Financials for living wage

ANNUAL REPORT 2023-2024

Turning Commitments into Action: Defining the Future for a Living Wage

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Preface

Decent wages are central to economic and social development, essential in reducing poverty and inequality, in ensuring a decent and dignified life for all, and in advancing social justice. Yet unfortunately millions of workers across the world continue to earn very low wages and are still living in poverty. The latest ILO *Global Wage Report 2024-25* estimates that a typical worker in a high-income country earns a wage that is more than 16 times higher than the wage of a typical worker in a low-income country. The same report estimates that 10 per cent of the world's 1.8 billion wage workers – i.e. 180 million workers - earn less than about 250 US$ PPP per month, equivalent to a little more than 8 US$ PPP per day. For many workers and families, the situation has been made even worse by the recent increase in the cost of living, all around the world.

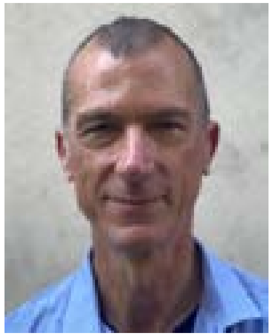
With a view to improving living standards of workers and their families, there has in recent years been a sharp increase in voluntary initiatives to promote living wages, including by multinational corporations, individually or as part of multistakeholder initiatives. Under the U.N. Global Compact Forward Faster initiative, for example, hundreds of multinational corporations have committed to provide a living wage to their own employees, and/or to develop action plans for advancing living wages in their supply chains. Another example has been the ACT initiative, which has been working towards raising wages in the apparel sector through social dialogue and collective bargaining. Most recently, the adoption and the approaching implementation of the European CSDDD will make it mandatory for large companies to undertake due diligence for enabling living wages.

This year, the ILO – the only tripartite U.N agency which brings together governments, employers and workers of 187 Member States to set labour standards, develop policies and devise programmes promoting decent work for all women and men - made a major contribution to the debate around living wages by reaching a tripartite landmark agreement, which provides guidance on how to understand the concept of the living wage, how to estimate living wages, and how to operationalize living wages in line with ILO principles on wage setting.

In line with the ILO Constitution and the Philadelphia Declaration, and consistent with the spirit of the Universal Declaration of Human Rights (UDHR), the ILO denoted that the concept of the living wages is:

- The level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work
- Calculated in accordance with the ILO's principles of estimating the living wage
- To be achieved through the wage-setting process in line with ILO principles on wage setting

Equipped with its new mandate to interact with living wage initiatives, the ILO salutes the work of Platform Living Wage Financials (PLWF) and encourages its coalition of investors supporting the payment of living wages in their investee companies and associated value chains to align with the newly adopted ILO living wage principles.



Patrick Belser, Senior Economist at the ILO

International Labour Organization

Key message from the Platform

When it was founded in 2018, the Platform Living Wage Financials (PLWF) aimed to bring more attention to the 'S' in ESG by looking at the theme of living wages in global supply chains. Now six years later, the topic remains as relevant as ever and is gaining more attention. There are only five years left for UN Member States to achieve the Sustainable Development Goals (SDGs) and companies play a critical role in implementing these. The topic of a living wage is clearly linked to the first SDG, No Poverty, but also key to achieving many of the other SDGs. The coming into force of the EU Corporate Sustainability Due Diligence Directive (CSDDD) in 2024, to be implemented by Member States by 2026, may also have a significant impact on advancing living wage standards, especially within global supply chains. Although the legislation does not explicitly mandate living wages, its focus on human rights and labour practices creates a robust framework for advancing the living wage agenda as part of broader corporate accountability. The ramifications of this are described in this report.

Looking at the work of the Platform, this 2024 report presents the annual assessments of investee companies on their progress towards facilitating living wages and living income in their global supply chains. This year, both working groups scrutinised and updated the assessment methodology. The revised methodology is partly why we have seen little improvement in the overall scores. However, it is not solely to blame. Companies continue to score better on policy but tracking the effectiveness of said policies is an area which is unfortunately still lagging behind. The PLWF hopes to see companies improving next year as the 2030 deadline for achieving the SDGs is rapidly drawing closer.

Key findings

Garment & Footwear sector:

- Nearly three-quarters of targeted companies disclose the location of at least their own sites and the name and location of their Tier 1 suppliers.
- Small gaps were noted between company policy/commitments on living wages and major recent updates in global standards (ILO definition of living wage, EU CSDDD, EU Corporate Sustainability Reporting Directive (CSRD), UN Global Compact Forward Faster Initiative).
- Most brands have signed up to and participate in multistakeholder initiatives working on living wages; there remains, however, limited evidence of actual impact made on the ground.
- More than 80% of companies provided evidence of a responsible purchasing policy, a third of which also provided strong examples of implementation.
- Although some progress has been made on remediation efforts, this remains a core area for improvement in terms of disclosures.
- There is limited evidence of efforts to track the effectiveness of living wage strategies.

Food Agriculture and Food Retail sectors:

- There is no evidence of living income targets being implemented or gaps being closed in a structural and substantial way.
- Recognition of living income in formal policies has improved for Food Agri companies.
- Some companies still fall short of paying living wages to their own employees, and data on living wage gaps is insufficient.
- Overall scores of both Food Agri and Retail companies have remained consistent, despite a stricter application of the PLWF's methodology.

1 The PLWF Annual Report 2023-2024 reports PLWF's findings from the assessments performed in 2024. However, these assessments are based on corporate reports of investees covering 2023.

- Cocoa companies are starting to measure the living wage and income gap, encouraged by national initiatives such as IDH's Dutch Initiative on Sustainable Cocoa (DISCO) and international equivalents. Please see page 24 for a discussion of DISCOs work, priorities, and observations.
- Companies appear to be holding back on additional disclosures around human rights/living wages due to upcoming European regulations (CSRD and CSDDD). We note that companies do not provide details of living wages or human rights roadmaps and commitments that were in place before legally mandated requirements came into effect.
- We see a slight increase in the number of Food Agri companies implementing grievance mechanisms.

1. Introduction

The PLWF is a coalition of 24 financial institutions that engage with and encourage investee companies to address the non-payment of living wages and incomes in global supply chains. As an investor coalition, the PLWF represents over €7 trillion AUM. In 2024, we covered assessments and engagement efforts across 55 companies in three sectors: Garment & Footwear, Food Agriculture, and Food Retail.

As of December 2024, the PLWF consists of the following financial institutions (in alphabetical order): ABN AMRO, Achmea Investment Management, Aegon Investment Management, Aegon Asset Management UK, Allianz GI, Amundi, AP2, APG, ASN Bank, a.s.r. asset management, AXA, Cardano, CCLA, Columbia Threadneedle Investments, Ethos Foundation, ING, LGIM, MN, NN Group, PGGM, Robeco, Storebrand, Triodos Investment Management, Van Lanschot Kempen, and VGZ.

Collaborating as a Platform

One of the biggest strengths of working as a Platform is that the members can increase their leverage on investee companies by working together. Every two months, a plenary session provides the opportunity to share updates and to discuss challenges. Civil society organisations are invited to share their expertise with Platform members on new developments regarding the work towards living wages and living income. This helps investors get a perspective on what is happening on the ground. The main work of the PLWF, which is shared between members, is the assessment of investee companies on their performance on enabling a living wage and/or living income in their supply chain. The outcomes of these assessments are reported in chapters 2 and 4. Assessments are shared with the investee companies, giving opportunity for feedback and discussion. Engagement is also conducted with the aim of seeing the assessment score of the company increase over time.

Collective action beyond the Platform

Collaboration with other groups is essential to accelerate progress as addressing living wage and income goes beyond changing conditions in isolated companies. It involves systemic change that impacts entire supply chains and industries. Collaborative efforts are therefore important to create the momentum needed to influence large-scale shifts. Therefore, aside from our core assessment and engagement activities, the PLWF via our members has been active throughout multiple living wage events and initiatives. This year, the Platform was involved in several different events and initiatives, including:

- Members of the PLWF were present at the OECD Forum on Due Diligence in the Garment & Footwear Sector held in Paris and also participated in a side session.
- The PLWF signed an investor letter by the Investor Advocates for Social Justice urging the Cocoa sector to take steps to eliminate child labour from supply chains by providing a living income.
- The PLWF signed an investor letter from the UNGC Forward Faster initiative urging companies to commit to the initiative's living wage goals.
- The PLWF was represented by our members at the IDH Living Wage and Living Income Summit and one member was a speaker in a side session.
- The PLWF was represented at two VBDO events: the yearly AGM event and HUMAN.
- The PLWF was represented in consultative sessions with the Association of Chartered Certified Accountants (ACCA) for their paper 'A living wage – Crucial for sustainability'.
- The PLWF was represented in consultative sessions with the International Sustainability Standards Board (ISSB).

