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Garment companies and living wage

Sustainable investment and social impact
measurement: The case study of ASN Bank

About this publication

This publication is the result of a joint effort by the Impact Centre Erasmus (Erasmus University Rotterdam) and ASN Bank.

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About the Impact Centre Erasmus

The Impact Centre Erasmus (ICE) uses its scientific knowledge and skills to work with a diverse group of organisations helping them gain a better understanding of their impact as they try to achieve their social ambitions. This involves impact thinking, impact measurement and impact management.



The Impact Centre Erasmus:

- wants to put impact measurement on the map;
- conducts complex impact measurements;
- aims to enhance the capacity of individual organisations and groups of organisations to manage their impact;
- wants to further the scientific and social debate on impact measurement.

ICE conducts research for companies, financial institutions, the government, civil society organisations and partnerships. In all of its activities, ICE wants to create a deliberate link between science and practice in order to contribute to organisations' achievement of their social ambitions and enhance the impact on society.

About ASN Bank

Since 1960, ASN Bank has been committed to a fair and sustainable society. In all its activities, it takes into account the climate and nature, vulnerable communities and the needs of future generations. Its clients can pay and save at ASN Bank, invest in the ASN Investment Funds and have their assets managed. The bank also provides funding for projects and organisations that fit in with its sustainability mission. ASN Bank is a subsidiary of SNS Bank N.V.



Preface

The fact that sustainability is becoming ever more important has been evident on various fronts for some time now. Stakeholders such as customers, investors and society are asking organisations and companies for transparency and good performance. 'Nice stories' alone are no longer good enough. In response, a growing number of organisations are taking sustainability seriously. They recognise the opportunities and are trying to integrate sustainability into their corporate strategies.

The financial sector has also latched onto this movement. Since the economic crisis, stakeholders have been closely monitoring the activities of financial institutions and have exposed incidences of abuse. We can see an unprecedented shift among banks towards sustainability and an awareness of social and environmental issues. Impact investing is hot: investors no longer aim for just financial returns but also strive for returns for people and planet.



*dr. Karen Maas, Academic
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However, the other side of the coin is that many financial institutions are using impact investing as a form of greenwashing. For example, an institution may invest 5% of its balances in sound sustainability initiatives or organisations in order to achieve a positive impact while still investing the other 95% in activities that are harmful to the environment and/or the public, such as fossil fuels.

ASN Bank is aware of these practices, which is why it has actively explored ways to look beyond this green sheen. 'Bringing impact investing forward', or sustainable investment 3.0, as ASN Bank calls it. The bank is therefore considered a driver of sustainability in the financial sector. Its investment universe excludes all activities that are harmful to people, nature and the environment. ASN Bank aims to make the best possible selection of organisations having a positive impact. In addition, it has set itself strategic goals to address specific social issues at the companies in which it invests.

This report reflects how ASN Bank, in collaboration with the Impact Centre Erasmus, has developed an approach with regard to living wages. It aims to call companies to account and motivate and encourage them to pay a living wage within their own businesses and supply chains. Living wage is an important social issue that can make a significant contribution to reducing poverty. ASN Bank's ultimate goal is to convince *all* companies in the ASN Investment Universe to pay a living wage. It testifies to ASN Bank's serious take on sustainability and shows how groundbreaking this strategic approach is. The approach fits in with ASN Bank's sustainability pillar 'human rights' – after all, receiving a living wage may well be considered a human right.

I look back on an inspiring and challenging partnership with ASN Bank. It is good to see how science and practice can work together and develop a model that enables financial institutions to better manage their positive impact. If a financial institution makes deliberate choices regarding which organisations to invest in and which ones to avoid, it will affect not only the financial institution itself but also the sustainability awareness of the organisations in its investment universe – and that of the organisations excluded from investment. This generates a multiplier effect, allowing the financial sector to generate a greater positive impact than it would have deemed possible.

Dr Karen Maas

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1 Introduction

1.1 Reason for and purpose of the publication

At the end of 2016, ASN Bank got in touch with the Impact Centre Erasmus to ask whether the Centre could help formulate a measurable goal in the area of living wage. This request sprang from ASN Bank's search for a goal it could pursue to make a positive contribution to human rights in the longer run while staying close to its core activities – such as the selection of companies and institutions for the ASN Investment Universe. We decided to perform a baseline measurement to define the current state of affairs. In our measurement, we focused on the investment universe of the ASN Investment Funds and gradually developed a methodology. The results of these two activities have been included in this publication.

Social impact measurement is still in its infancy. Both ASN Bank and the Impact Centre Erasmus are convinced that it is therefore imperative to inform other parties not only of the results but also of the road travelled to get there. In this way, we help build the collective knowledge on living wages as well as the knowledge on social impact measurement.

