



## ANNUAL REPORT 2022-2023

*Collaboration is Key*

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Photo: Photothek/Steffen Kugler



## Preface

Receiving a living wage for your work is a universal human right. Ensuring workers are paid fair wages is the best means to fight poverty and key to prevent human rights violations such as child labour and inhumane working conditions. The wages need to enable people to feed themselves and their families; and to pay for clothing, accommodation, health care and also to make savings.

Some 450 million people worldwide work along global supply chains. Many of them are not paid fair wages. Women and other marginalised groups are especially affected by precarious working conditions and, on average, they earn even less than their male colleagues. In the spirit of a feminist development policy and given that wages are a central lever to improve the working and living conditions of women and marginalised groups, they are at the heart of our development cooperation engagement.

A concerted effort by all stakeholders is required to ensure living wages. This also includes the financial sector. Because the decisions taken by investors can play a key role and serve as a lever to bring about real change. Responsible investments set the long-term course for structural change in supply chains. A platform that is dedicated to investment aimed at enabling living wages can therefore be a catalyst to stimulate a transition towards better wages.

That is why I would like to extend my sincere congratulations to the Platform on Living Wage Financials on its fifth anniversary and thank you for your engagement. We all have a responsibility towards the people working in supply chains. With its work the platform contributes to making global supply chains more sustainable.

Dr. Bärbel Kofler, Parliamentary State Secretary

## Key Message of the Platform

2023 marks the five-year anniversary of The Platform Living Wage Financials and of our engagements with companies. The 2023<sup>1</sup> Platform Living Wage Financials (PLWF) report presents the annual assessments of investee companies on their progress towards facilitating living wages and living income in their global supply chains. Overall, assessed companies have shown improvement this year regarding developing living wage and living income policies and practices and are integrating these topics within their responsible purchasing practices.

The challenges identified in all three focus sectors, garment, food & agriculture, and food retail, remain the disclosure of data on actual incomes and income gaps in the supply chain. In addition, the initiatives on living wages and living incomes are still mostly small-scale and so it is time to upscale initiatives and implement programmes in day-to-day operations. Lastly, to ensure good practices “on the ground”, complaint mechanisms and access to remedy are important. However most companies still fall short of the necessary implementation of these mechanisms.

During the year, the PLWF counted 20 investor members and covered 52 companies for assessments and engagement efforts. Both working groups updated the assessment methodology to better assess impact on the ground and to raise the bar on what the PLWF as a platform expects. This contributed to stable performance in assessments and even decreasing scores compared to the previous year. The PLWF is committed to keep pushing for improvement in corporate practices and real world impact.

1 The PLWF report 2023, reports over its findings from the assessments performed in 2023. However, these assessments are based on corporate reports of investees of 2022.

## Key findings

### Garment & Footwear sector

- Companies are stepping up efforts to assess the impact of the non-payment of living wages
- 50% of companies provided evidence of responsible purchasing practices
- Remediation is still a core area for improvement
- There is limited evidence of efforts to track the effectiveness of living wage strategies
- A lack of emphasis on the importance of union dialogue at the supplier level

### Agriculture & Food and Food Retail sectors

- No evidence of living income gaps being closed in a structural and substantial way
- Recognition of living income in formal policies has improved for Food & Agricultural companies.
- Most companies commit to responsible purchasing practices, but only a few commit to paying higher farmgate prices.
- Some companies still fall short of paying living wages to their own employees and data on living wage gaps is insufficient.
- Feedback from stakeholders is starting to be integrated in strategies for Food & Agri, less for Food Retail.
- Weak complaint and remediation mechanisms for human rights grievances.

While it is important to push companies individually, the Platform has experienced that investees find it challenging to implement living wages and living incomes on their own. Knowledge exchanges with Friends of the Platform highlighted the need for collaboration among brands with a shared

supplier base, as well as the wider collaboration of companies with civil society organizations and labour unions to understand the situations of workers.

In line with the title of this year's annual report "The Urge to Improve" the Platform creates impact by challenging companies in terms of their focus on collaboration, disclosure of transparent wage data and tracking progress on how initiatives are scaled up from pilot projects to encompassing company practices.

#### A MESSAGE FROM NEW PLWF MEMBER CCLA:

CCLA believe that responsible investment means stewarding capital carefully for the long term to create a Better World. However, the world is not in a good place. Aside from environmental concerns, the OECD recognises that inequality is at its highest for half a century. Growing inequality is a systemic risk to society and investment portfolios.

A Living Wage is a Human Right, recognised in ILO conventions. Moreover, ensuring more businesses pay living wages is a key way investors can address poverty and growing inequality.

CCLA have been working to ensure that UK-listed companies are Living Wage accredited for many years, but we recognise that if we are truly to tackle growing inequality, we need to tackle wages in supply chains that affect potentially millions of people all around the world. Supply chains by their nature are complex; they have imbalanced power relations; are opaque and stretch to countries with poor human rights records or low levels of labour market enforcement. Yet investors can and should use our influence to address this complexity.

We are delighted to join the Platform for Living Wage Financials in 2023. We have admired the group from afar and look forward to collectively engaging the companies we hold on what more they can be doing for the workers in their supply chains.

Peter Hugh Smith, Chief Executive, CCLA Investment Management



## 1. Introduction

The PLWF is a coalition of 20 financial institutions that engage 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 €6.58 trillion AUM.

As of 2023, the PLWF consists of the following financial institutions (in alphabetical order): ABN AMRO, Achmea Investment Management, Aegon Asset Management, Amundi, AP2, APG, ASN Bank, a.s.r, Cardano, CCLA Investment Management, Columbia Threadneedle Investments, Coöperatie VGZ, Ethos Foundation, ING, LGIM, MN, NN Group, PGGM, Storebrand Asset Management and Triodos Investment Management.