Collaborating with key stakeholders

To push investee companies to pay living wages and a living income, the Platform also serves as a space for capacity-building and exchanges on all aspects related to living wages and living income. To facilitate this, experts and Friends of the Platform are often invited to the plenary or working group meetings to explain their activities, suggest collaboration opportunities, and provide expert advice on the development of our methodology. One of the most important contributions of the Friends of the Platform is their insights on the ground. As previously mentioned, the PLWF has noticed that companies are improving on developing policies and guidelines on living wages and living incomes. However, by talking to the Friends of the Platform, PLWF members get a better sense of what is happening in real-world settings and how policy commitments are not necessarily resulting in concrete and effective living wage and living income outcomes. This highlights the need for structural change, where living wage and income goals are embedded into the operational and financial frameworks of companies, not just their policies. Without systemic shifts, the gap between commitments and measurable progress on the ground will persist, limiting meaningful improvements for workers and communities.

STRENGTHENING THE PARTNERSHIP: VBDO AND PLWF COLLABORATION

"VBDO, the Dutch Association of Investors for Sustainable Development, underlines the importance of global corporations paying a living wage to all people working in their supply chains. Since 2016, we have asked Dutch listed companies to include living wages in their policies. I am thrilled that VBDO has supported the PLWF for six years and that we intensified our relationship by taking on the secretarial role of the Platform at the beginning of 2024. I am happy to see the incredible commitment that all members of the Platform make and to see the real results of working together on living wages. VBDO looks forward to seeing the Platform thrive in the future and is proud to be a part of this coalition."

Angélique Laskewitz, Executive Director of VBDO

Escalation mechanisms

As part of their engagement activities, each Platform member may individually decide to use engagement escalation mechanisms, which are integrated in their own investment stewardship strategies. These include but aren't limited to:

- Raising the concern in a letter to the investee's CEO and/or board
- A public statement on escalation of engagement with the company
- Asking a question at the company's annual general meeting (AGM)
- Voting against directors at the next AGM and submitting and/or supporting shareholder resolutions
- Exclusion of a company from the investor's investment universe

The PLWF only provides general guidance, and these decisions are made individually by each Platform member.

2. The Garment & Footwear sector

Key findings for the Garment & Footwear sector:

In this assessment cycle, we have seen some evidence that brands are working towards achieving more transparency and strengthening remedy mechanisms in their supply chains. The importance of responsible purchasing practices is now broadly understood and based on the results and dialogues we have had with Friends of the Platform, such as the Fair Labor Association, ACT, and other stakeholders, brands have been more vocal in their support for collective bargaining agreements and wage negotiations. This, however, remains not without its challenges as will be discussed further in this chapter. Developing quantitative and qualitative metrics to track the effectiveness of implementation continues to remain the weakest link in brands' living wage strategies. This means that, while brands may have taken steps to advance the payment of living wages in their supply chains, they must work towards disclosing appropriate indicators like effective living wage gaps in supply chain geographies, average overtime levels, rate of staff turnover, feedback from multistakeholder initiatives (MSIs) on living wage progress, etc., to demonstrate progress. Overall, while only two companies (Marks & Spencer (M&S) and Primark) advanced in their category placement this year, a third of the assessed companies made progress within their existing band and nearly two-thirds of the assessed companies are now categorised as Maturing or above.

Refining the Garment methodology

In 2024, the assessment methodology for the Garment sector has been updated to steer companies towards increased transparency, both regarding their supply chains but also on wage-setting generally . The landscape of understanding, estimating, and tracking living wages has changed drastically during the last few

Insights from the Garment & Footwear sector

The Garment & Footwear Working Group assessed 33 Garment and/or Footwear brands during 2024. Below are the key findings of the assessment cycle:

KEY FINDINGS	WHAT IS NEEDED FOR 2025
■ Nearly three-quarters of targeted companies disclose the location of at least their own sites and the name and location of their Tier 1 suppliers.	■ Mapping and disclosure of supply chain beyond Tier 1 suppliers.
■ Small gaps were noted between company policy/commitments on living wages and recent updates in global standards (ILO definition of living wage, EU CSDDD, EU CSRD, and UN Global Compact Forward Faster Initiative).	■ Companies must work towards firming up their living wage policy and public commitments to meet international standards on living wages and relevant reporting regulations.
■ Most brands have signed up to and participate in multistakeholder initiatives working on living wages; there remains, however, limited evidence of actual impact being made on the ground.	■ More disclosure is needed on engagement with suppliers and workers on living wages via multistakeholder initiatives to demonstrate impact made by collaborative action.
■ More than 80% of companies provided evidence of a responsible purchasing policy, a third of which provided strong examples of implementation.	■ More narrative on how responsible purchasing practices have been implemented in practice.
■ Although some progress has been made on remediation efforts, this remains a core area for improvement in terms of disclosures.	■ Evidence that grievances are being monitored and disclosure of grievance categories.
■ There is limited evidence of efforts to track the effectiveness of living wage strategies.	■ Disclosure of qualitative and quantitative indicators used to assess the closure of living wage gaps.

3 Working group members (as per December 2024): ABN AMRO, Aegon AM, Allianz GI, Amundi, AP2, ASN Bank, AXA, Cardano, CCLA, Columbia Threadneedle, Ethos Foundation, LGIM, MN, PGGM, Robeco, Triodos IM, Van Lanschot Kempen, VGZ.

4 Companies included in scope are chosen on a yearly basis by the members of the Platform based on the exposure that their portfolios have to these brands.

years – which translates into possibilities for companies to track, start to close, and report on the living wage gap. One could argue that plenty of tools are available to move towards the payment of living wages and incomes in supply chains. What we as investors are lacking from the companies is data metrics answering questions such as, ‘Where is your supply chain?’, ‘What is the base level remuneration for workers?’, ‘Have you formulated a time-bound target regarding living wages?’, and so on.

We are fully aware that we are not quite there yet – but hope that the improvements made to the methodology will guide companies to increase transparency overall, and that the changes will also work in tandem with legislative efforts such as the CSDDD.

For this methodology update, we consulted the Friends of the Platform Fair Wear Foundation and Mondiaal FNV. The main improvements include:

- Clearer interpretation for each criterion
- A more results-oriented approach by requiring evidence of actual implementation of policies
- An upward revision of expectations in light of the increased acknowledgement of the importance of living wages as an enabler to many human rights

This update clarifies current expectations on efforts required to enable a living wage in both the company’s own operations and throughout its supply chain. Given the tightening of certain assessment criteria, the methodology update impacted the scores of companies.

ASSESSMENT RESULTS 2023-2024 GARMENT & FOOTWEAR

Results

The Garment & Footwear Working Group included three new companies as part of its living wage assessments this year. There were also significant changes in the assessment criteria to keep pace with the changing international standards and fast-evolving regulatory landscape on supply chain due diligence and living wages. This was factored in while evaluating overall results.

This year, we saw company scores increase the most across the Assessing Impacts, Integrating Findings, Remedy, and Transparency pillars of the working group’s assessment methodology . This was partly attributable to the change in criteria to allow for a more specific, evidence-based assessment and partly to improved efforts by brands to effectively integrate

5 New companies in scope are: Kontoor Brands, Prada, and Shenzhou
6 The methodology can be found on: https://livingwage.nl/garment-footwear/assessment-methodology

responsible buying practices within sourcing & procurement functions of the organisation.

This is corroborated by the fact that 24 out of 33 brands have mapped and publicly disclose at least their own and Tier 1 supplier locations; 14 of the 33 companies evidence assessment of risk of non-payment of living wages in at least their Tier 1 supply chain; 18 of the 33 brands have a responsible sourcing policy and demonstrate its implementation with examples; and 20 of the 33 companies evidence well-communicated grievance mechanisms to identify and remedy implementation gaps effectively. While this is positive and highlights the progress brands are making in terms of moving from policy to action, there is still much work to be done, especially in high-risk geographies and beyond companies' Tier 1 supply chains.

