



2020 PLWF ASSESSMENTS RESULTS FROM THE AGRICULTURE, FOOD AND RETAIL SECTOR

Are companies taking action on living wage and is this paying off?

Living wages and the PLWF

In sectors that strongly depend on manual labour, such as agriculture, food and retail, wages are often insufficient to cover workers' basic living expenses, such as food, housing, health care and education. Research shows that these wages are often on the poverty line and well-below living wage estimates. However, a living wage is a fundamental human right. Payment of a living wage can lift workers and their families out of poverty, ensuring that they do not have to work excessive overtime, and allowing them to send their children to school instead of work.

The Platform Living Wage Financials (PLWF) is a coalition of 15 financial institutions that engage and encourage investee companies to address the non-payment of living wages¹ in global supply chains, focussing on the garment, footwear, agriculture, food and retail sectors. To monitor progress, the PLWF members annually assess investee companies based on our living wage assessment methodology, which was developed based on the input of a range of experts and stakeholders.² This assessment methodology is aligned with the Reporting Framework of the United Nations Guiding Principles on Business and Human Rights (UNGPs) and structured around six topics: policies; stakeholder engagement; assessing impact; integrating findings and taking action; tracking performance and remediation. These assessments aim to identify potential for improvement for different companies in our target sectors and feed into PLWF's dialogue with these companies on the topic of living wage.

The members of the PLWF's Agriculture, Food and Retail working group have assessed 18 companies in 2020. In this paper we present the results, the main findings and present recommendations on how to give living wage a more mature place in corporate policies and practices.

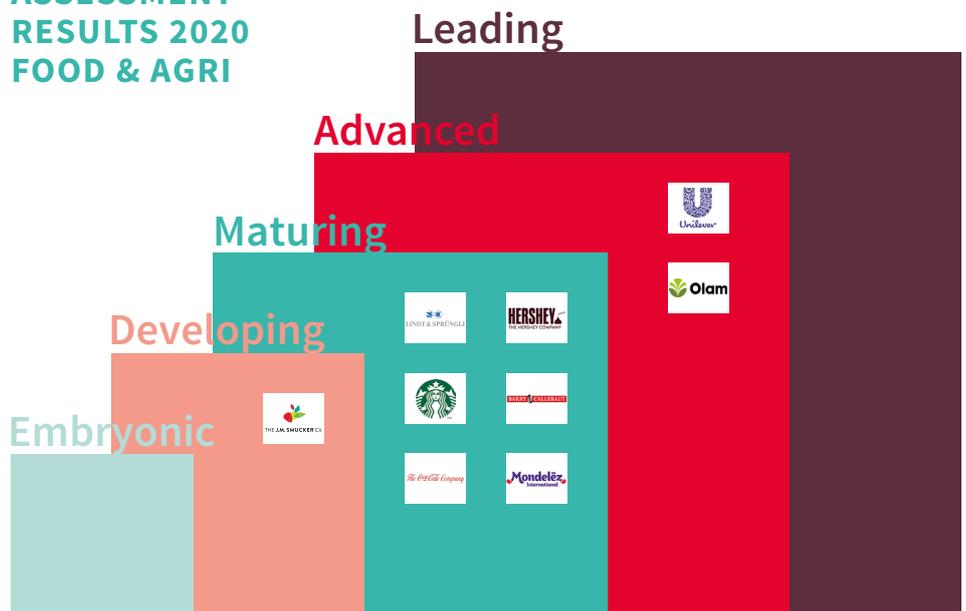
¹ In this paper, we use the term 'living wages'. However, this also refers to the broader definition of 'living income' for the agriculture and food companies.

² Due to differences in organization structure, we have developed different methodologies for agricultural and food companies on the one hand, and retail companies on the other. Click [here](#) to access the assessment methodology for retail companies, and [here](#) for the assessment methodology for companies from the agricultural and food sector.