### Keep pushing for living wages and living incomes

The focus on the topic of living wages and living incomes is still very important. Where legislation on human rights due diligence in Europe is developing rapidly, companies are still trying to find their way in implementing living wage and living incomes in their global supply chains. The Platform sees a positive development on living wages and living income policy, guidelines, and responsible purchasing practices. However, the evidence of implementation on the ground is still lacking. This is a significant concern to the Platform who strives to push for more effective results for the workers in the supply chain.

The PLWF therefore decided to raise the bar this year by updating the assessment methodology for both working groups.

### 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 in terms of new developments regarding the work towards living wages and living income.

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 3.

### Collective action beyond the Platform

The PLWF has been recognized for its work on promoting the topics of living wage and living income and is regularly asked to provide comments, participate in panels and support advocacy initiatives. In 2023 the PLWF has been active in the Informal Expert Group of the OECD [Handbook for living incomes and wages](#) that will be published at the end of 2023. The Platform hosted a

#### *Hannah Koep-Andrieu, Head of Due Diligence, OECD Centre for Responsible Business Conduct:*

“We are working on a Handbook on Due Diligence for Enabling Living Incomes and Living Wages in agricultural, garment and footwear supply chains. The idea is to support companies in those sectors to move from commitment to action on achieving living incomes and living wages, building on the OECD due diligence framework and drawing on good practices, tools and data. We work through a participatory multi-stakeholder process in which the Platform for Living Wage Financials took an active part, bringing in its wealth of experience on engaging with investors on living wages.”

side session during the OECD Forum on Due Diligence in the Garment and Footwear Sector. In addition, the PLWF has supported a letter to the ILO, initiated by IDH and other civil society organisations and asking the ILO to include a clear definition of living wages and living incomes in its work.

Similarly, the Platform requested **Bonsucro**, the sustainable sugar certification scheme, to provide an update of their progress on the living wage and living income roadmap. Bonsucro set up a living wage working group and the Platform supports the efforts and closely engages with the working group on ongoing work, plans and progress.

Early in 2023, the Platform welcomed the **UN Global Compact's efforts** to encourage and support its members to work on living wages and living income in their own operations and global supply chains. This call for action can be placed in the context of the increasing urgency to make progress on the UN Sustainable Development Goals. PLWF members participated in a Global Compact workshop on living wages in The Netherlands and were linked to local Global Compact experts in several other countries. PLWF welcomes the Global Compact **Think Lab on Living Wage**<sup>2</sup> and the **'Forward Faster'** initiative, where Global Compact has set clear targets on living wages for member companies.

### Collaborating with key stakeholders

To push investee companies on paying living wage and living income, advice from experts and the Friends of the Platform is important.<sup>2</sup> Friends of the Platform are often invited to the Plenary meetings or working group meetings to explain their activities, collaboration opportunities and 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.

#### *Honore Johnson, Senior Innovation Manager - Better Jobs at IDH the Sustainable Trade Initiative:*

"IDH is thrilled to celebrate our partnership with PLWF, recognizing the pivotal role that finance plays in advancing the noble cause of living wages. Platform Living Wage Financials (PLWF) is a formidable force, exemplifying how financial empowerment can be a driving catalyst in spurring progress towards fair wages in global supply chains."

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 learned that not all policy commitments are resulting in concrete and effective living wage and living incomes strategies.

In 2023 PLWF members continued conversations with Dutch Sustainable Trade Initiative (IDH) about strategies and best practices to advance living wage in different global supply chains, focusing this year on cocoa. IDH is closely involved in the "Côte d'Ivoire – Ghana Cocoa Initiative" a joint partnership between the Republics of Côte d'Ivoire and Ghana, to work on better livelihood of cocoa farmers and has developed **important tools** for companies to start working on living wages and living income.

### Escalation Mechanisms

Alongside active collaborating as a Platform, the PLWF provides guidance to its members on engagement escalation mechanisms, which investors can integrate in their own investment stewardship strategies. These include raising the concern in a letter to the investee's CEO and/or board; a public statement on escalation of engagement with the company; voting against directors at the next AGM and submitting and/or voting on shareholder

<sup>2</sup> The friends of the platform of the PLWF are: Fair Wear Foundation, Hivos, Living Wage Lab, Better Buying, ACT, Fair Food, Amfori, Fair Labor Association, IDH, Solidaridad, Katalyst Initiative, Clean Clothes Campaign, Fashion Revolution and Transformer Foundation.

resolutions; exclusion of company from the investor's investment universe. The PLWF only provides a general guidance, and these decisions are made individually by each platform member.

### This report

The 2023 PLWF report gives a clear picture of the efforts made by companies under engagement, of a coalition of investors on improving living wages and/or living income in their supply chain. This includes the results, and explana-



Photo: Bonsucro

### *Mira Neumaier, Executive Director, ACT (Action, Collaboration, Transformation)*

“ACT has been a friend of the Platform Living Wage Financials for several years and reasons: the relationship between financial investments and business is as intertwined as between workers and their employers - building on each other they also shape global supply chains. The PLWF addresses the necessity of living wages and, through the perspective of investors, gives weight to workers' rights. ACT aims at achieving living wages in the garments, textile and footwear industry through collective bargaining, supported by responsible purchasing practices of brands. Bringing together the global trade union federation IndustriALL Global Union and international brands and retailers, it is of paramount importance for ACT to partner with the PLWF. The exchange of expertise and investor's assessments played an instrumental role in informing and supporting the ACT programmes and developments thus far.”

tion of key findings and what is needed for 2024 and beyond. In addition, the working groups give insights on best practices and collaborations with Friends of the Platform.

Alongside the assessment results and key finding, the PLWF wanted to provide some insights in the way of working. The report therefore includes a section on critical engagement questions and possibilities for escalation decision by PLWF members when companies are underperforming on living wages and/or living income despite having their autonomy and adhering to their individual investment and engagement strategies.

