on the ground. The PLWF finds inspiration in the efforts that some smaller niche companies take to step up their game, and can built on this in the engagement with larger, listed companies.

Living wage and living income should be seen as a salient human right, and we are pleased to see that the current version of the EU CSDD has acknowledged living wage as a human right.

### Moving forward

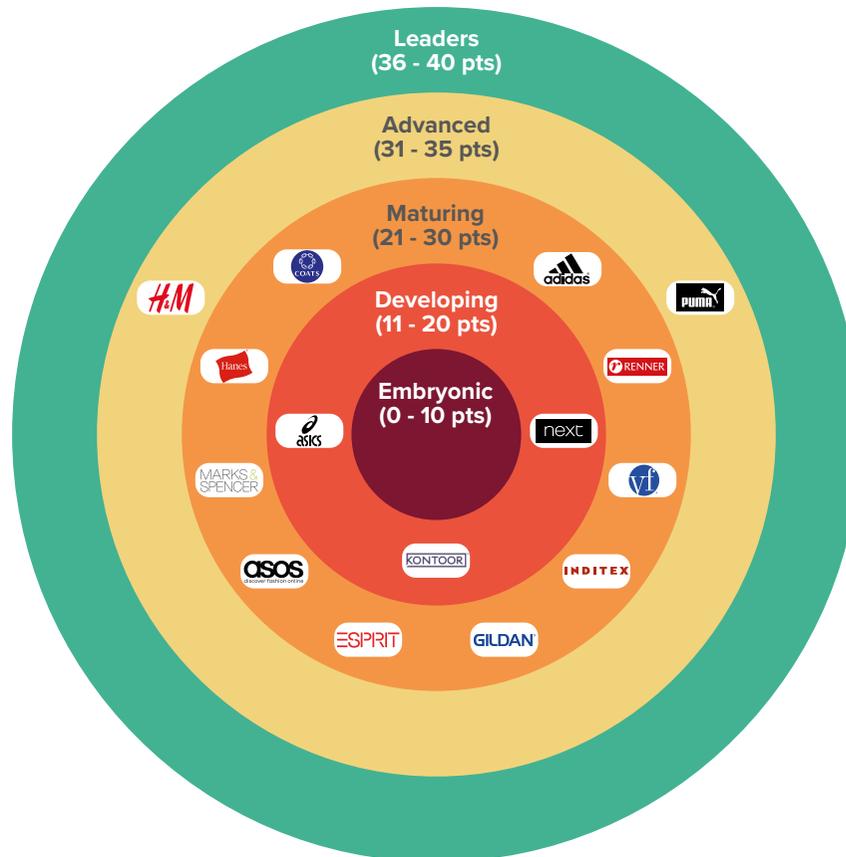
**Priority setting:** Living wage/ income should be a priority to our investee companies and company-wide action and target-setting is very important. This is an even more critical issue as the world struggles with rampant inflation. Companies should periodically factor in inflation rates so that workers do not lose purchasing power. In these times where a lack of rainfall is decreasing yields, it is incredibly important for farmers that the costs of climate change are not solely borne by the most vulnerable.

**Living wage and living income as a salient human right.** Just like last year, investee companies are asked to recognize living wage and 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 is most needed. A company-wide approach underpinned by concrete targets for most impact is crucial. This should be part of their human rights due diligence as required now in several countries within Europe and the upcoming EU Mandatory Human Rights and Environmental Due Diligence Directive.

**Evidence of Results.** Where living wage and living income is still not on top of mind in policies of most food, agri and retail companies, there is some improvement there within the assessed garment sector. However, evidence of real results is still hard to find. We urge companies to really start measuring and reporting on their progress, and showing how their collaboration with multi-stakeholder initiatives is providing positive impacts and results.

The PLWF will continue to work on long term engagement and will focus on the implementation of living wages in the supply chains of the Food, Agri, Retail and Garment sector.

## Annex 1: Results ASN Bank



### 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 re-quests 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.