The advent of international standards and legislation on supply chain due diligence is having a positive impact on transparency and the proliferation of human rights risk assessments. The emergence of issues like unauthorised subcontracting in supply chains that were previously considered to be low-risk, and the creation of bifurcated supply chains due to geopolitical tensions, has reiterated the need for robust ongoing due diligence and the role of MSIs in promoting industry-wide collective bargaining agreements in countries rife with political turmoil. Diving deeper into the assessment results highlights that there is still a lack of identification of specific risks linked to the non-payment of living wages or lack of access to freedom of association and collective bargaining – pillars where most companies have scored poorly. That said, as was a key theme last year, brands are working towards advancing the payment of living wages through the implementation of responsible purchasing practices. Here, the importance of concepts such as the provision of appropriate lead times and forecasting data to suppliers is becoming

FIVE YEARS UNTIL 2030

Living wages and living incomes are essential for achieving the United Nations' 17 SDGs by 2030. Paying a living wage/income ensure that workers earn enough to meet their basic needs, which directly supports seven out of seventeen SDGs:
No Poverty (SDG 1): Living wages help lift workers and their families out of poverty, providing financial stability and reducing economic inequality.

Zero Hunger (SDG 2): With adequate income, families can afford nutritious food, combating hunger and malnutrition.

Good Health and Well-being (SDG 3): Higher wages enable access to healthcare and improve overall well-being.

Quality Education (SDG 4): Families with sufficient income can afford education for their children, promoting lifelong learning opportunities.

Gender Equality (SDG 5): Fair wages help close the gender pay gap, empowering women economically.

Decent Work and Economic Growth (SDG 8): Living wages promote decent work conditions and stimulate economic growth by increasing consumer spending.

Reduced Inequalities (SDG 10): Ensuring fair wages helps reduce income inequalities within and among countries.
The 2024 progress report stated that "seventeen per cent of SDGs targets are on track to be achieved, nearly half are showing minimal or moderate progress, and progress on over a third has stalled or even regressed...".

We still have time to change the tone before 2030.

DRIVING INVESTMENT STRATEGIES: CHRISTOPHE HAUTIN, EQUITY PORTFOLIO MANAGER AT ALLIANZ GLOBAL INVESTORS ON THE PLATFORM'S WORK

"In managing the Allianz Social Conviction Equity Fund, we adopt a broad definition of corporate social contribution among European listed companies. The issue of living wage is integral to our selection criteria, particularly in the sectors employing a significant number of low-value-added roles, such as Services, Textiles, and Retail. This aspect is essential to us for evaluating how companies manage human capital. We appreciate the detailed framework of the PLWF, as well as the dedicated engagement calls we had with companies on this specific and technical topic, as it enhances our understanding of their living wage practices both internally and throughout their supply chains, and encourage them to continuously improve their practices."

broadly understood, particularly in terms of mitigating issues like unauthorised sub-contracting or overtime, at least in Tier 1 supply chains.

While 13 of the 31 brands improved their score on remediation practices, evidence demonstrating effectiveness of robust grievance mechanisms is still not widely seen. Given the scrutiny corporates are likely to face over grievance and remediation mechanisms under regulations such as the German Supply Chain Act and the CSDDD, we were surprised that only a third of the assessed brands disclose evidence of complaints received and rectified during the reporting period.

Overall, two companies improved their category placing this year and, despite the tightening of assessment criteria, 11 of the 33 companies improved their score. However, there continues to be only one company that has scored more than 35 points, placing it in the Leading category. A small group of brands also stood out due to a clear lack of improvement in enhancing supply chain transparency, assessing human rights risks of non-payment of living wages, integrating responsible sourcing practices within procurement to progress the payment of living wages, and providing adequate remedy for grievances – reflected by a marked decline in their scores across most pillars. That said, in our dialogues, it was clear that most brands are finally displaying a move toward the implementation of robust living wage strategies rather than simply disclosing policies and statements in support of living wage payments – reflected by the largely improved scoring as outlined above.

Small discrepancies are noted between company policy/commitments on living wages and recent updates in global standards.
We have seen key developments in international expectations around the payment of living wages in supply chains. These include the ILO's official definition of a

living wage and wage-setting policies, the approaching deadline to report under the CSRD, the CSDDD (which will soon place a legal requirement on companies to contribute to the advancement of living wages in their supply chains), and the UNGC Forward Faster Initiative asking companies to publicly commit to and work towards a living wage target of 2030. With all these developments happening, Garment brands have struggled to keep pace. Not surprisingly, given the changes we made to the methodology to reflect this changing landscape, we saw the greatest variation in scoring under the Policy pillar: Only four brands improved, 20 brands saw their scores reduced, while six remained static. However, we think these are transitional impacts and the gaps can be easily closed.

Most brands have signed up to and participate in multistakeholder initiatives (MSIs) working on living wages and/or upholding the right to collective bargaining. There remains, however, limited evidence of actual impact made on the ground.

Most brands are associated with at least one MSI that is focused on the topic of living wages and/or collective bargaining. Therefore, with the recent methodology update, we required specific examples of how, through this collaboration, companies have advanced the payment of living wages in their supply chains. Only six of the 33 companies were able to demonstrate clearly how they engaged with these MSIs to achieve their living wage objectives, meaning 13 companies saw a decline in their scores compared to last year. Deeper engagement brought to light some inherent challenges - like the risk of putting smaller brands at a potential commercial disadvantage compared to their larger competitors. On the other hand, the conversations reiterated the useful role of MSIs in incorporating regional specificities to be able to navigate the political, commercial, and social challenges on the ground, if well supported by large and small brands alike.

More than 80% of companies provided evidence of a responsible purchasing policy, a third of which provided strong examples of implementation.

We noted a broad understanding of the importance of responsible purchasing practices and their deeper integration into companies' sourcing teams and standard operating procedures via technology and training. Key examples of the implementation of responsible purchasing included vendor selection based on robust supply chain due diligence, improved inventory management systems, ring-fencing of wage costs, supplier capacity building programmes, etc. Nearly half the companies assessed scored highly (four or five points) in this pillar, while implementation challenges were noted for companies with certain business models, e.g. discount retailers, brand aggregators, and suppliers.

Some progress is noted for remediation efforts, but this is still a core area for improvement in terms of disclosures.

While we saw 11 brands score highly in this area (four or five points), 13 of the 33 companies assessed scored two points or fewer. In this regard, the provision of rights-compatible grievance mechanisms continues to be an area of focus. While there has been some work done by brands to evidence that grievance mechanisms are accessible, being used and, where appropriate, independent and anonymous, we would like to see more transparency over grievances received. The categorisation of wage-related concerns would be useful here. Ultimately, we want to see brands disclosing the number of wage-related cases brought and remediated and to bring their efforts to life through case studies.

Limited evidence of efforts to track the effectiveness of living wage strategies.

Overall, brands performed poorly on this pillar, with 26 companies either displaying a decline in score or a score of 0. A key point to note is that it is not clear what qualitative or quantitative metrics brands are using to discern whether living wage gaps are being closed. We are looking for evidence that companies use government and other reliable data sources to monitor the gap between actual wages and living wage estimates. The way that we determine the effectiveness (or outcomes) of strategies has been significantly tightened in this year's methodology update and stricter criteria are now in place. This could partially explain the performance of the companies this year.

Nearly three-quarters of companies assessed disclosed at least a list of owned production sites and the name and location of Tier 1 suppliers.
In line with evolving supply chain transparency requirements, more companies are disclosing at least a list of their own sites and their Tier 1 suppliers to demonstrate robust due diligence measures. The progress made in this regard has been positive, especially by the Garment sector, and we encourage the disclosure of suppliers beyond Tier 1, up to raw material suppliers. We are also looking for other important metrics, like average length of relationship with suppliers and the living wage gap for different supply chain locations to better assess progress.

What is needed for 2025

Now that most brands have showcased their efforts to operationally embed their living wage strategies, we would like to see more disclosure of the key areas of risk and the living wage gaps identified in their sourcing operations. Additionally, there should be more narrative on the engagement that brands have with suppliers and employee groups.

For 2025, the Garment & Footwear Working Group is exploring the value of adapting the methodology in order to assess and engage key suppliers of large brands. While we have assessed a couple of suppliers this year based on the current

MAKING INVESTOR VOICES HEARD!

On July 9th 2024, Fransje Puts from MN attended Inditex's AGM in person, representing her organisation as well as fellow PLWF members AP2, the Ethos Foundation, and Cardano in raising questions on the topic of living wages.