## 2. The Garment & Footwear Sector

### Key findings Garment & footwear sector:

In this assessment cycle, we have seen greater evidence that brands are moving from policy to action in terms of their efforts to implement living wages. The importance of responsible purchasing practices is now broadly understood. However, based on the results and dialogues conducted with Friends of the Platform, such as the Fair Labor Association, ACT and other stakeholders, brands should engage more with trade unions and employee groups. Whilst it is not the role of brands to encourage unionisation, proactive dialogue can help mitigate risk and progress the development of effective collective bargaining agreements. Overall, while only three companies improved their category this year, half the dataset made progress within their existing band and two-thirds of the dataset are categorised as ‘Maturing’ or above.

### Refining the Garment methodology

This year, in collaboration with our external auditors, the criteria under the Assessing Impacts section of the PLWF methodology was updated. Previously, the methodology had more focus on the company’s understanding of human rights risks that could result from the non-payment of living wages. The changes allow to gain more insight into brand efforts to analyse their exposure to the risk of living wages not being paid and the living wage gap in their main sourcing countries.

### Insights from the garment and footwear sector

The Garment and Footwear Working Group<sup>3</sup> assessed 31 garment and footwear brands over the summer of 2023. Below are the key findings of the assessment cycle:

KEY FINDINGS	WHAT IS NEEDED FOR 2024
■ Companies are stepping up efforts to assess the impact of the non-payment of living wages	■ More disclosure is needed on actual living wage gaps in direct operations and supply chains
■ 50% of companies provided evidence of responsible purchasing practices	■ More narrative on how responsible purchasing practices have been implemented
■ Remediation is still a core area for improvement	■ Evidence that grievances are being monitored and disclosure of grievance categories
■ 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
■ A lack of emphasis on the importance of union dialogue at the supplier level	■ Transparency over brand exposure to unions and how continued dialogue has a positive impact on wages

<sup>3</sup> Working group members (as per September 2023): Cardano, Aegon Investment Management, Amundi, ASN Bank, AP2, CCLA, Columbia Threadneedle Investments (working group chair since August 2021), Ethos Foundation, LGIM, MN, PGGM, Storebrand, Triodos IM, VGZ

## Results

This year, we saw company scores increase the most across the Assessing Impacts, Integrating Findings and Remedy pillars of the working group's assessment methodology. This is corroborated by the fact that 18 out of 31 brands have living wage policies and programs that are addressed at board level and ensure sufficient training is provided to operationally embed implementation strategies. While this is positive and highlights the progress

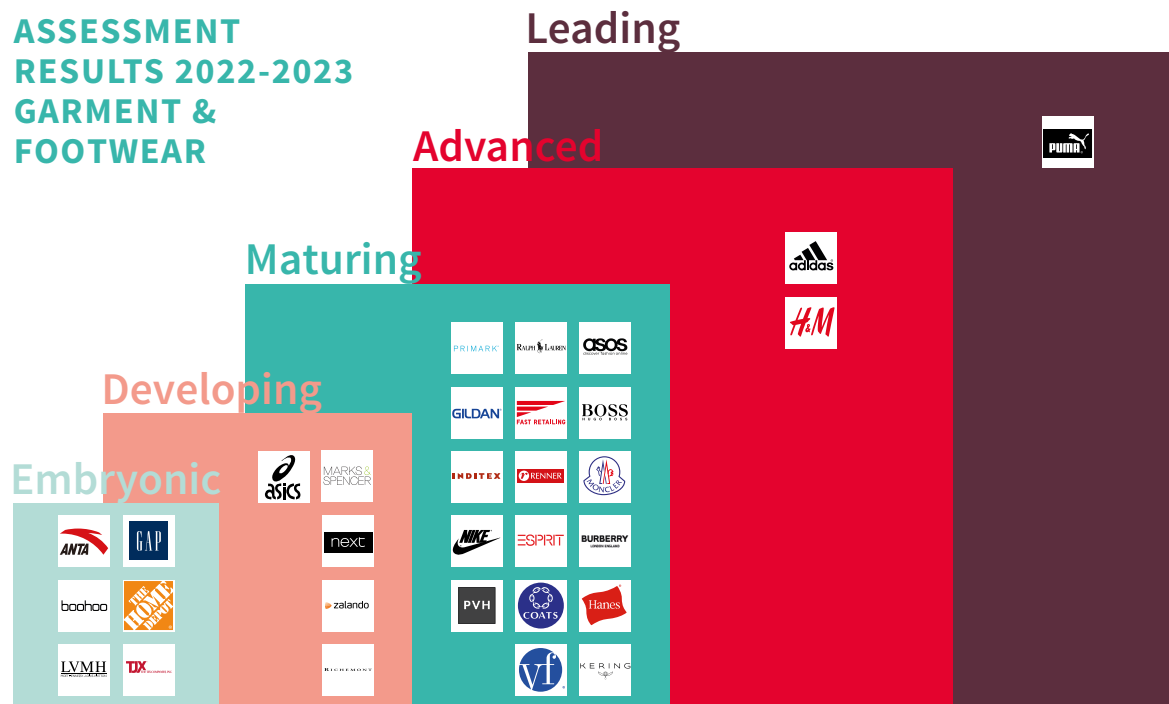
brands are making in terms of moving from policy to action, there is still much work to be done.

The advent of international standards and legislation on supply chain due diligence is having a positive impact on the proliferation of human rights risk assessments. However, diving deeper into the results highlights that there is still a lack of identification of specific risks linked to the non-payment of living wages across the supply chain. That said, as was a key theme last year- brands are integrating the findings from their impact assessments 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 broadly understood, particularly in terms of mitigating issues like unauthorised sub-contracting.

While 8 out of 31 brands improved their score on remediation practices, the implementation of robust grievance mechanisms is still not 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 Corporate Sustainability Due Diligence Directive, the PLWF is surprised by the number of brands who still fail to disclose evidence of complaints received and rectified during the reporting period.

Three companies improved their category this year and for the first time a company has scored more than 35 points, placing them in the Leading category. Overall, 15 out of 31 companies improved their score. The PLWF is pleased that 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. This is evidenced by the improved scoring as outlined above.