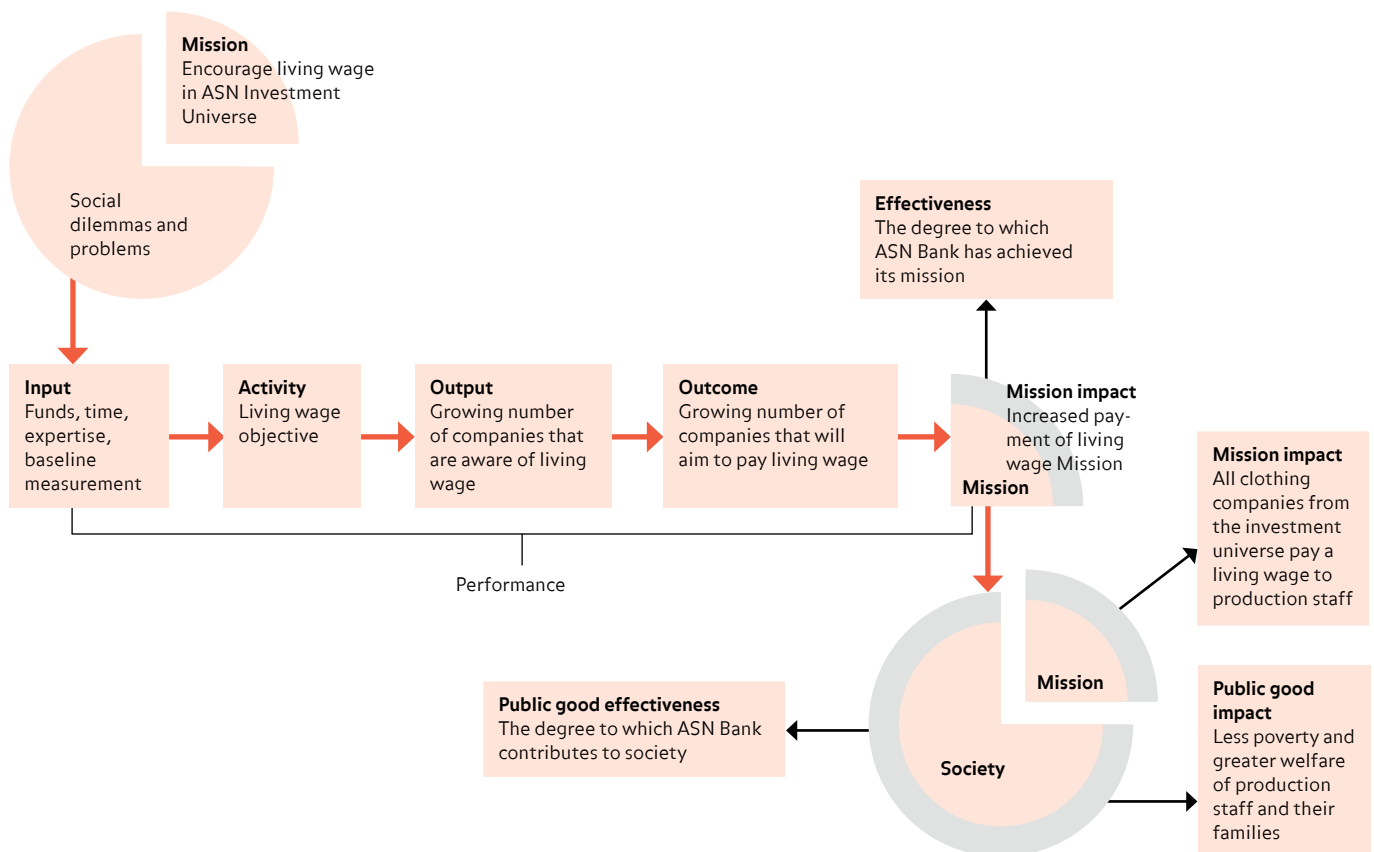
We hope this publication will inspire you, either in your efforts to ensure a living wage (an excellent idea, as far as we are concerned) or in your assessment of the social impact of other activities.

1.2 Social impact measurement: what is it and what is the current situation?

About social impact

There is hardly any way around it any more: social impact. But what is social impact exactly? While there are many definitions of the concept, it can roughly be summarised as an organisation's impact on society. As Figure 1 shows, every organisation has a value chain in which it operates: an organisation provides *input* (money, expertise) to perform a certain *activity*. This activity is related to the organisation's objectives and may produce outputs, outcomes or impact. Such impact may be created at mission level ('mission based impact'), in which case the question is whether the organisation has achieved its mission. Impact may also be created at society level ('public good impact'), where we assess the mission's impact on society.

Figure 1: Results and effectiveness in the social value chain.
Based on Liket et al., 2014



Regardless of the sector in which your organisation operates – public sector, business, civil society – there are ways to gain a better understanding of its impact. This is valuable because it offers insight into the scope of the impact and provides opportunities to learn from this insight and to manage the organisation's activities accordingly.

Impact indicators versus indicators of impact

There are growing demands placed on organisations to render account to their stakeholders about the impact they generate. What is the impact of your organisation? Does your organisation create any social value? If so, how much? What would have happened if your organisation did not exist? Such questions can only be answered by measuring impact.