Fransje Puts shares her experience:
"Inditex prioritises living wages as a salient issue within its 'Workers at the Centre' strategy, and we are encouraged by the progress the company has made over the years, as reflected in its improved PLWF scoring. However, we see opportunities for improvement, specifically regarding supplier transparency. Therefore, at its AGM, we asked whether the company is considering conducting an impact study on the effectiveness of its Workers at the Centre strategy, whether it is willing to publish wage data from strategic suppliers, and if it can confirm that it will publish a supplier list, as promised in our most recent engagement call.

In response, Inditex stated that it shares information transparently where necessary and referenced the detailed supplier information it provides to IndustriALL. We believe that if Inditex extends its transparency to include other relevant stakeholders, such as investors, it has the potential to be among the frontrunners within the companies assessed by the PLWF."

methodology, we would like to tailor the methodology to ensure that it is aligned with the operations of key suppliers. To adapt the methodology, consultations with Friends of the Platform and other key stakeholders will be held to garner key insights. The idea behind the methodology adaptation for suppliers is to:

- Corroborate brand action on living wage progress with actual impact on the ground within their supply chains
- Stimulate suppliers to act responsibly towards their workers, leading to a stronger, more resilient supply chain, while not burdening them excessively
- The Platform also welcomes initiatives such as UNGC's Forward Faster initiative, which has two separate goals concerning payment of a living wage and we will proactively use our leverage to persuade more brands to support such initiatives.

In this way, the Platform hopes to expand the breadth of its impact using collective investor action.

Going beyond

Some members go beyond the work of the Platform to encourage change, as illustrated by the Robeco Fashion Engagement Equities Fund.

ROBECO'S NEW FASHION ENGAGEMENT EQUITIES FUND: Dora Buckulčíková, Lead Portfolio Manager of Robeco Fashion Engagement

"In October 2023, Robeco launched the Fashion Engagement Equities Fund, a pioneering investment strategy covering publicly listed companies across the entire fashion value chain and product life cycle. With a dual objective approach, the strategy capitalises on fashion's long-term growth opportunity while supporting a sustainable transition of the industry. Through a pioneering portfolio engagement approach, the team interacts with all companies in the portfolio. While traditional engagement covers only a fraction of the stocks in a portfolio, we aim to engage with every single holding. Focused and frequent interactions with company management and sustainability experts are designed to drive accelerated action on key sustainability challenges in ways that more generalised active ownership activities cannot achieve. This year, we have concentrated our engagement on the supply chains of our investee companies, advocating for responsible sourcing practices, fair working conditions, and living wages. Addressing the 'S' in ESG is often more challenging due to the lack of comprehensive guidelines and reliable data. For this reason, our collaboration with PLWF has been crucial. It has provided us with a leading methodology to assess company's performance, as well as a platform to exchange knowledge with peers, discuss key topics and industry findings in depth, and ultimately amplify our engagement demands."

3. Special feature: Nudie Jeans

We spoke with Sandya Lang, who is the Chief Sustainability Officer at Nudie Jeans, a Swedish denim brand with sustainability embedded in its DNA, about its living wage practices.

How does Nudie Jeans focus on a living wage?
Nudie Jeans was founded on the idea of making great products by using good materials under good working conditions; this foundation has been developed further throughout the years. It became more important to us that we collaborate with suppliers that share our values, are transparent, and which are open to improving working conditions. When we first started with production in India, we were aware that there was quite a gap between the minimum wage and living wage, which is why we started to have discussions with the supplier on how to bridge this gap. We emphasise that having a wage that people in our supply chain can live on is a basic human right. The topic of living wages is not only connected to the monthly salary payment but to many other areas, such as child labour, health and safety, gender equality, among others, so working with wages is also tackling many of the other areas. By acknowledging our own role in the Garment sector, we understood that this an area we need to work on.

Do all workers employed by Nudie Jeans, including the people in the value chain, earn a living wage?
Nudie Jeans does not own any factories, almost no fashion or textile brands do. We place orders at suppliers, who use other subcontractors for assembly, printing, and embroidery for example. We only have a financial relationship with the main suppliers where our orders are placed. This makes the work with living wages in our value chains somewhat complicated. For employees directly employed

by Nudie Jeans, we set wages according to either the Swedish wage standard or collective agreements.

We started with our living wage programme in India with a vertical supplier: a supplier who does all process steps from spinning, dyeing, knitting, sewing, and printing to embroidery. In that way, we could include almost the full production value chain when discussing living wages. Nudie Jeans is a small brand, especially for the apparel part (t-shirts, shirts, jackets etc). Our orders count for about 3 to 5% of the total annual production capacity of the factory in India. This means that we have lower leverage with them compared to larger brands. Because of this lower leverage and the fact that other brands also use this factory, we can only pay for our share of living wages. For all employees at the supplier to receive a full living wage, it would require all brands producing at the same supplier to pay their share as well, and unfortunately this is not the case for different reasons.

Which challenges have you faced when implementing living wages?
The toughest challenge has been to get other brands onboard so there will be an actual impact for the employees. We have one successful collaboration now at a Turkish supplier where four Fair Wear Foundation member brands are currently paying their share of living wages and can close the gap between minimum wage and living wage to a high degree. Other than that, there have been challenges in adapting the programme to local context and specific suppliers and in getting involvement from all stakeholders, employees at suppliers included.

What is the price implication per garment to offset the cost of paying a living wage?
We are paying an additional €0.25 to €1.75 per product for products like t-shirts, shirts, and sweatshirts to achieve a living wage for our products. In our annual report, we present an overview of the details for the programme at four different suppliers .

What is needed in order to have a sector-level change regarding living wages?
We think there is a need for a movement with both a top-down and a bottom-up approach. There is not one single solution that's going to fix the lack of living wages. From our perspective, companies with high leverage and possibilities to influence trade unions, governments, and the political environment should do so. However, the small size of a company cannot be used as an excuse to take no acti-on in this field. That's why we thought that we can and need to do something and take responsibility for the products we put on the market so that customers can be sure that we have paid our share of a living wage. It is also our way of showing that even if you have a low leverage, you can make a difference and real impact.

In your opinion, is a worker-driven change instigated by unions, for example, more effective than brands implementing a living wage policy?
Our ideal scenario includes a worker-driven change, by union representatives and collective bargaining. In that scenario, brands implementing living wage programmes might not be as needed. But in countries like India, where there is low union representation in the first place, it is unlikely that the bottom-up process will be fruitful to generate a strong salary development quickly as the culture of unionisation and worker-voice representation needs to be built. That's the reason we couldn't wait for that process to come in place first and why we felt a strong sense of needing to act directly in collaboration with our supplier to raise wages.

When will the majority of workers in the Garment industry earn a living wage? Can you share your ballpark estimate?
Considering the challenges both at policy and practical level, I'm not too optimistic unfortunately. We have seen some progress over the last few years, and the topic of living wages has gained more attention, but since it is also connected to the general sourcing practices of many brands that are chasing better margins in low-cost countries, it also generally relates to a higher living wage gap. I believe there needs to be a systemic change, and a sense of urgency to the topic in a way that has not been so clear yet, in order for policy makers and companies to take more action.

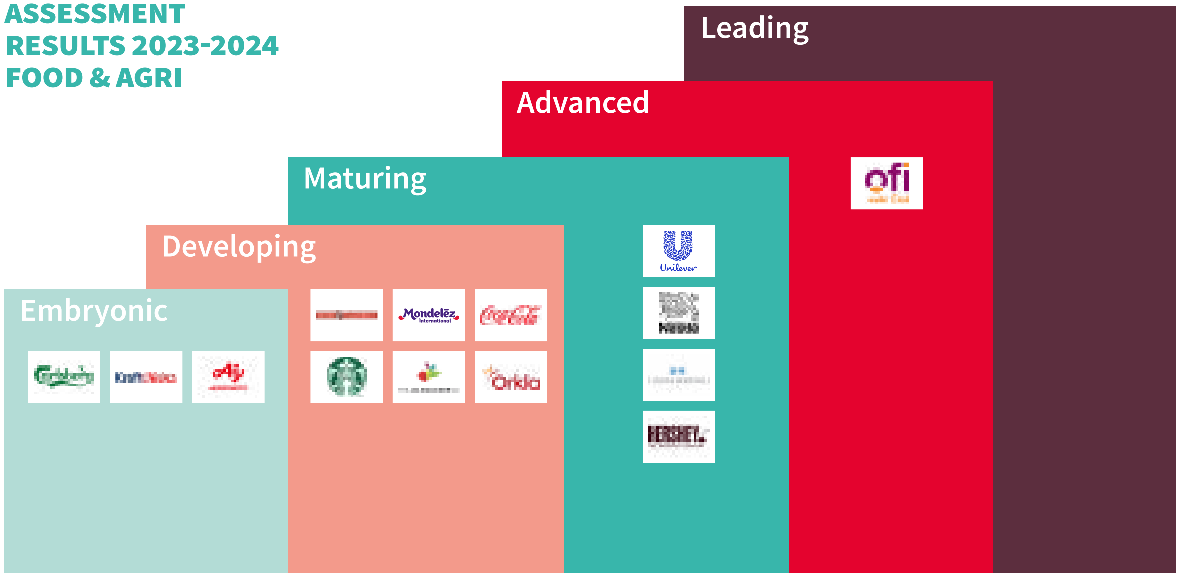
7 See page 40 in Nudie Jeans Sustainability Report 2023: www.nudiejeans.com/blog/nudie-jeans-sustainability-report-2023