## ASSESSMENT RESULTS 2022-2023 GARMENT & FOOTWEAR



Once again, brand efforts to implement responsible purchasing practices is appreciated. In the Platform's dialogues it becomes clear that companies have improved their understanding of how their operational practices can have a negative impact on a supplier's ability to meet decent work commitments. Also, the likely improvements to supplier productivity and ultimately supply chain resilience that this can bring.

### **Companies are stepping up efforts to assess the impact of the non-payment of living wages**

A key theme of the previous assessment cycle was an improved performance on living wage policy commitments, including board-level responsibility and living wage training for sourcing and buying teams. As such, in terms of implementation, the inclusion of living wages in the human rights risk assessment programs is a natural follow-on. Not surprisingly, given the changes the Platform made to the methodology; the members saw the

#### **SPOTLIGHT ON GARMENT MANUFACTURERS**

The Platform started engaging with garment manufacturers this year. While brands must enable the payment of living wages, suppliers play an essential role in the actual implementation. In this process, investors are constantly reminded of the importance of responsible purchasing practices, and the need for fair and collaborative buyer/supplier relationships. At this early stage of engagement, the PLWF observed a gap between the brands' living wage commitments and that of the suppliers. Although one can argue that each brand can have specific agreements with the suppliers to implement better labour rights and standards, the PLWF believes it is also essential for suppliers to implement robust human rights due diligence processes. Going forward, leveraging the work of initiatives like the [Responsible Contracting Project](#) and [Sustainable Terms of Trade Initiative](#), the Platform aims to continue its dialogues with suppliers in relation to their own human rights risk management. A key aim is to understand what is needed for a fair collaboration with brands to achieve positive human rights outcomes for the workers, including living wages.

greatest variation in scoring under the Assessing Impacts pillar: 10 brands improved, 11 stayed static, and 10 decreased. Despite fluctuations, it is clear brands are assessing their exposure to the risk of living wages not being paid and the Platform is encouraged by this move from policy to action. But despite the progress seen, companies could provide more detailed disclosure on how these risk assessments are carried out in practice.

### **50% of companies provided evidence of responsible purchasing practices**

Under the Integration of Findings pillar, 15 brands scored four or more points and provided evidence of their efforts to implement responsible purchasing practices. As was the case last year, more brands incorporate buying commitments in to their sourcing strategies. This may come in the form of improved dialogues and communication of forecasts, order quantities and the provision of sufficient lead times to suppliers. Best practice in this area extends to the utilisation of wage ladders and transparent pricing models as well as helping suppliers to integrate wage management systems into their business. Here, the Platform also sees more evidence of how feedback from multi-stakeholder initiatives and supplier engagement surveys is being used to inform changes to purchasing practices.

### **Remediation is still a core area for improvement**

While eight brands increased their score in this area, more than half the data set still scores two points or less. In this regard, the provision of rights-compatible grievance mechanisms is an area of focus. Brands should do more to evidence that grievance mechanisms are accessible, being used and where appropriate, that there is the provision of independent and anonymous avenues for complaints. The Platform would also like to see more transparency over grievances received; here a categorisation of wage related

concerns would be useful. Ultimately, the Platform also encourages brands to provide metrics on the number of cases 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. In this regard, it is not clear what qualitative or quantitative metrics brands are using to discern the closure of living wage gaps. The Platform looks for evidence that companies use government and other reliable data sources to monitor the gap between actual wages and living wage estimates.

### **A lack of emphasis on the importance of union dialogue at the supplier level**

Last year, nearly 25% of the dataset failed to promote Freedom of Association in supply chains and this year, the proportion fell to just under 10%.<sup>4</sup>

With 19 brands scoring 2 points or less on this pillar, clear areas for improvement include better articulation of how engagement with union groups has resulted in a change to purchasing practices or the conclusion of collective bargaining agreements. Where brands work with multi-stakeholder initiatives to interact with collective employee groups, they should be transparent about how that partnership helps with the implementation of their living wage strategy. Another area of improvement would be improved insight in to brands overall exposure to unions. Whilst it is not appropriate for brands to encourage unionisation, where unions exist, they should ensure effective discourse, and encourage open channels of communication.

<sup>4</sup> In 2022, 8/34 brands scored 1 point or less on the Engagement with Trade Unions pillar while in 2023 this fell to 3 out of 31. NB: 2 brands fell out of our coverage this year, impacting this metric.

### **What is needed for 2024?**

Now that most brands have showcased their efforts to operationally embed their living wage strategies, the Platform 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 brands have with suppliers and employee groups. Here, the Platform emphasises the pilot it conducted looking at manufacturers efforts to implement living wages for their workers. Are brand efforts really translating to suppliers paying living wages? Are the living wage commitments of brands reflected by the commitments of the supplier to its workers? These are key questions. The Garment Working Group will continue to engage with the Friends of the Platform, who have on the ground expertise, that the Platform can leverage to inform its engagement programs. Where possible the Platform will also aim to influence and encourage policy making to mandate corporate living wage strategies.

### 3. The Food & Agri and Food Retail sectors

#### Key findings from the Food & Agri and the Food Retail companies

An important focus for 2023 was the update of the assessment methodology, aiming to raise the bar in both sectors. At the same time, 2 Food & Agri companies were added this year, increasing the total to 14 companies under assessment. For Food Retail a total of 8 companies have been assessed.

In the Food & Agri industry, most companies fall within the embryonic and developing categories. This means that these companies have either barely recognised the importance of living wage / income or while having recognized the issue of living wage as important or even as salient, they do not have formal processes to tackle it at their own operations or within the supply chain. Please see chart below for an overview of the 2023 results.

#### Insights from the Food & Agri and the Food Retail assessments:

During 2023, the members of the Food & Agri and Food Retail working groups assessed 22 companies on their efforts to promote living incomes and living wages.

#### Refining the Food & Agri and Food Retail Sector methodology

Since the inception of the PLWF, awareness of living wages and living income has grown, but concrete progress is needed. Hence, the methodology for assessing investees in the Food & Agri and Food Retail sectors has been reviewed and updated to shed more light on concrete impact.