However, there are two ways to measure impact: there are 'impact indicators' and 'indicators of impact'. On the face of it these two concepts may look the same, but there is a crucial difference. 'Impact indicators' often come from the development sector or the government. These indicators see impact as the result of own activities. Did we achieve our goal in a causal, accountable way? Has our goal been achieved because of our activities and not by someone else? However, what 'impact indicators' may fail to recognise is that the measured effect may also be an output or an outcome. 'Indicators of impact' consider the total effect. They do not just measure whether the goal has been achieved: aside from the intended effects, they also look at unintended effects, direct and indirect effects and positive and negative consequences.

It is important to put these two different 'camps' together and combine the two methods. For ASN Bank, this means the following. If ASN Bank has developed a measurable living wage goal for the companies from the investment universe, we have to analyse whether we have achieved this goal ('impact indicators'). However, we must also assess the unintended, direct and indirect effects and the positive and negative consequences of our goal on society. As described in Chapter 2.2, academic research has demonstrated both the positive and the negative effects of the implementation of a living wage. So developing a measurable goal is not enough. Ideally, we should also evaluate at a later stage *whether* and *how* our goal contributes to society.

Impact measurement

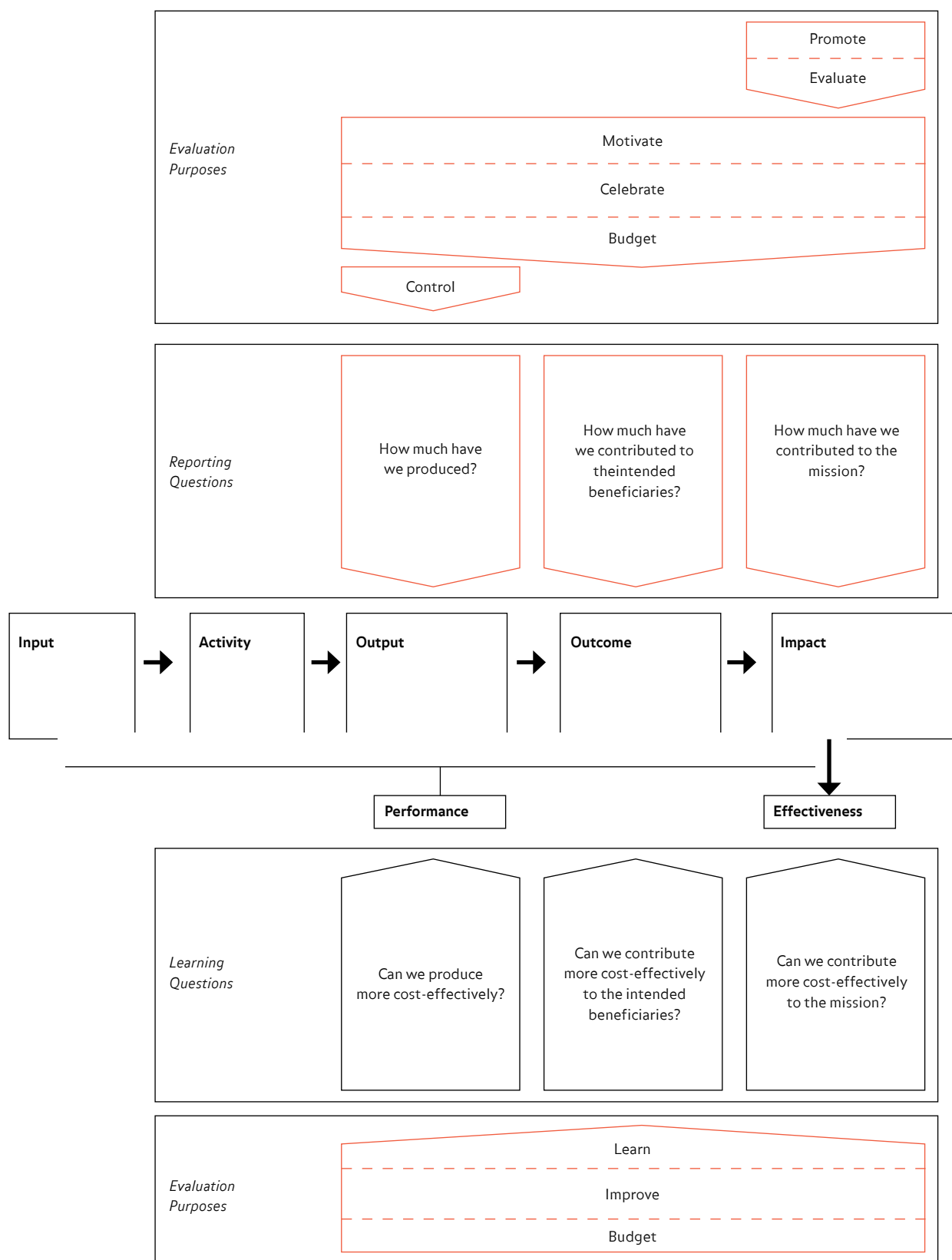
There are various reasons for organisations to start working with impact measurement: to enhance their transparency (evaluation and accounting) and to develop by means of strategic management (by having a long-term vision and improving their business performance). A great variety of organisations – from government-related and not-for-profit organisations to investment funds and multinationals – have already taken up impact measurement for these reasons.

