

Update of the PLWF on our engagement around the Covid-19 and expectations from investee companies

We expect the garment industry to manage the COVID-19 crisis responsibly across its supply chain

The garment sector is facing an abrupt and unprecedented reduction in commercial activity due to the COVID-19 pandemic, which puts a strain on all stakeholders across its supply chain. International brands are striving to sustain their operations while many of their physical retail stores remain closed around the globe. Factories in producing countries face major challenges to keep their business running whilst experiencing a decline in the volume of orders.

Amid this challenging context, thousands of job losses are announced each day as companies implement emergency measures to reduce costs and guarantee solvency. Garment workers in producing countries are the most at risk, given that they have limited access to social safety nets and financial resources to weather this uncertain period.

As long term investors, we request companies in the garment sector to be financially prudent whilst protecting labor and human rights standards in their own operations and across their supply chain. In our engagement dialogues with our investee companies we therefore urge them not to take drastic short term measures and continue to execute their long term strategic planning. In particular we expect companies to:

- **Exercise financial prudence:** We expect responsible financial management with a focus on the long term prosperity of the company and the communities where they operate. Companies should align their financial and operational decisions with their long term business strategy.
- **Prioritize health and safety:** Protecting worker and public safety is essential for maintaining business reputations, consumer confidence and the social license to operate, as well as staying operational. Companies should help workers avoid or limit exposure to COVID-19, and collaborate with suppliers to ensure they uphold the same level of health and safety standards.
- **Protect workers' rights across the supply chain:** We urge companies to refrain from engaging in business activities that have negative repercussions on the livelihoods of their own workforce, suppliers and garment workers in producing countries. Permanent layoffs should be avoided whenever possible, and appropriate financial assistance should be provided to all workers across the supply chain, with a special focus on furloughed and dismissed employees. Companies should closely collaborate with suppliers in these challenging times and provide liquidity assistance when needed to safeguard workers' rights in producing countries.
- **Industry and multistakeholder cooperation:** We call upon companies to join or cooperate with industry or multi-stakeholder initiatives as are being developed by IFC, ILO and other leading stakeholder organizations, aiming to protect worker rights and offer support to overcome the impact of the crisis.

Finally, in the context of our ongoing work on living wage, we envision the payment of a living wage, along with a minimum level of employment benefits provided by national social protection schemes, as a viable means to substantially reduce the pressure on garment workers and transition to a more resilient supply chain.