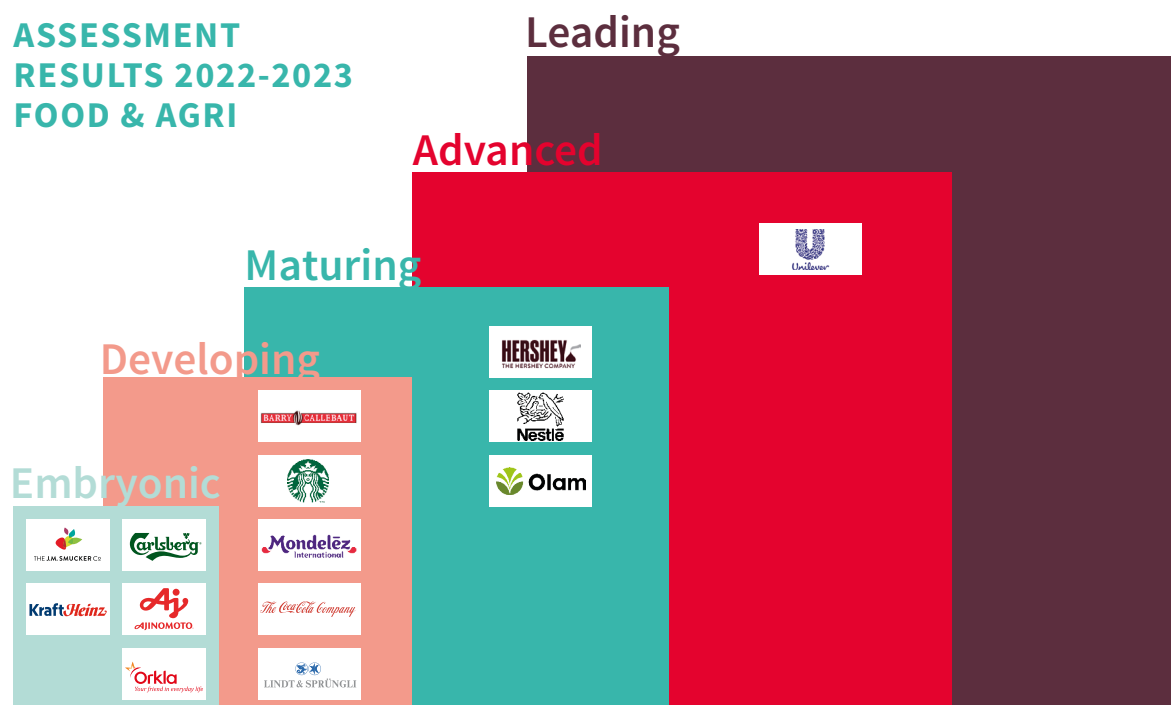
While still being based on the UN Guiding Principles, the aim was to raise the bar in line with own rising expectations, reduce overlap between questions,

KEY FINDINGS	WHAT IS NEEDED FOR 2024
<ul style="list-style-type: none"> <li>No evidence of living income gaps' being closed in a structural and substantial way</li> </ul>	<ul style="list-style-type: none"> <li>More timebound targets, income/wage gaps calculations, higher farmgate prices paid</li> </ul>
<ul style="list-style-type: none"> <li>Recognition of living income in formal policies has improved for Food &amp; Agri</li> </ul>	<ul style="list-style-type: none"> <li>The Food Retail sector in particular must take genuine responsibility on the topic of living income/wages in policies and targets</li> </ul>
<ul style="list-style-type: none"> <li>Most companies commit to responsible purchasing practices but only a few to paying higher farmgate prices</li> </ul>	<ul style="list-style-type: none"> <li>Responsible purchasing practices should also include the cost of production comprising a living income</li> </ul>
<ul style="list-style-type: none"> <li>Some companies still fall short of paying living wages to their own employees and data on living wage gaps is insufficient</li> </ul>	<ul style="list-style-type: none"> <li>Companies need to adopt credible living wages programs with time bound targets. In particular, Food Retail companies should continue paying attention to living wage for own employees.</li> </ul>
<ul style="list-style-type: none"> <li>Feedback from stakeholders is starting to be integrated in strategies for Food &amp; Agri, less for Food Retail</li> </ul>	<ul style="list-style-type: none"> <li>Companies should translate this feedback into concrete data-gathering projects for prioritized commodities or regions</li> </ul>
<ul style="list-style-type: none"> <li>Weak complaint and remediation mechanisms for human rights grievances</li> </ul>	<ul style="list-style-type: none"> <li>Companies need to open these mechanisms to external stakeholders, such as farm level workers and track its use to ensure effectiveness</li> </ul>

and incorporate new insights from previous engagement experiences and public resources. The Platform has been working with experts within the growing Friends of the Platform group to ensure latest insights.

Some examples of the raised bar are that the presence of a human rights policy is considered as being a ‘hygiene factor’: every company should have one. The Platform however expects companies to explicitly include living wages and living income as salient factors in this policy. Also, more explicit focus is placed on paying of living wages to own employees for companies in the

## ASSESSMENT RESULTS 2022-2023 FOOD & AGRI



### COCOA DEVELOPMENTS: BARRY CALLEBAUT'S WHITE PAPER

As a result of 5 years of collaboration in Côte d'Ivoire with IDH, Rainforest Alliance and Agri-logic, Barry Callebaut (BC) has sharpened its cocoa strategy to support cocoa farmers in achieving higher cocoa yields and living income. Agri-Logic research forms the basis of this shift in approach with less emphasis on farmer training, and more on increasing investment to support the farmer with more labor, soil management techniques, and planting material. BC also acknowledges that higher farmgate prices lead to poverty reduction when integrated in a context of broader price construction taking into consideration for example export price. We welcome BC's efforts and the publishing of data that can be used by the industry to gain a better understanding of the situation of cocoa farmers in Côte d'Ivoire as well as their adding higher farmgate prices as key element to the industry's discussion on what is needed to achieve a living income.