They are increasingly aware of the value of impact measurement and are less and less inclined to view sustainability as only a form of greenwashing or a cost item. After all, academic research has shown that organisations' pursuit of sustainability can in fact improve financial performance.¹ The implementation of a corporate sustainability strategy has thus in fact become a win-win situation: good for the organisation *and* good for society.

All organisations that have developed a sustainability strategy will still require impact measurement to evaluate the sustainability strategies implemented. They can use the results of the measurement to continually adjust and improve their strategies. Figure 2 illustrates this process. Sound impact measurement helps identify the results achieved and facilitate progress and development. Organisations can optimise their social impact by continually asking the following critical questions. What is our corporate strategy? Have we achieved the intended objectives? What are the negative side effects? And how can we further reinforce the positive impact?

¹ Barnett and Salomon, 2006; Luo and Bhattacharya, 2006; Rehman et al., 2015.

Figure 2: Evaluation purposes and corresponding evaluation questions.
Source: Liket et al., 2014



1.3 Banks and social impact measurement: an activity under development

Research has shown that sustainability initiatives in the banking sector are positively associated with financial performance². Despite this, the banking sector still lags behind in the development, implementation and evaluation of corporate sustainability strategies. While the economic crisis has made banks more aware of their social responsibility,³ there is still insufficient recognition in the sector of sustainability as an instrument to achieve financial profits. Financial profits may be the banking industry's core business, but banks most definitely also have a social responsibility, and they are becoming increasingly aware of this. Stakeholders remind banks of this responsibility ever more frequently.

Therefore, as the literature shows, sustainability strategies do not necessarily erode profits – in fact, they are mutually reinforcing. However, this realisation has not yet quite sunk in within the financial sector, so more best practices should be developed demonstrating how sustainability can go hand in hand with the financial sector's core activities. After all, the impact issue is also highly relevant to investors such as banks. Impact investing is gaining in popularity and attracting increasing attention in practice and science. The idea behind impact investing is that impact is generated by investing money in an organisation: not only financial impact, but also social and environmental impact.⁴ A highly desirable and intended impact is that the investment-receiving company improves its financial performance. But what are the effects of that money on people and planet? Does the organisation in which you invest use natural resources in a sustainable way? Does the organisation take account of the surroundings and does it apply good employment conditions?

The other side of the impact investing coin is that it can be a form of 'greenwashing', which is the case when an organisation allocates only a small portion of the portfolio for impact investing while still investing the major part in non-sustainable projects and companies. ASN Bank acts differently: it wants to generate a positive impact with all its investments. We call it 'sustainable investment 3.0'. Investors should first get their own house in order before using their core activities to make further contributions to a sustainable society.

ASN Bank is a pioneer in this area as it develops strategies – in addition to its strict sustainability policy for loans and investments – to promote sustainability in society. These sustainability strategies are linked to the bank's core activities. The next chapter describes an ASN Bank case study. What is ASN Bank's approach towards social impact creation? How does ASN Bank manage this and how can it monitor this? And what are the direct desired effects, without disregarding the indirect unintended effects?

² Wu and Chen, 2013.

³ Bateh et al., 2015.

⁴ Buff-Levine and Emerson, 2011.

2 The case study: measurement of living wage in the garment industry for the ASN Investment Universe

2.1 ASN Bank and human rights: a long-term goal

Founded by the trade unions in 1960, ASN Bank has been an advocate of international labour rights right from its inception. Its extensive human rights policy has been in place since the 1990s, endorsing, among other things, the International Bill of Human Rights and, since 2011, the United Nations Guiding Principles on Business and Human Rights.

The influence of financial institutions

Based on international conventions and guidelines, such as the Guiding Principles on Business and Human Rights and the OECD Guidelines, companies are obliged to take responsibility for responsible business practices. Financial institutions such as banks and pension funds can do so by exerting influence on the sustainability efforts of companies receiving investments or funding from them. They can select companies on the basis of sustainability criteria – and, on the basis of those same criteria, they may decide to divest. They can vote at shareholders' meetings to improve companies' sustainability and they can engage with companies and institutions. ASN Bank uses these tools to try and exert influence on companies' sustainability efforts and thus on sustainability in society. Its starting point in this process is its sustainability policy, which is based on three pillars: human rights, climate change and biodiversity.

Selection

Let's highlight the selection of companies. Based on its sustainability policy, ASN Bank assesses companies and institutions for admission to the investment universe of ASN Bank and the ASN Investment Funds. It assesses companies and institutions in terms of their policies and practices in the area of human rights – in addition to climate change, biodiversity, good governance and integrity. These human rights criteria cover a wide spectrum: child labour, forced labour, non-discrimination, freedom of association and collective bargaining, wage, health and safety, privacy, freedom of expression, rights of local communities and consumer safety. This assessment is a vital element of how ASN Bank implements sustainable banking. Companies, projects and countries approved by the bank based on this assessment are admitted to the ASN Investment Universe.

The goal

In addition to the aforementioned activities, ASN Bank finds it important to formulate a long-term goal for each pillar of its sustainability policy. In other words: a goal to work on by means of its investments and loans and by cooperating with stakeholders. In 2016 ASN Bank established its long-term goal for human rights, which is:

All garment companies in the ASN Investment Universe to have introduced a living wage by 2030.