4. The Food Agriculture and Food Retail sectors

Key findings

In 2024, the Food Agriculture (Agri) and Food Retail Working Group assessed a total of 22 companies within the Food Agriculture and Retail sectors, consisting of eight Retail companies and 14 Food Agri companies . 2024 was a year marked by the further development of the assessment methodology, which will be elaborated upon in this chapter.

ASSESSMENT RESULTS 2023-2024 FOOD & AGRI



- This year, the majority of companies in the sectors have been placed in the Embryonic and Developing categories. This means that these companies have either not yet recognised the importance of living wage/income in their public disclosures or do not have formal processes to tackle it at their own operations or within the supply chain.
- In 2023, the Working Group's methodology was adjusted. Last year, many companies still performed well against this updated and more stringent methodology – particularly the larger companies that could benefit from their scale and enhanced disclosure. This year however, as a result of the stricter application of our methodology, some companies have performed worse in some areas. We elaborate on the application of our methodology later in this chapter (p. 19).
  - In 2024, however, the performance of a number of companies has improved sufficiently to result in a category change: J.M. Smucker Company and Orkla Foods have progressed from the Embryonic to the Developing category, and Olam Food and Ingredients (Ofi) has progressed from the Maturing to the Advanced category.
  - In the 2024 assessment cycle, we observed that upcoming corporate sustainability regulation in the European Union resulted in more limited disclosures and/or unwillingness to engage with our investor group, as companies prepare for 2025 due diligence disclosures and look to align reporting to regulatory expectations.

Reflections on methodology: Year two

2023 marked the PLWF's five-year anniversary. Times have changed since the Platform first started assessing companies, so the methodology used by the Food Agri and Food Retail Working Group was overhauled to reflect these developments . While still being grounded in the

8 Working group Members (as per December 2024): ABN AMRO, a.s.r. asset management, Achmea IM, APG, ING, LGIM, MN, NN Group, PGGM, Storebrand, VGZ.
9 Companies included in scope are chosen on a yearly basis by the members of the Platform based on the exposure that their portfolios have to these brands

KEY FINDINGS	WHAT IS NEEDED FOR 2025
■ There is no evidence of living income targets being implemented or gaps being closed in a structural and substantial way.	■ More time-bound targets, income/wage gap calculations, higher farmgate prices paid.
■ Recognition of living income in formal policies has improved for Food Agri companies.	■ The Food Retail sector must take responsibility on the topic of living income/ wages in policies and targets.
■ Some companies still fall short of paying living wages to their own employees, and data on living wage gaps is insufficient.	■ More Food Retail companies need to adapt a centralised policy on living wages for employees to ensure it is consistently applied across subsidiaries and global operations.
■ Overall scores of both Food Agri and Retail companies have remained consis-tent, despite a stricter application of the PLWF's methodology.	■ Ambitious action from the in-scope companies to improve their performance against the PLWF methodology.
■ Cocoa companies are starting to measure the living wage and income gap, encouraged by national initiatives such as IDH's Dutch Initiative on Sustainable Cocoa (DISCO) and international equivalents. Please see page 24 for a discussi-on of DISCOs work, priorities, and observations.	■ The role of collaboration with civil society organisations should continue to underpin strong living wage policies, with key expert groups like IDH, FLA, CNV, and sector initiatives like DISCO, Bonsucro, and maybe also the Roundtable on Sustainable Palm Oil (RSPO).
■ Companies appear to be holding back on additional disclosures around human rights/living wages due to upcoming European regulations (CSRD and CSDDD). We note that companies do not provide details of living wages or human rights roadmaps and commitments that were in place before legally mandated requirements came into effect.	■ CSRD and CSDDD will be relevant, even for companies outside the EU. They will also have a positive effect on the living wage agenda, as companies must start reporting on this area, including on how they are addressing the issue.
■ We see a slight increase in the number of Food Agri companies implementing grievance mechanisms.	■ Companies across the Food Agri group must develop adequate access to grievance mechanisms and improve disclosure on how grievances are remedied. They need to open these mechanisms to external stakeholders, such as farm-level workers, and track their use to ensure effectiveness.

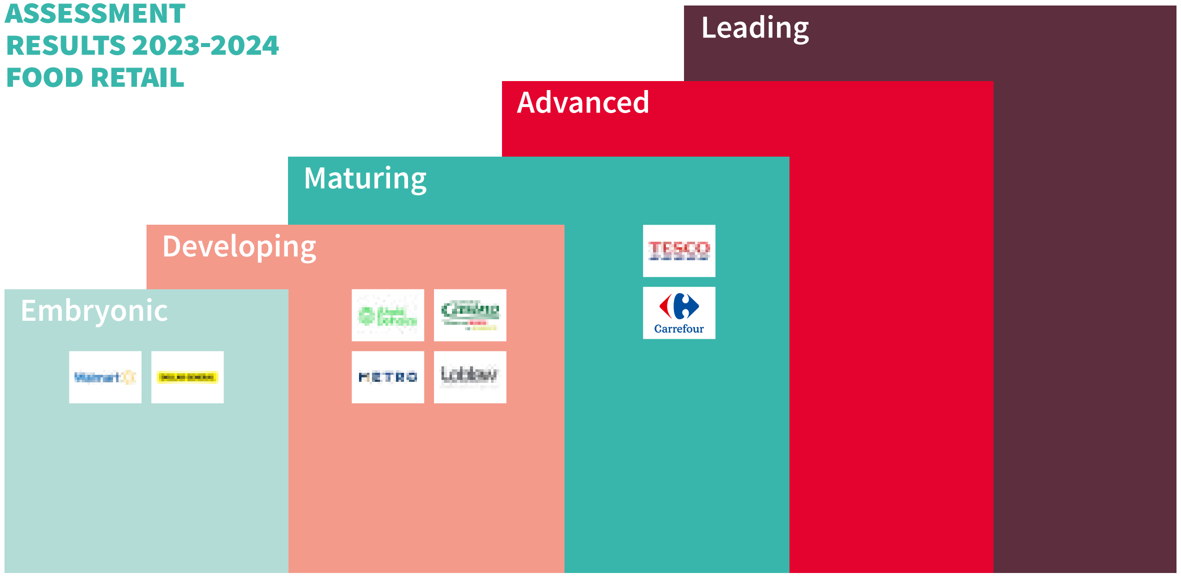
UN Guiding Principles, the methodology update was intended to raise the bar in line with our growing expectations of companies, reduce overlap between questions, and incorporate new insights from previous engagement experiences and public resources. Some examples of the changes that came into play in 2023 are:

- The presence of a human rights policy is a basic expectation of companies assessed.
- Companies should explicitly include living wages and living income as salient factors in this policy.
- The focus has shifted from merely having a policy to the actual implementation of strategies surrounding living wages
- We expect to see quantifiable timebound targets and documentation
- Active involvement of top management is required, through the integration of KPIs linking living income/wages to management compensation

Last year's revision caused companies to generally score lower. This year, we have also worked to ensure we maintain consistency in our application of the methodology and its stringency. Some of the decisions and steps we took are:

- No allocation of partial (0.5) points for partially met KPI criteria
- No longer accepting data or disclosure older than two years
- Maintaining the expectation of global application of policies, i.e. no partial scoring for activities or policies applicable only at the local/brand level vs. global
- Close examination of increases or decreases in performance to ensure consistency across companies within subgroups (Agri/Retail)

ASSESSMENT RESULTS 2023-2024 FOOD RETAIL



Results

This year, on average, companies have only achieved 30-40% of all our indicators. In the Food Agri sector, the average score is 14 out of 37 points, while in the Retail sector it is ten out of 34 points. Ofi has reached the highest category (Advanced) for both the Retail and Food Agri sector.