Food & Agri sector. In general, the focus has shifted from policy to more implementation of concrete strategies, quantifiable time bound targets and documentation. The Platform also aims for more active involvement of top management by including KPIs linking living income/wages to management compensation.

In general, the important and necessary revision of the methodology has caused companies to score lower this time, which does not necessarily imply a lack of effort or progress. Some companies may have been downgraded to a lower category, whereas those that could have advanced to a next category under the previous methodology might remain in the same category.

### Results

There is no evidence of living income gaps being closed in a structural and substantial way. This remains a main finding, the same as in previous years.

A closer look at these charts reveals that except for Unilever:

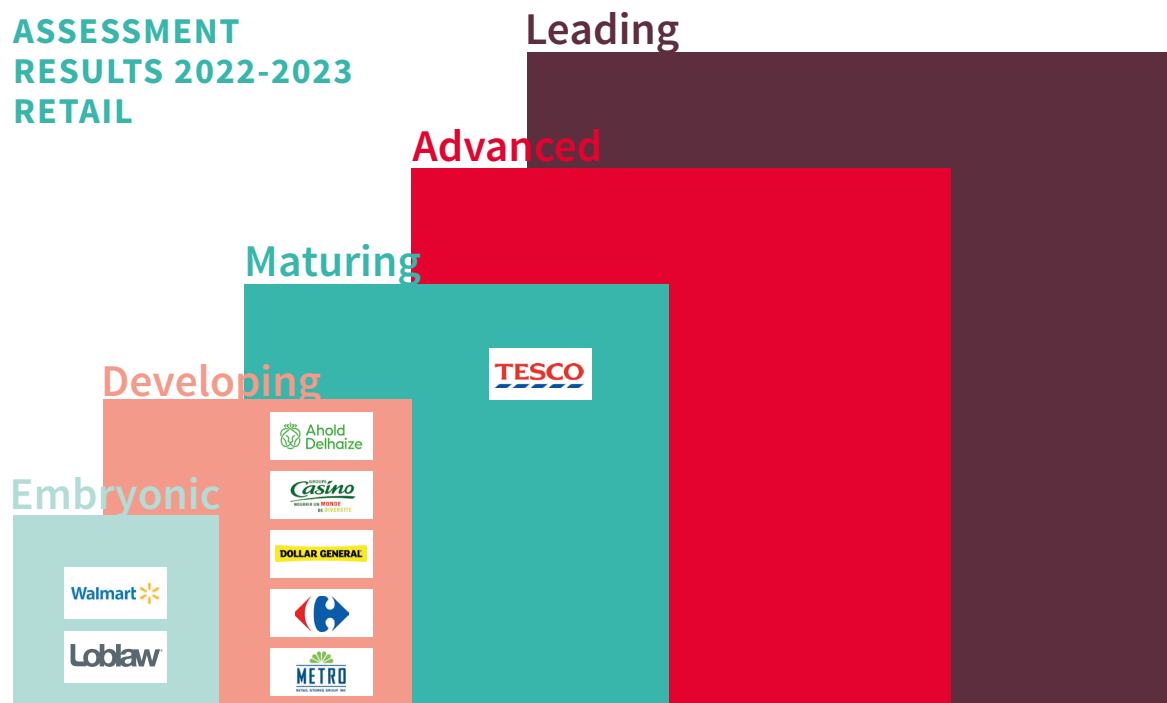
- In general, cocoa and chocolate companies and traders are more mature in their approach to facilitate the provision of living income and/or living wages, whereas more general food companies or companies with focus on other commodities or retailers are lagging behind the former ones, as reflected in the ranking.
- The Platform assumes that this is in part due to the longtime attention on the cocoa and chocolate industry's human rights issues such as child

labour, farmer's working conditions and poverty incomes. This has led to policies, programs and industry initiatives that we would like to see among their peers within the Food & Agri and the Food Retail industries.

Despite this, most of the companies in the cocoa and chocolate industry continue to focus mainly on raising farmer productivity as a way of achieving a living income. However, quantified evidence on how these efforts result in substantial closing of the 'living income gap' is still unavailable. All major companies have been implementing productivity focused sustainability programs over many years and when asked about results, they have little or nothing to show and average productivity is not going up. Often, the Platform hears that farmers need to invest more in equipment, labour hours and/or have larger plantations. However, farmers do not have sufficient (access to) capital to implement these actions.

Farmgate prices are too low to be able to make these investments or to even find these investments an attractive option. Increasing farmgate prices that take into account the actual cost of production including a living income is and remains an important focus and discussion point. This is what is proposed by the Cocoa barometer in the [Cocoa Living Compendium](#) where there is a reference to Tony's Chocolonely being one of the few exceptions to the trend in the cocoa and chocolate industry. According to the Cocoa Barometer, Tony Chocolonely's has managed to increase productivity by turning the problem the other way around. It does not rely on increased productivity to enable a living income but starts with increasing the prices paid to farmers, which in turn creates increased productivity. Because of the changed incentive structure and of much better purchasing practices, it is more remunerative for farmers to grow more cocoa.

## ASSESSMENT RESULTS 2022-2023 RETAIL



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

On policy, Unilever is the only company maintaining its top score on this indicator closely followed by Nestle, Olam and Hershey. The new methodology only rewards for specific reference to living income and or living wages in policies and no more for general policies on human rights. Unilever can show, for example, that it has performance incentives linked to achieving living income/wage. The incentive program has clear KPIs and is given reasonable weight in compensation schemes. In general, policy commitments in the Food & Agri sector have improved and 25% of the assessed companies include a fundamental definition of living income/wage in their policies. For Food Retail, these percentage is much lower, and many companies have yet to recognize living income and wages as salient issue and reference to it in policies.

5 Lindt & Sprüngli, Sustainability Report, 2022

#### BEST PRACTICE: HERSHEY

### Living wages for own employees

Hershey pays living wages to all its employees in the US and Brazil, Canada, India, Japan, South Korea, Malaysia, Mexico and the Philippines. In the US, they have also just closed the gender pay gap.