Briefly put, a living wage is a wage sufficient to meet the basic needs of an average-sized family in that family's country of residence. The next section will provide more details on this.

Why this goal? ASN Bank selects companies for the ASN Investment Universe on the basis of its sustainability criteria, which is a strict selection. While living wage does feature in this process, companies are only rejected on that basis in case of misconduct. In practice, this means that most companies pay the statutory minimum wage. That sounds positive, considering that a country sets minimum wages for a reason. However, in most countries the minimum wage is too low to live on. The minimum wage is often not a living wage.

There is thus still lots of room for improvement. That is why ASN Bank aims to encourage companies to pay a living wage to all workers⁵ by holding these companies to account on this aspect. ASN Bank asks the companies to pay a living wage to the production staff at their own factories, if they have any, and to ensure that suppliers in the first-tier supply chain introduce a living wage.

⁵ Explanation of the terms 'employee', 'worker' and 'production staff'. Companies, international organisations, governments and experts use different terms in reports to refer to the people working in a company's production facilities. In some cases, this is because of the legal status of this person's employment relationship. In other cases, terms from the past (such as 'worker') are used in addition to more modern variants (such as 'employee'). Terms that are used include 'average workers', 'skilled' and 'unskilled workers', 'day labourers', 'seasonal workers', etc. We use the term 'worker', as this is the term most used in literature to refer to staff working in the production facilities of a company (or its suppliers). This includes anyone contributing to such production, regardless of the employment relationship or contract and/or whether the work involves high-skilled or low-skilled labour.

Approach

The ASN Investment Universe currently features fourteen garment companies. These companies meet the sustainability criteria of ASN Bank. In collaboration with the Impact Centre Erasmus, ASN Bank performed a baseline measurement to determine how these garment companies compare where living wage is concerned. Based on this measurement, the bank will encourage these companies to take concrete steps towards paying a living wage. The first measurement shows that this is not really necessary for some companies, but most others still have a long way to go. We realise that the fourteen garment companies sometimes differ greatly in the type of products they produce and in the way they have organised their production processes. This may make it difficult to compare companies. However, this baseline measurement serves as a starting point and thus as a tool to engage with companies. During such engagement, there will be plenty of opportunity to explore the nuances involved.

2.2 Living wage: what is a living wage and why is it important?

Definition

Living wage is a relevant and much-discussed subject nowadays. The concept can be traced back as far as the age of the Greek philosophers. Plato and Aristotle, for instance, argued that income should be determined on the basis of needs, with Aristotle adding that households should be self-sufficient and be able to look after themselves.⁶ Mediaeval scientists too, as Aquinas stated between 1265 and 1274, found it a moral problem to pay production staff less than the number of mouths they had to feed (Werner and Lim, 2016; Waltman, 2004). So actually a living wage is nothing new.

A living wage is a human right, as shown, for example, by the master document of human rights: the Universal Declaration of Human Rights (1948). Article 23(3) of this Declaration states:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”

Various international guidelines and conventions, including those of the International Labour Organization (ILO) and the OECD, also include pointers for wages.

Still, there is much debate about what exactly constitutes a living wage. According to Linneker and Wills, it is up to the employer to decide whether to pay a living wage. As they see it, a living wage is a wage that often exceeds the minimum wage set by law. The assessment of what constitutes a living wage takes account of the fact that production staff must provide for their families. In this way, employers enable employees to meet their own living costs and those of their dependants.⁷ The purpose of a living wage is to allow people to live above the poverty line and to meet their basic needs. This also creates the opportunity to take part in social and cultural events.⁸ Also, if an employee earns enough to provide for his family, it will also increase the chances of his children going to school instead of being sent out to work.

As far as we know, no scientific research has yet been conducted into the positive effects of a living wage on the improvement of working conditions. However, talking from their practical experience, experts from the field believe that this correlation exists.⁹ Some experts state that the customers of companies paying a living wage have also become more sensitive to good working conditions for the staff who made their products.¹⁰ Others say that a company's reputation benefits from the implementation of a living wage, as the good reputation they create with a focus on living wages reduces the risk of negative publicity about their working conditions.¹¹

⁶ Werner and Lim, 2016; Stabile, 2008.

⁷ Linneker and Wills, 2015.

⁸ Anker, 2011.

⁹ See for example: <https://cleanclothes.org/livingwage>; <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/wages/lang-en/index.htm>; <http://www.fairfood.org/what-we-do-detail/living-wage/>.

¹⁰ <http://www.ethicaltrade.org/issues/living-wage-workers>.

¹¹ Social and Economic Council, 2015b.

The lack of an unambiguous definition of living wage complicates the efforts to set an objective living wage.¹² It is therefore important to ultimately reach an internationally accepted definition. We have opted for a working definition of living wage in our baseline measurement, which might fuel discussion and contribute to a generally accepted definition. Various documents¹³, including those of the Social and Economic Council in the Netherlands, identify the following elements of a living wage: a wage that is slightly more than the amount that people need to meet their basic needs. Based on these definitions, we apply the following working definition:

Living wage is a wage that is enough to live on for a person and his or her average-sized family. The wage enables production staff to meet the basic needs of food, clothing, housing, education and healthcare, plus an amount of around ten percent of the wage for unexpected costs and savings.