Food Agri findings

For the Food Agri companies, there is no evidence of living income gaps being closed in a structural and substantial way. This year, we have noted an overall 10% increase in scores regarding the living wage policy. However, four of the 14 companies have still not implemented a living wage policy. There has been a 17% score increase regarding whether the procurement practices of companies enable improvements in farm-level incomes and/or wages.

This year, we have noted an overall reduction of 23% for the average score on how companies track their living wage/income efforts. This is also the lowest scoring category, with most companies only scoring one or two out of five points. This means that most companies have not attempted to assess the living wage gap in their supply chains. To create strong policies and ensure that living wages and incomes are being paid to all people in the supply chain, it is vital for companies to take the next step and assess the actual living wage and income gap that exists in their supply chains.

We also noted a 20% reduction in scores regarding the support by companies to address living incomes for farmers and an 18% reduction of the score on how a company measures the issue of living wages/incomes in their supply chain. Although these reductions can partially be attributed to the stricter application of the methodology (as all lower indicators now need to be achieved in order for companies to receive higher points), it also shows that companies have not improved on this topic.

Although the total score of company assessments has decreased by 2% percentage points this year for the Food Agri companies, this should not necessarily be interpreted as solely due to a decrease in progress or a stagnation of progress. As discussed, in this year's assessment cycle our working group strived to ensure an increasingly stringent application of the methodology, which was updated in 2023. Despite this stricter application, most companies remained in their assessment categories rather than dropping to a lower one.

Recognition of living income in formal policies has improved for Food Agri companies

On Policy, Unilever is the only company that has maintained a full score for the Policy pillar of the assessment, although Nestlé, Ofi, and Hershey have all done well. The updated methodology only awards points for a specific reference to living income and or living wages in policies and no longer gives points for general policies on human rights. Unilever can show, for example, that it has performance

BEST PRACTICE: UNILEVER
Living wages in its value chain

Unilever has paid its own employees a living wage since 2020. In 2021, it expanded its commitment to its supply chain. "Our ambition is for the people who grow, make and sell our products to have a decent livelihood, including by earning a living wage by 2030."

To onboard its suppliers, Unilever set a target for 50% of procurement spend to be with suppliers who've signed its Living Wage Promise by 2026. They ask suppliers to measure living wage gaps, put in place a plan to close gaps, and report progress. Alongside IDH – the sustainable trade initiative – Unilever launched a capability building programme for its key suppliers to equip them with the tools and expertise to start their living wage journey. The capability programme includes (amongst other factors) a playbook, numerous clinics with living wage experts that suppliers can join, as well as partner events where suppliers can share experiences.

To further enable progress, Unilever leverages business coalitions and partners, including UN Global Compact, the World Business Council for Sustainable Development (WBCSD), and AIM-Progress, to drive increased private sector action and government legislation, which levels the playing field.

incentives linked to achieving a living income/wage. The incentive programme has clear KPIs and is given reasonable weight in compensation schemes.

Grievance mechanisms

We have not seen significant progress regarding grievance mechanisms or evidence on systemic access to remedy. Companies still have quite basic grievance mechanisms, which are often limited to their own employees. Few companies show evidence that the complaints mechanism can be used by external stakeholders, including farmers and farm-level workers, to submit human rights grievances or that the mechanisms are available in local languages of the company's key sourcing markets. Where grievance mechanisms are in place, more transparency on remediation is expected. This is the case for both Food Agri and Food Retail companies. In light of upcoming EU Regulation – please see page 23 – we hope to see a structural improvement in the provision of access to grievance mechanisms, and an honest reflection on remediation provided, its effectiveness, and challenges encountered.

Food Retail findings

The area of our methodology where almost all Food Retail companies score well is in relation to engagement with stakeholders, as companies are demonstrating that they are engaging with stakeholders on the issue of living wage. The two highest scoring companies (Tesco and Ahold Delhaize) still need to demonstrate how they are making sure that any engagement process with negatively affected stakeholders is fair. For example, this can include what steps are taken to ensure that any language barriers are addressed and to make sure that there is an adequate number of representatives from the negatively affected stakeholders. The other companies assessed need to provide more insight into stakeholder engagements where they play a very active role.

BEST PRACTICE: OFI
Adapting interventions through farmer segmentation

Olam Food and Ingredients (Ofi) has stood out as a leader amongst companies in the Cocoa supply chain for some time. Building on its strong performance in 2023's PLWF assessment cycle, this year the company is now fulfilling key aspects on the road towards farm-level living incomes in its Cocoa business and has progressed to the Advanced category.

Ofi has set a target of achieving a living income for 200,000 Ofi farmer households by 2030, with 80,000 farmer households by 2025 as an intermediate target. The company currently ensures a living income for over 50,000 farmer households. Ofi has funded publicly available living income benchmarks and created open-source tools. It also shares best practices and openly discusses challenges that the company has encountered.

One of its best practices is interventions adapted to different farmer segments. Field staff and agronomists continually seek the best techniques and interventions to help farmers optimise their crop yields, quality, and efficiency. By segmenting farmers, for example based on farm size and yield, they can customise interventions to more specifically address farmers' needs and to help them get closer to achieving a living income. For example, farmers that have a large plot of land but low yields receive support with crop diversification and farmers with a small plot of land and low yields receive support such as pruning tools.

"In 2023, together with our partners, our in-country field teams helped enhance farmer livelihoods by providing support such as training, agricultural inputs, credit, and infrastructure to nearly 500,000 farmers across our global supply chains. And we've seen that when supported, farmers earn a decent income, and they're more likely to invest in their farms, send their children to school, and cover essential costs like food, clothing, and healthcare, all of which can support other benefits like improving soil health or reducing the risk of child labour."

Yves-Pascal Suter, Ofi Social Sustainability Lead
www.ofi.com/content/dam/olamofi/sustainability/sustainability-pdfs/choices-for-changes.pdf

Carrefour is the only company within the Food Retailers being assessed to have published an overall policy on addressing living wages for their own employees and supply chain workers and to use a living wage definition that is approved by the ILO. However, its expectation covers the entire supply chain and that may impede its follow-through. By contrast, Tesco sets out its policy on living wages but only for key products that it considers to be a priority in terms of risk to wages and where it can exert more influence. We believe a combination of the two is possible – to have an overarching policy and then focus on key products based on the highest risks. Doing so may allow
Carrefour to progress its living wage policy and be able to demonstrate how it is being applied within its supply chains. This would then allow Carrefour to determine the current gaps and set out a timeline to close those gaps.

An area where companies lost valuable points is in relation to the Remedy pillar. Companies are generally good at explaining their grievance procedures and most have a website in multiple languages, even though accessing them isn't always straightforward. However, we could not find any information on what steps are being taken to ensure that smallholders/supply chain workers are made aware of the availability of grievance mechanisms. This is particularly important when it comes to farmers as they are further removed from the supply chain. We believe this is a small but important step and will enable more points to be earned and we look forward to seeing better disclosure in 2025. The section of our methodology where companies scored the worst is in providing a formal definition of a living wage. We hope that the scoring for this will improve in 2025, now that the ILO has published a formal definition that was approved by a tripartite agreement.

Did the Food Agri/Retail companies deliver on what the Platform set out as needed for 2024? Sadly not, but with increased regulation from 2025, we expect disclosu-

2024 SOCIAL BENCHMARK FINDINGS ON THE LIVING WAGE BY THE WORLD BENCHMARKING ALLIANCE

Only 4% of the 2,000 most influential global companies commit to living wages, missing a key opportunity to reduce inequalities

By providing decent employment and supporting their suppliers to do the same, companies have a significant opportunity to positively impact the lives of workers and communities. The 2,000 companies assessed in the Social Benchmark directly employ a total of 95 million people, with their reach extending to hundreds of millions more through their supply chains. However, the findings reveal a notable gap between companies' actions and society's expectations regarding key aspects of decent work, such as a living wage. Less than 4% of companies pay their direct employees a living wage or have a time-bound target to do so, and only 3% support the payment of a living wage within their supply chains.