“Living wage is only one part of our larger company-wide commitment to promote equity and build a more diverse and inclusive workplace. Competitive & fair pay plays a central role in this commitment, including the promotion of gender pay equity, where we currently have closed our gender pay gap with U.S. salaried women and people of color, in aggregate, earning dollar for dollar with male colleagues. To incorporate living wage into our approach to compensation for Hershey employees, we partnered with BSR to undertake an assessment of wages in our company operations. This assessment looked at all full-time Hershey employees across our global locations. All Hershey employees currently meet BSR’s living wage benchmarks in their respective locations.” (source Hershey’s living wage & income position statement)

### Most companies commit to responsible purchasing practices but only a few to paying higher farmgate prices

Little or no progress was made regarding purchasing practices. Many companies report commitments to responsible purchasing practices that, for example, ensure that producers or farmers receive a payment for their crop in a timely manner. However, few companies report being committed to paying higher prices for instance by paying premiums or by committing to a minimum price connected to the production cost. For those companies committed to paying more this is often linked to the better quality of the raw materials or to compensate for good farming practices. This is the case of Nestle’s programs such as the Nestle Cocoa Plan, Nestle Income Accelerator, and commodity specific plans such as the Nespresso AAA Sustainable Quality Program, which are aimed at increasing the quality of the raw materials. The Swiss chocolate company Lindt & Sprüngli appears to be an exception as they report to be willing to pay “*volume-based cash and in-kind premiums for farmers and farmer groups. These investments are made in addition to the market price and the Living Income Differential (LID) of USD 400 per ton, which was introduced by the governments of Côte d’Ivoire and Ghana.*”<sup>5</sup> Some companies such as **Barry Callebaut** agree that higher farmgate prices are key to achieving a living income but do not necessarily pay them yet.

### Some companies still fall short of paying living wages to their own employees

As explained above, this year’s methodology also analyses if companies are paying a **living wage to its own employees**. Some companies have a large number of production plants worldwide, in countries where living wages are not the norm. Although some are working towards achieving living wages, the Platform also found some that have already accomplished this such as Unilever or Hershey.

### Feedback from stakeholders is starting to be integrated in strategies for Food & Agri

Following the trend from last year, the pillar **engaging with relevant stakeholders** keeps progressing for most companies. The views of relevant stakeholders influenced the company's understanding of the issue of living income/wage. If last year, this indicator seemed to stop for many companies at a mere information gathering, this year almost half of the Food & Agri companies are already integrating or starting to integrate this feedback into their living income/wages strategies. A further step would be for companies to translate this feedback into concrete data-gathering projects for prioritized commodities or regions.

### Quick wins from supporting sector initiatives for Food Retail

Retailers could take relatively easy steps by seeking cooperation and actively supporting living wage through joining industry initiatives in different supply chains like sugar (BonSucro), palm oil (RSPO), bananas, coffee, cocoa, cotton etc. PLWF welcomes such industry cooperation, but also expects concrete roadmaps, with timebound targets.

#### BEST PRACTICE: LIVING WAGES IN SUPPLY CHAIN

Metro has set a time bound plan for all supply chain workers of their own brand supply chain workers to ensure they are earning a living wage by 2030. The company is using the Anker methodology to achieve the target.

The Platform welcomes this action by Metro, the first among its peers in the Food Retail sector. We hope this will inspire others to follow with similar targets.

### Weak complaint and remediation mechanisms for human rights grievances

There has not been much progress regarding grievance mechanisms. Companies still only have rudimentary grievance mechanisms, which are often limited to be available 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 particularly the case for Food Retail. After little improvement this year the Platform expects better grievance mechanisms next year.

### What is needed for 2024

As regulation on human rights due diligence, guidance, standards, and tools around living wage and income are now rapidly maturing, expectations for business are also on the rise. It is no longer sufficient for companies to only have general commitments and little action - clear roadmaps for businesses and targeted actions are expected, as tools as well as guidance are available. The PLWF therefore expects:

- more transparency, including better, more concrete data on processes and progress
- disclosure of living income and living wages gap calculations
- time- bound targets for closing the living wage and income gaps
- comprehensive reporting on progress, such as the size of the reduction of living wage and/or income gaps, and the scope of workers covered
- the systematic inclusion of rightsholders in strategy and program development

- the set-up of structural complaint and grievance mechanisms for internal and external stakeholders and the disclosure of evidence of remediation

New regulation and reporting requirements are likely to help push companies in the right direction. For instance, the EU Deforestation regulation requires companies trading in cattle, cocoa, coffee, oil palm, rubber, soya and wood, as well as products derived from these commodities, to conduct extensive diligence on the value chain. The upcoming EU Corporate Sustainability Due Diligence Directive as well national laws like the Norwegian Transparency Act and the German Supply Chain Due Diligence Act, specifically require companies to report on human rights which includes living wages. The Platform therefore believes it is crucial that new EU human rights due diligence regulation explicitly requires companies to assess the adverse human rights risks of not paying living wages and incomes in own operations and/or supply chains.



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## 4. Insights in the work of the PLWF

By assessing brands on their progress towards the payment of living wages in global supply chains, the PLWF tracks companies' progress over the years and benchmarks them against peers. As shareholders in these companies the PLWF members raise awareness among brands and conveys investors' expectations. The scrutiny incentivizes brands to put the topic on their corporate agenda, to take action and publicly report on it. The PLWF methodology and best practice guidelines provide the overall framework for engagement with the goal to see companies achieve higher scores as they make progress towards the payment of living wages in their global supply chain.

Beyond the assessments, engagement calls are another special moment where PLWF members as investors can have an impact. Beyond addressing specific questions included in the PLWF assessment methodologies, investors have the chance to discuss challenges and obstacles with their investees. They can put forward more fundamental organizational questions or raise questions that might not get any immediate answer but are instrumental to convey key expectations from investors and highlight practices which can stall progress on the topic.