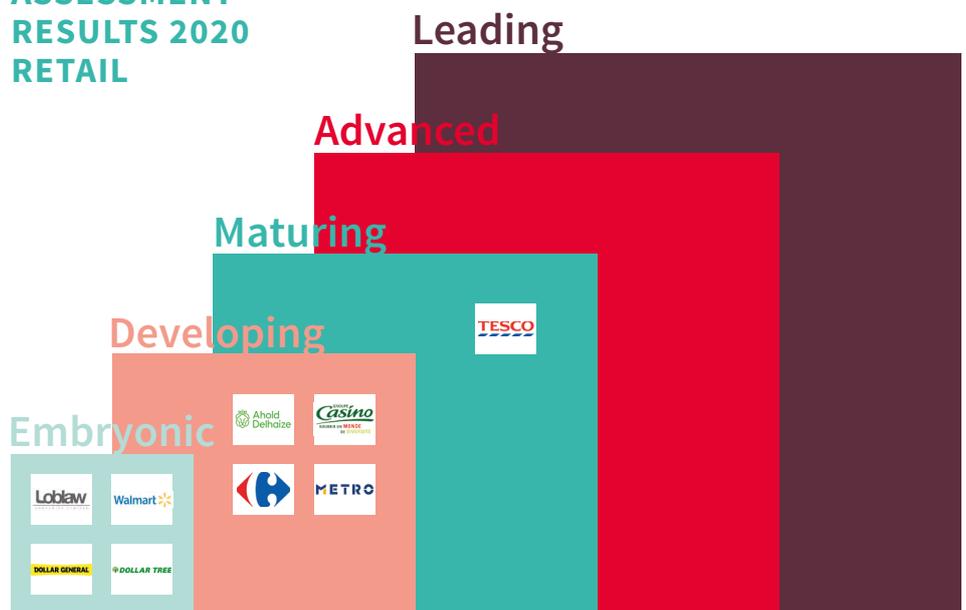
2020 Assessment results

The figures below give an overview of where companies stand in terms of living wage in corporate policies and practices. We distinguish between five stages of development, ranging from a stage in which a company has no or limited policies and practices, to the stage in which a company has a mature or even leading role on this topic. The results are presented in two distinct figures as the companies in the agricultural and food sectors were assessed by means of a different methodology than the retail companies. As retail companies are active in a larger number of supply chains, have a sizable workforce and extensive product range, which is also reflected in the retail methodology, this partly explains the difference in scoring between these sectors.

ASSESSMENT RESULTS 2020 FOOD & AGRI



ASSESSMENT RESULTS 2020 RETAIL



The figures above show that most companies fall in the embryonic, developing, maturing or advanced categories. Companies in the embryonic stage generally do not recognize the importance of the payment of living wages, nor act to enable this. Companies in the developing category usually do recognize that the payment of fair or living wages is an issue, but generally do not have formal processes in place to progress wages in their supply chains, nor any large initiatives to address this issue. Companies in the maturing category tend to show a stronger commitment to protecting workers' right to earn a living wage. Most recognize this to be a salient issue, have some formal processes in place to address it, and undertake some efforts, for example through pilot-projects, that prove to have some effect. Companies in the advanced category often have, in addition to the previously mentioned topics, clear goals and monitoring systems in place.

Some key findings of the 2020 assessments are given below.

Key findings

Few companies have made a policy commitment to addressing living wages within their global supply chains. Whilst many companies have formal human rights policies and identify wages as a salient human right issue, the majority do not refer to a formal, quantifiable definition of living wage, nor do they set targets on this topic. Some companies have committed to 'fair wages', but this is often defined as the local legal minimum wage and/or industry standards.

Companies' stakeholder engagement rarely addresses living wages within their supply chains. Most companies consult their stakeholders on sustainability issues and, on occasion, engagement outcomes feed into management systems (for example through a materiality map that is used to prioritize sustainability issues). Several companies are in contact with labor unions in regard to labor rights and wages. However, few companies consult local communities in their sourcing countries on wage and income issues.