The Apparel sector vastly outperforms all others, with 11% of companies taking action within their own operations and 22% addressing living wages in their supply chains. Food and Agriculture companies show above-average performance in their own operations, with 7% offering a living wage. Meanwhile, Retail companies stand out for their efforts in supply chains, with 13% taking action to ensure a living wage. Of the companies that have made concrete steps toward paying a living wage, the majority currently provide it, while only a small minority have set time-bound targets to do so. This suggests that most companies are not yet planning how to bridge the gap between workers' current pay and a living wage. The Social Benchmark findings also highlight a lack of comprehensive strategies that cover both a company's operations and its supply chain, with only 1% of companies taking action in both areas. The 2,000 most influential companies are failing in their responsibility to provide an essential contribution to the 2030 Agenda, in particular on SDG 8 – Decent Work and Economic Growth.

res to improve. We are confident that all the Food Retail companies are more active in addressing the living wage than their disclosures demonstrate and look forward to more disclosure in 2025.

EU legislation and (potential) implications for PLWF companies

In 2023, the Corporate Sustainability Reporting Directive (CSRD) came into force and the first CSRD reports will be released soon. The much-anticipated Corporate Sustainability Due Diligence Directive (CSDDD) was adopted in July 2024. In 2027, the first round of companies will have to comply with the CSDDD. Both directives build on the principles of due diligence as included in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The CSDDD even establishes a corporate due diligence duty through the laws of EU Member States. The main focus of the CSDDD is to identify and address potential and actual human rights and environmental impacts in a company's own operations and those of its business partners across the value chain. The CSDDD requirements are largely in line with the OECD guidelines, which are in turn complementary to the UN Guiding Principles on Business and Human Rights, to which the PLWF philosophy and methodology aligns. More concretely, under CSDDD, companies must conduct risk-based human rights and environmental due diligence, by carrying out the following actions :

- Integrating due diligence into their policies and risk management systems
- Identifying and assessing actual or potential adverse impacts
- Preventing and mitigating potential adverse impacts, and bringing actual adverse impacts to an end and minimising their extent
- Providing remediation to actual adverse impacts
- Carrying out meaningful stakeholder engagement
- Establishing and maintaining a grievance mechanism


Beeld: Sara Kurfess

- Monitoring the effectiveness of the due diligence policy and measures; and
- Publicly communicating on due diligence

It is worth noting that the CSDDD does not require companies to eliminate adverse impacts immediately or guarantee that no issues will arise. Instead, the directive requires companies to 'take reasonable steps to address these impacts', prioritising actions based on their severity.

What does this mean for companies evaluated by the Platform Living Wage Financials?

- **CSDDD includes an explicit requirement for remediation**
  Because of this requirement, PLWF expects companies to address this issue at a basic level as part of their due diligence disclosure. However, the granularity of disclosure PLWF is looking for is not for companies to simply indicate that they

11 PRI Investor Briefing – EU Corporate Sustainability Due Diligence Directive, Accessible via: www.unpri.org/download?ac=20953
12 CSDDD will apply to large EU limited-liability companies & partnerships: +/- 6,000 companies - >1000 employees and >EUR 450 million turnover (net) worldwide; and large non–EU companies: +/- 900 companies - > EUR 450 million turnover (net) in EU. Access details via European Commission Corporate Sustainability Due Diligence.

have a helpline in place, but to disclose whether and how the system is being used, details on the types of remediation that are provided, and details such as what challenges are faced by companies and how these are being addressed.

- **Regulation puts human rights due diligence on the map**
  Together, CSDDD and CSRD represent some of the most comprehensive and ambitious attempts to consolidate companies' responsibility for their impacts on people and the planet. Despite applying to a limited subset of companies , the regulations do put human rights due diligence (HRDD) on the agenda. Their impact is largely expected to extend across global supply chains by requiring the explicit consideration by businesses of protection of human rights and the environment, the promotion of sustainable investment, and enhanced capacity building and support for value chain companies.

- **Though we see significant opportunities for positive impact, we also see potential risks**.
  We see a potential risk of companies back-tracking on existing commitments and disclosure, no longer willing to go beyond what is strictly required by legislation due to resource constraints or (perceived) compliance risks.

- Similarly, we see a risk of companies taking a box-ticking approach to HRDD given the volume of legislation they are required to adhere to.
  This would erode progress made (in the cases of high-performing companies) or willingness to report in greater depth by companies in general.

This assessment cycle, we have observed a very cautious approach by companies who seem unwilling to speak too early or to say too much. Companies appear to be taking a more conservative or reserved approach to new disclosure and commitments, explaining to us that they do not want to duplicate disclosure or to have to roll-back commitments once CSRD/CSDDD-aligned reporting is released. Additionally, the politicalisation of ESG issues in the United States (US), has prompted some US companies to delay or scale back their social commitments and disclosures. We hope to see enhanced HRDD reporting and meaningful actions from the companies we engage with, including time-bound, clear, and supply-chain-inclusive targets starting as early as 2025's reporting cycle.

CASE STUDY: IDH

"Through the IDH's Dutch Initiative on Sustainable Cocoa (DISCO), major companies active in the Dutch Cocoa and Chocolate sector, together with the Dutch government and civil society organisations, work together to enable cocoa farming families to close living income gaps. To reach this joint ambition, this multistakeholder partnership agreed in 2020 to use a stepwise approach that is in line with the IDH Living Income Roadmap. Many of the companies covered in the assessment and engagement process of the Platform Living Wage Financials Food Agri/Retail Working Group are members of either the Dutch Initiative on Sustainable Cocoa or their respective country's similar organisation.

First, all companies start measuring the gap between the current average income level of cocoa-producing households and the living income benchmark applicable in that region, to have better insights into the size of the problem. To enable a unified and efficient methodology to measure living income gaps, a sector-wide approach is being developed in collaboration with similar initiatives in Belgium, Germany, France, and Switzerland (also called the ISCOs) and other relevant organisations involved in the Cocoa sector.

Second, companies in DISCO start taking action to close the living income gap by developing, implementing, and scaling a 'smart mix' of strategies. Those strategies range from improved procurement practices and implementing service delivery programmes, to creating an enabling environment. When implementing those strategies, companies look at the most important drivers of income, including price, productivity, cost of production, and diversified incomes.

Lastly, companies monitor the progress on closing living income gaps. In collaboration with the other ISCOs in Europe, companies annually report on the progress they make towards closing living income gaps, which is reported publicly. This creates increased transparency on the progress, which helps in holding companies and the broader sector accountable for their performance.

In the latest DISCO Annual Report, it became clear that the sector needs to accelerate actions and scale them up to larger parts of the supply chain to actually achieve concrete impact. The current low percentage of cocoa farming households for which a living income strategy is implemented (5.29%) and the fact that only 10.62% of the cocoa farming households in the supply chains of DISCO signatories earn a living income show that the DISCO partnership is far from reaching its targets. To approach this challenge through DISCO is in line with the idea that a partnership can achieve more than the sum of the individual efforts.

Currently, one of the biggest challenges in making progress is to scale 'smart mix' living income strategies to the broader supply chain. Although all actors have their own individual responsibility to do whatever they can to contribute to closing living income gaps, there are often issues that are outside the direct sphere of influence of individual companies. These include inefficiencies in collecting income data, trading mechanisms in countries of origin, and limited demand for sustainable cocoa in non-European markets. By working together (and also with the other ISCOs in Europe) and defining routes to address these challenges, the underlying issues that prevent scaling living income strategies can be tackled."

Mark de Waard, Program Manager Cocoa, IDH

What is needed for 2025

As regulation on human rights due diligence, and guidance, standards, and tools around living wages and income are now rapidly maturing, our expectations of companies are also increasing. As the agenda has evolved, businesses can no longer provide general commitments with little action. Clear roadmaps for businesses are available, with tools and, if needed, further guidance and support. We therefore expect:

- More transparency, and better and more concrete data on processes and progress
- Living income and living wages gap calculations
- Time-bound targets for closing the gaps
- Comprehensive reporting on progress made, including the percentage of wage/income gaps reduced, and the scale of workers affected
- Systematically including voices of rightsholders in strategy and programme development
- Structural complaint and grievance mechanisms to be set up for internal and external stakeholders and evidence of remediation provided

By following these recommendations, companies should be able to improve their performance for next year and progress towards closing the living wage gap. New regulation should help push companies in this direction as they will have to comply with and report in alignment with new laws such as the EU Deforestation Regulation (EUDR), which requires companies trading in cattle, cocoa, coffee, palm oil, rubber, soy, and wood, as well as products derived from these commodities, to conduct extensive due diligence on the value chain. The EUDR has been delayed, but it will become material in the near future. The upcoming CSDDD and other laws specifically requiring

companies to report on living wages, such as the Norwegian Transparency Act and the German Supply Chain Due Diligence Act, should further push companies in this direction. We therefore believe it is crucial that any new EU human rights due diligence regulation explicitly requires companies to assess the risk of poverty linked to wages/incomes in their own operations and/or supply chains.