ASN Bank believes that it can promote living wage awareness by encouraging the supply chains of the companies in the ASN Investment Universe to pay a living wage. After all, research has shown that the payment of a living wage brings many benefits.¹⁴ According to Linneker and Wills, for example, the payment of a living wage helps employees escape poverty.¹⁵

Importance

Various studies support the business case for a living wage. Also, the payment of higher wages has been proven to help organisations motivate and retain employees¹⁶, increase employee productivity and loyalty¹⁷ and convince more people to join the organisation¹⁸. Moreover, research has shown that employees working at an organisation paying a living wage are prouder, feel better¹⁹ and are healthier²⁰. This increased contentment can be explained by the fact that people earning a living wage do not need to work so many hours to make ends meet. In this way, a higher income is closely related to a positive sense of wellbeing²¹.

Challenges in the implementation of a living wage

The introduction of a living wage not only comes with positive effects but may also involve negative (side) effects, which explains why it is so difficult to implement a living wage in practice. We will discuss three possible negative (side) effects:

1. the impact on small companies;
2. the role of local governments;
3. the costs of a living wage.

Re 1: The impact on small companies

Brenner argues that the implementation of a living wage could undermine corporate earnings.²² Wills and Linneker²³ also refer to this. This can be explained by the additional costs that may be associated with implementing a living wage. Costs that are relatively high compared with the economic activity will chip away at companies' profit margins. According to Brenner, companies can tackle this problem by using a combination of price increases, increased productivity, etc.

In extreme cases, interventions could cause higher inflation²⁴ followed by job cuts. After all, if companies use their products to pass on the costs of a living wage, the costs of these products will increase. This will reduce consumers' purchasing power, thus lowering the demand for products and ultimately resulting in fewer jobs. As a consequence, those in need of protection are actually the ones to suffer.²⁵ However, research has also shown that, if companies pass on the higher costs of wages to

¹² Anker, 2011.

¹³ A few examples:

Social and Economic Council, <https://www.ser.nl/nl/publicaties/overige/2010-2019/2015/leefbaar-loon.aspx>;

Clean Clothes Campaign / Asia Floor Wage http://www.schonekieren.nl/informatie/archief/leefbaarloon/het-onderzoek/wat-is-een-leefbaar-loon/leadImage/image_view_fullscreen;

Fair Wear, <http://www.fairwear.org/496/labour-standards/5.-payment-of-living-wage/>;

ETI <http://www.ethicaltrade.org/issues/living-wage-workers>;

Fair Wage Network <http://www.fair-wage.com/>

¹⁴ Social and Economic Council, 2015.

¹⁵ Wills and Linneker, 2015.

¹⁶ Arrowsmith et al., 2003; Linneker and Wills, 2015.

¹⁷ Fehr and Falk, 2002.

¹⁸ Manning, 2003; Linneker and Wills, 2015.

¹⁹ Linneker and Wills, 2015.

²⁰ Bhatia and Katz, 2001.

²¹ Stabile, 2008; Islam, 2014.

²² Brenner, 2004.

²³ Wills and Linneker, 2015.

²⁴ Wills and Linneker, 2016; Neumark and Adams, 2003.

²⁵ Wills and Linneker, 2015.

customers, these passed-on costs are often low compared with the current costs of the service.²⁶ Reynolds draws the same conclusion²⁷: he believes that the maximum potential costs of a living wage are very modest, both for the city and for the employer. In addition, the higher costs could be offset by the organisation's increased productivity and reputation.²⁸

Re 2: The role of governments

Implementing a living wage is difficult without government involvement. Many workers in developing countries work in the informal economy, where labour market laws do not apply.²⁹ Governments can play a major role here. Where governments do not have the capacity to reinforce a labour statute, or simply lack the willingness to do so, the positive impact of implementing a living wage cannot reach its full potential.³⁰ The step towards paying a living wage is especially great if many production staff in the informal economy are not even entitled to a minimum wage set by law. However, the willingness for government intervention depends on external factors, such as the political context.³¹ Although enhancing the willingness of governments lies outside ASN Bank's scope of influence, the bank can still encourage multinational organisations to join multistakeholder initiatives. By this route, the organisations could exert pressure on local authorities.

Re 3: The costs of a living wage

A living wage for production staff is of course only possible if the employer cooperates: employers must be willing to bear higher costs and must not be afraid to take this risk. Linneker and Wills³² conclude that the implementation of a living wage can also lead to 'cost-minimising behaviour' among manufacturers. Companies can cut working hours, forcing production staff to take on a second job at a company that does not pay a living wage. However, Brenner did not observe this negative effect of a reduction of working hours.³³

Unlike production staff employed by the company itself, production staff employed by the company's suppliers are more distant. This presents an additional challenge to companies that want to introduce a living wage: how will any increase in their payments to suppliers find its way to the production staff? And what can the company do if it is not a supplier's largest client? As it turns out, this is more complicated than it seems. Luckily, there are various sector and/or multistakeholder initiatives that deal with this problem.

