

Investor support for collaborative efforts to work towards improved transparency into the supply chains and due diligence frameworks in the luxury sector

The Platform Living Wage Financials (PLWF), whose assets under management and advice total over EUR 2.6 trillion, is an investor coalition that encourages collaborative efforts to work towards improved transparency into supply chains, address social issues, and improve human rights due diligence. Specifically, we aim to address the non-payment of living wage with a concrete focus on manufacturing operations in global supply chains, including in the luxury sector. By the means of this letter, **PLWF members and other undersigned investors** ask luxury sector brands for more transparency around the identification and management of material ESG issues, including efforts on living wage, and we call for an improved dialogue on these issues.

Luxury brands are not immune to living wage risks

We consider the right to a living wage to be among the salient issues for the garment sector, including luxury brands. Importantly, with living wage, workers can meet their basic needs, their living and working circumstances improve, and they can find a way out of poverty. This may bring about distinctive business benefits. We thereby believe that by not addressing living wage, the luxury sector is missing out on opportunities related to improved human rights compliance as well as business benefits. Addressing living wage may be a way to minimize reputational risks associated with the supply chain. We view living wage as an **'enabling' human right**. By addressing living wage, companies can mitigate, among others, the risk of excessive overtime and child labor and ensure that other human rights are upheld. Living wage also **reduces worker absenteeism and turnover rate and improves productivity**. The overall efficiency of companies' production models may also improve as companies review their purchasing practices and work with their suppliers to improve performance and identify production efficiencies. Furthermore, addressing living wage can simultaneously **address potential labor shortages** in the future by attracting talent through competitive salaries. Finally, improvements in internal practices can improve companies' ESG scores, making them more attractive for sustainability-oriented investment strategies and potentially decrease the company's cost of capital.

Aims of this letter

By the means of this letter, we call on global luxury companies and brands to continue and further enhance their efforts to:

- embrace collaboration and transparency on ESG issues both on a pre-competitive level with other brands as well as with investors and other stakeholders;
- identify and address salient human rights issues in their own manufacturing operations as well as their supply chains;
- consider living wage as one of the salient human rights issues for the sector; and
- engage in a genuine discussion on measures that are working and those that are not.

The need for increased transparency and improved due diligence in the luxury sector

We acknowledge that in recent years progress has been made within the luxury industry to become more transparent on ESG issues. However, on social disclosure in particular, the luxury apparel sector can lag behind best practices compared to the apparel sector as a whole. We encourage luxury sector brands to continue to invest in transparency and due diligence as the sector is not immune to ESG risks. We thereby ask for more transparency around the identification and management of material ESG issues, including efforts on living wage.

Some luxury companies have cited social issues as being less material in luxury than in other sectors. Yet, ongoing challenges pertaining to supply chain risks require transparent reporting. We recognize the unique challenges for transparency in the luxury sector, including the vast differences in each brand's operations under a larger parent company. However, we believe that improved transparency into how luxury supply chains are managed and which labor and human rights issues are considered most material presents an opportunity to **protect brand value** from reputational, legal, and operational risks. It can also enable **more productive conversations** so that we can **work together to address these pressing industry challenges** and understand current best practices for luxury.

A call for collaboration and improved dialogue

Solving these challenges requires **collaboration and transparency both on a pre-competitive level with other brands as well as with investors and other stakeholders**. As investors, we want to encourage improved dialogue on these issues. We believe that sustainability in the luxury sector, just like in many other sectors, is a shared responsibility and as such requires the participation of governments, corporations, and civil society, supported by adequate disclosure. Together we can help create a harmonized framework for sustainability and a set of guidelines to strengthen the impact of proactive measures in the luxury sector to create an altogether more sustainable industry.

Undersigned investors