5. Escalating engagement: Nike shareholder resolution

Engagement is an important investor tool, enabling shareholders to leverage their channels to hold goal-oriented discussions with investee companies and encourage them to progress in a specific direction. The PLWF has been engaging with companies for the past five years on the importance of taking steps towards the facilitation of paying living wages and living incomes in global supply chains. At times, an engagement process may fall short of shareholder expectations in terms of responsiveness or progress made toward objectives. Investees may fail to respond, provide insufficient answers or insights, or take inadequate action despite clear communication. In such cases, investors can escalate their engagement in different ways. These include sending letters to executive or non-executive directors, issuing public investor statements highlighting shortcomings, voting against directors at the company's AGM, raising concerns at AGMs, or filing shareholder proposals. The PLWF, as a coalition of investing managers with different investment strategies, cannot escalate any engagement collectively, but individual PLWF member investors can utilise escalation tactics as part of their stewardship efforts.

In 2023, 70 investors, including individual members of the PLWF, collaborated to address a specific case of labour rights violations involving Nike, a US-based footwear and apparel company. Collectively, the investors sent a joint letter urging the company to resolve outstanding wage payments owed to over 4,500

garment workers in Cambodia and Thailand. These workers, employed by Nike's major international suppliers – the Ramatex Group and the Hong Seng Knitting Group – were collectively owed US$ 2.2 million in unpaid wages and benefits following factory closures in 2020. Despite the number of shareholders supporting this letter, Nike did not respond to it. During the annual PLWF engagement call, the matter was raised again, but yet, the company remained unresponsive to efforts to engage on the matter. While annual PLWF engagement calls with Nike took place on a regular basis, the openness of the company to provide detailed answers on questions and their progress in terms of the assessment of their efforts towards the payment of living wages in their supply chains, remained limited.

Three PLWF members – Triodos Bank, PGGM, and CCLA Investment Management – then decided to escalate the engagement further and file a shareholder proposal together with like-minded investors in North America that had previously engaged with Nike on labour rights. The inclusion of US investors was a valuable addition for us as we could therefore include more local views as well, given Nike is a US headquartered company. Shareholder proposals are usually non-binding recommendations or requirements that shareholders present at a company's shareholder meeting. The format, language, and process are strictly regulated. Therefore, the group of five investors negotiated and co-drafted a shareholder proposal that would make the investors' interests clear without being prescriptive.

The proposal called for a report assessing how adopting worker-driven social responsibility (WSR) principles and supporting binding agreements could enhance Nike's ability to identify and address human rights issues in high-risk sourcing countries. WSR is a proven approach to tackling systemic labour challenges, placing workers at the forefront by empowering them to design, monitor, and enforce labour standards. This leads to more accurate risk identification and faster remediation. A cornerstone of the WSR model is binding agreements, which ensure enforceable commitments and promote transparency, particularly in regions prone to corruption or worker intimidation. In contrast, Nike's reliance on voluntary corporate social responsibility initiatives, which lack enforceable mechanisms, falls short. The co-filers argued that implementing WSR principles would not only protect workers but also safeguard Nike's long-term value by mitigating operational disruptions, legal risks, and reputational harm caused by labour rights violations. With new regulations, such as the CSDDD, requiring stronger human rights due diligence, companies like Nike are under increasing pressure to enhance their supply chain practices. Adopting more transparent, outcome-oriented practices that go beyond 'check-the-box' approaches aligns with evolving investor expectations and regulatory demands.

The proposal was accepted and added to the agenda of Nike's AGM on September 10, 2024, receiving 17% of the votes (corrected for double counting of Class A and Class B shares). Although this percentage was insufficient to compel action, it sent a strong message that investors take human rights concerns in Nike's supply chains seriously. It also provides leverage for ongoing PLWF efforts to push the company to enhance tracking and benchmarking of wages and to make business decisions that support the payment of living wages for factory workers.

6. Conclusion

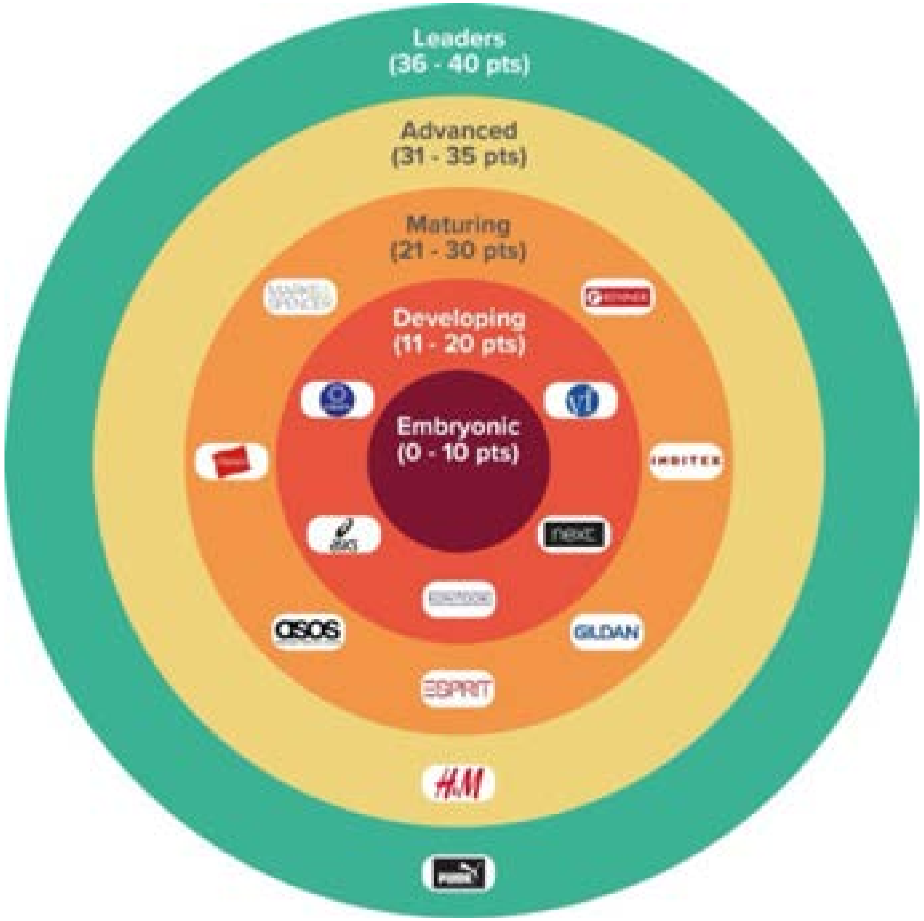
With only five years remaining until the SDGs are due to be achieved, the urgency to ensure widespread adoption of living wages and incomes within company supply chains is vital. Despite the growing awareness and attention to this vital issue, the PLWF did not see a broad implementation of living wages and incomes by companies this year.

Implementing living wages and incomes is fundamental to tackling systemic poverty, reducing inequality, and fostering economic sustainability – key principles of the SDGs. As stakeholders increasingly demand accountability, companies must move beyond mere acknowledgment of the problem and prioritise comprehensive, timely action.

The PLWF remains committed to its goal of accelerating this change. By continuing to hold companies accountable, the Platform seeks to inspire and facilitate tangible improvements in corporate living wage and income policies. Furthermore, the PLWF urges companies to embrace collaborative approaches, partnering with peers, governments, and non-governmental organisations (NGOs). Such alliances are crucial for creating systemic shifts, as they can leverage collective resources, influence, and expertise to address challenges more effectively.

The PLWF calls on all stakeholders to act with urgency, ambition, and unity. By embedding living wages and incomes into supply chains, companies can contribute meaningfully to the realisation of the SDGs while ensuring dignity and economic security for workers around the globe. The time to act is now – delays will only worsen existing inequities and jeopardise the collective progress needed to build a sustainable future for all.

Appendix 1. Results ASN



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 reviewing the assessment methodology and by providing assurance to our work.
The assessment methodology can be found here.

Each assessment took about two weeks to fully complete. A 'four-eyes' principle was used, which means that each assessment was read by at least two different people, usually colleagues or PLWF partners. Then the assurance process with Mazars started. Their team reviewed our evidence and scoring and checked the 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 parent company.

Financials for living wage

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