Most companies are yet to have a clear understanding of the living conditions of workers and farmers in their most vulnerable supply chains, despite increased supply chain transparency. Most companies are undertaking efforts to map their supply chains and increase product transparency. In particular, experiments with block chain technology have become more frequent to trace products back to farm-level. Despite these efforts, most companies do not have a clear picture on the question if living wages are paid in their supply chains or even in their own operations.

Procurement practices ask for further alignment to enable the payment of living wages in sourcing countries. The majority of the assessed companies have committed to building long-term relationships with their suppliers, with some explicitly stating that this is to benefit farmers. In some cases, this commitment is supported with figures relating to the average duration of contracts. However, it often remains unclear how companies' procurement practices should enable workers to earn a living wage and few explicitly commit to timely payment or guaranteed minimum prices.

Scaling-up initiatives to support workers' livelihoods remains challenging. There are quite a few companies that undertake or support pilot projects to improve farmer and worker income in their global supply chains. However, these pilot projects are often small scale and often focus on specific countries or commodities. Few companies have large scale programs in place to improve the income of workers and farmers across supply chains and sourcing countries. This is also the case for data-gathering which often only focuses on specific commodities and countries at a specific point in time.

It often remains unclear if companies provide remediation of wage issues to all workers, including in their supply chains. Most companies have grievance mechanisms in place, but do not explicitly articulate that these mechanisms are open to (and promoted amongst) local communities and if the topic of wages can be addressed.

Covid-19 has had a surprising, positive side effect for many retail workers across the globe. During the Covid-19 pandemic, employees received widespread pay premiums, hazard pay, one-off bonuses, and even paid sick leave. Given the enhanced risks experienced by these workers, owing to retail's position as systemically important sector with ongoing customer interaction, these benefits were warranted and a necessary change to pay-as-usual. However, although employees played a prominent role and received praised by the boards, this has not translated to corporate commitments, policies and practices to pay employees a living wage on a structural basis.

Outlook for 2021

The results of the 2020 living wage assessments will be integrated in PLWF's engagements with companies in our target sectors. Based on the observations as described, we have identified the following focus areas for our engagement going forward:

Addressing living wage in relevant policies. The PLWF members expect investee companies to prioritize living wages in their global supply chain and own operations as a salient issue and a fundamental human right. We ask companies to go beyond local minimum wages and/or industry standards as these may be insufficient for workers to sustain a decent livelihood, and to commit to living wages instead. When doing so, they should refer to a widely recognized definition. We encourage investee companies to formulate specific goals or targets to further enhance this commitment.

Mapping supply chains to identify risks regarding living wage. The PLWF members encourage investee companies to continue and scale up their initiatives to map their global supply chains and own operations. In doing so, we ask companies to collect information about employees, farmers' and workers' incomes and expenses and determine the gap with a living wage and income. We also ask companies to use their influence in existing audit schemes to make sure living wage and income have a mature place in the auditing of suppliers.

Initiating and scaling up projects to address living wage in supply chains. The PLWF members ask investee companies to continue initiating, running and supporting initiatives that aim to reach living wages. We encourage them to explore possibilities for scaling up their initiatives and expect that companies make sure that its key suppliers can benefit from them. We also wish to stress the importance of tracking impacts and advocate companies to measure the effectiveness of their programs.

Encouraging more disclosure on wage levels. In the ongoing quest for more and better workforce data, especially from the retail sector, we will be encouraging companies to enhance their disclosure. The focus will be on wage level data. We have seen examples of regional wage level averages, which we are encouraging all retailers to disclose going forward. This will on one hand help us to assess each company's approach towards living wage and their actual implementation. It will also help us to compare peers, and identify best practice. Last but not least, it will enable companies to attract and retain talent.

Informing and involving customers. Retailers can play an important role in informing customers on if and how a living wage is paid in supply chains. We have seen several interesting examples of how customers can be informed and engaged on the topic and how customers can be facilitated in making sustainable choices. However, these examples are limited to a small number of specific products and have not found a structural place in corporate policies. Therefore we recommend retailers who develop policies and commitments on living wage to address the role they can play vis-à-vis consumers and vis-à-vis the other brands in their product range.



Achmea Investment Management