The PLWF has developed optional questions for engagement calls relating to core expertise, power or budget allocations in the company. For instance, the PLWF investigates how subject matter experts are institutionalized in a company's departments and reporting lines (e.g. whether reporting is directed to C-suite executives, to procurement departments at Head Office, or to procurement teams). The questions also help understand how high-level commitments are operationalised in the organisation (e.g. control mechanisms,

reporting, complaint mechanisms). The questions further address performance-based incentives for top management and staff for making progress towards living wages in global supply chains (e.g. the use of clear KPIs and reasonable weights in compensation schemes).

The list of challenging questions for engagement discussions moreover targeted specific disclosure of data such as the number of workers at production sites, the percentage of factories covered by the company's wage data collection efforts and full transparency and traceability of the supply chain. Brands are also challenged on their awareness, of which other brands are sourcing from their suppliers' factories in order to collaborate and enable the payment of living wages at factory-level. It is useful to discuss supply chain risks with investees in light of evolving regulation on supply chain due diligence, the risk with respect to being complicit in human rights violations, as well as the risks linked to of generational shifts in the workforce: Workers who are no longer willing to accept low wages and find employment in other sectors.

To demonstrate corporate willingness to achieve living wages, PLWF members are also encouraged to ask about incentive programmes for suppliers to transition their factory standards to achieve the payment of living wage, such as asking for evidence of a supplier receiving more orders due to better labour practices. Investees are also asked whether they provide suppliers with grants that cover the cost of needed investments to live up to social and environmental requirements, and/or cover the costs of audits. Another challenging question may be how companies build trusted and long-term relationships with suppliers so that the exchange of sensitive information regarding factory practices is ensured and a fruitful discussion on challenges regarding labour standards can take place.

The most fundamental questions, however, relate to the allocation of budgets, prices and profits. Companies should be able to demonstrate to investors where they allocate the budget for increased wages for workers in factories and for increased farmgate prices: Are these paid out of sustainability or even marketing budgets? Are they accounted for by adding a mark-up to the end-price for consumers? Are these included in a company's financial and procurement planning, with profit margins carefully balanced against the possibility of workers making living wages? Or if there is no integration of living wages and incomes in the corporate financial planning yet, and no special budget allocated yet either, the investor could question what this says about company's priorities and strategy in light of its latest marketing campaign budget.

## 5. Conclusion

In this last assessment cycle of the PLWF, there has been a positive development in embedding living wage and living income in corporate policies and purchasing practices of the companies under assessment. However, evidence of the effectiveness of such policies and purchasing practices is still lacking.

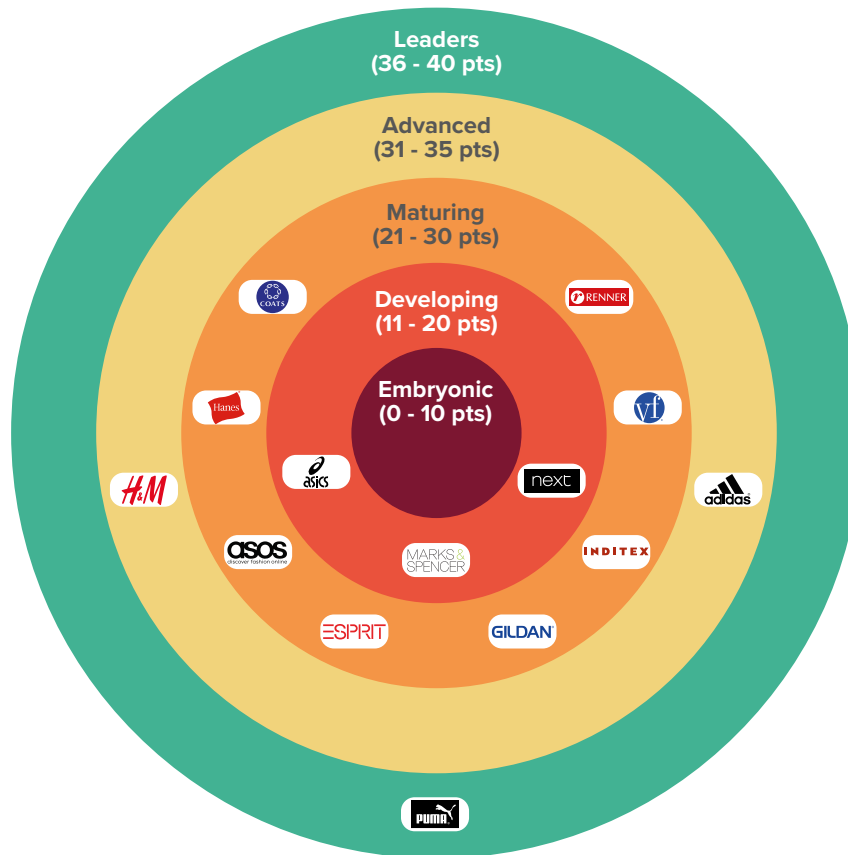
The Platform realizes that collaboration is crucial to enable the actual payment of living wages and living incomes in supply chains. Companies sharing suppliers should work together, and companies should cooperate closely with labour organizations and civil society groups that are working with workers on the ground.

The PLWF is aware that even though we have a certain leverage as investors to push companies to work on living wage and living income, we also need the expertise of the Friends of the Platform to understand and cross-check the impacts for workers in supply chains. The Platform will therefore continue its work, assessing and engaging companies, asking challenging questions and using escalation mechanisms when appropriate.

The scores of the companies are based on the assessments carried out by PLWF members. These assessments are based on publicly available information from the company (e.g., information found on their websites, public reporting, etc.).

Further reading: Please visit [www.livingwage.nl](http://www.livingwage.nl)

## Annex 1: Results ASN



\* Kontoor was not assessed this year. Due to their reporting cycle no new information was available since last year.

### 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 2 weeks to fully conclude. A four eyes principle was used, which means that each assessment was second read by different colleagues or by PLWF partners. Then the assurance process with Mazars started. Their team reviewed our evidence and scoring and checked overall consistency of final ratings given. Investee companies had the opportunity to respond to 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 mother company.



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for living wage

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