When implementing a living wage (or taking steps towards a living wage), it is therefore important not to trivialise these negative effects and to see whether there are any ways to minimise them.

Measuring living wage

A range of organisations calculate what a living wage is in specific countries. We have compared the various methods and data and decided to work with the WageIndicator, which best fits in with our survey as regards the countries studied and the methodology. The other methods and databases were less suited to the purposes of our survey. For example, we heard a lot of good things about the Anker method, which the Global Living Wage Coalition uses, but it did not provide studies for all the countries we were examining. The same was true for the Asia Floor Wage. The FWF Wage Ladder contains much interesting information, but the methods used to gather this information were not uniform enough for our survey. Please refer to Appendix 6.3 for more information on these methods and databases and on the other methods and data we compared.

²⁶ Reich et al., 2005.

²⁷ Reynolds, 1999.

²⁸ Social and Economic Council, 2015b.

²⁹ Meghir et al., 2015.

³⁰ Islam, 2014.

³¹ Swartz and Vasi, 2011.

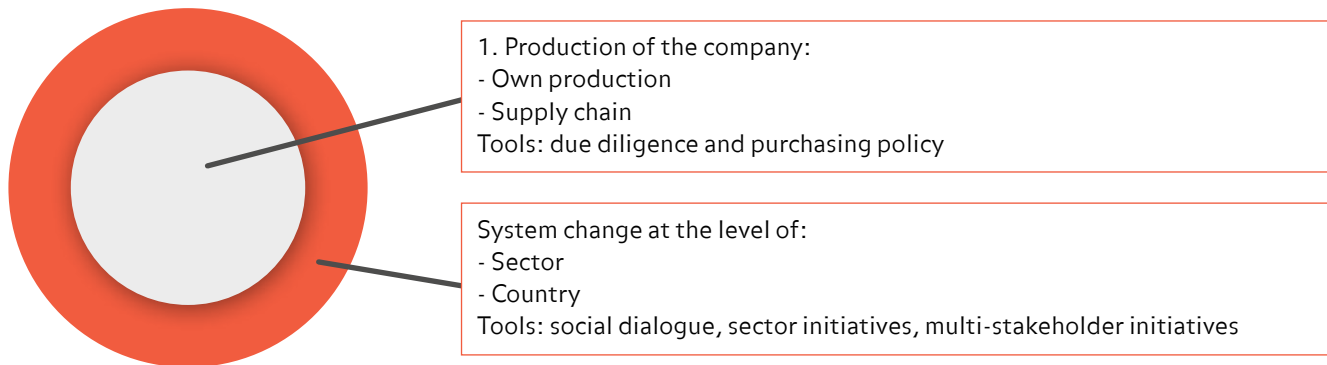
³² Linneker and Wills, 2015.

³³ Brenner, 2015.

Companies' influence on living wage

A company can exert influence on the acceptance of living wage at various levels:

1. The company has clear goals and guidelines for its own production as well as the production in the (first-tier) supply chain, monitors these goals and publishes the results – successes as well as challenges – of the ambition to reach these goals.
2. The company works on solutions together with other parties, for example via social dialogue, sector initiatives and other initiatives involving multiple stakeholders.



Ideally, companies' efforts focus on both these levels. However, a living wage cannot be introduced overnight. Also, the introduction may have adverse consequences in the local context if the company does not follow a careful process. It is therefore desirable – and maybe even necessary – for companies to cooperate with other relevant stakeholders at the local and/or international level, preferably with the government, unions and/or civil society organisations, and suppliers.

Production: in-house or outsourced

Production may be organised in a variety of ways. The majority of large brands do not produce their garments themselves, but outsource production or procure their garments at major fashion fairs. Our survey on the fourteen companies shows that each company has organised its production in its own way. In addition, there are major differences between the types of product that are produced. The production process for shoes differs from the process for seasonal clothing, and sports-wear requires other processes than basic clothing.

The fourteen garment companies in the ASN Investment Universe include examples of different approaches. For example, Gildan Activewear carries out almost all production itself, whereas H&M outsources its production entirely. Inditex' own production is limited, but the company works with a large number of fixed suppliers in countries that are relatively close to its home base in Spain.

Garment production phases

A garment's production can roughly be divided into three phases:

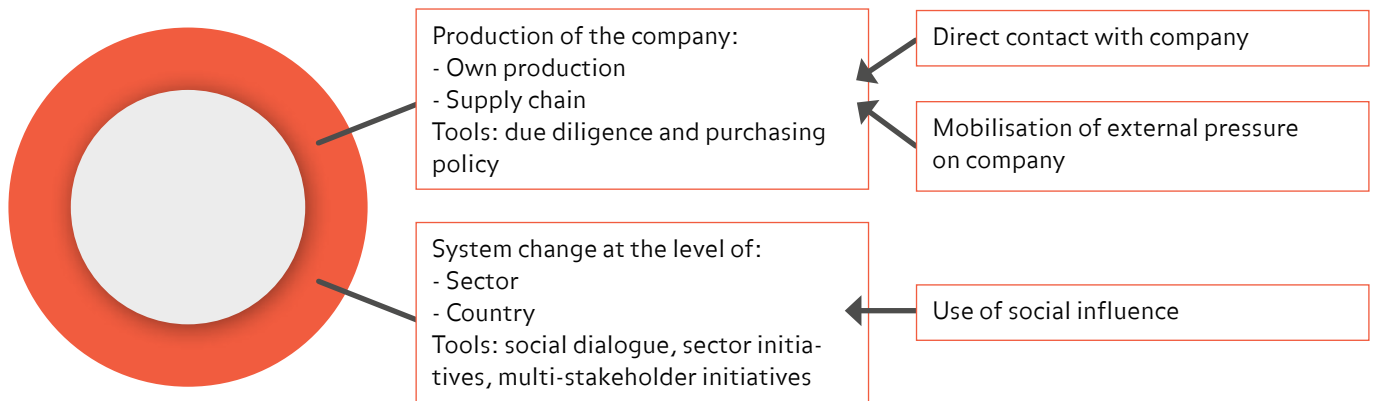
1. production of raw materials, such as cotton, wool, leather, various kinds of synthetics;
2. production of fabrics: spinning, knitting, dying and the production of parts such as zips;
3. cutting, making and trimming (CMT) or assembly of the garment.

The production chain of garment companies is generally structured according to these phases, with third-tier suppliers supplying the raw materials, second-tier suppliers supplying the fabrics and parts, and first-tier suppliers supplying the finished goods. In practice more parties are involved, such as subcontractors and resellers. Some companies may attach great value to long-term relationships with first-tier suppliers, while others may find production speed and flexibility more important. A combination of the two is also common.

The production of shoes is organised differently. The shoe-producing companies in the ASN Investment Universe, such as Adidas, Puma and ASICS, often refer to vertically integrated production sites. The production of footwear in these factories not only consists of assembly but also includes the production of shoe components, such as rubber soles.

2.3 ASN Bank and living wage

How does ASN Bank view its role in approaching this sector? Based on international conventions and guidelines, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines, the bank assumes responsibility for taking action to ensure responsible business practices at the companies in which it invests. As an investor, ASN Bank may decide to invest and divest, to vote and to engage. But since it wants to do more to put living wage on the agenda of companies and the sector, it has defined additional strategies:



In the case of living wage, ASN Bank decided to first perform a baseline measurement at the fourteen garment companies in its investment universe in order to make well-informed choices when subsequently determining its change strategy.

2.4 Approach: baseline measurement and methodology

Baseline measurement

In order to achieve the goal of all garment companies in the ASN Investment Universe paying a living wage, we must first determine their current performance on this point. To this end, we have performed a baseline measurement on the basis of desk research and data obtained directly from companies, either by telephone or by email.

In April and May 2016, we sent all fourteen companies an invitation to provide information. We had to resend this invitation by up to four times in some cases. Some companies were more willing to communicate than others. One company did not respond at all to our repeated requests. At the beginning of September, we sent all companies their scorecards. We received feedback on them from most companies. A number of companies did not have any feedback and one single company did not avail itself of this opportunity. We gave all companies the opportunity to publish a response on their own scorecards, which four companies have done.

Scope: focus on 25 production countries

We based our survey report on the document *Minimum wages in the global garment industry*³⁴ of the International Labour Organization (ILO). On this basis, we focus on the top 25 textile and garment producing countries. We used this report to determine the minimum wage in these countries. As stated above, we used the WageIndicator data to determine living wage in these 25 countries. Please refer to Appendix 6.3 for an overview of the methods used to calculate living wage.

Scope: focus on own production and production in the first-tier chain

We decided to focus on companies' own production and the production of their first-tier suppliers in this baseline measurement. Although we do find second- and third-tier production important as well, we soon noticed during the baseline measurement that publicly available information on companies' own production and first-tier suppliers is still scarce. Moreover, it is those aspects that companies can influence the most.

³⁴ *Minimum wages in the global garment industry*, ILO Regional Office for Asia and the Pacific, Regional Economic and Social Analysis Unit (RESA), Research Note, November 2014.

Focus on the various types of wages

The sources we use, such as the WageIndicator and the ILO report mentioned above, often apply a wage range including a minimum and a maximum, both for the minimum wage and for living wage. We often also look at the differences between regions and between wages in rural and urban areas.

While we realise that nuances in practice are partly lost as a result, we decided to work with the minimum living wage and the minimum minimum wage. There are various reasons for our decision. We have opted for maximum uniformity in this survey. As regards the minimum wage, we also want to include the lowest-paid production staff in the measurement. As regards living wage, there are still major steps to be taken towards the minimum living wage.

Going forward, we hope to adjust the measurement in a way that also takes account of the various types of wages and regional differences.

Survey questions

In order to determine where companies currently stand, we posed the following questions:

- A. Does the company have a definition of living wage? Does it have a policy, vision, goal or ambition for living wage? How does it ensure implementation? Developing a policy, vision, goal and ambition is important because:
- it says something about the importance attached by the company to the subject;
 - it says something about the degree to which the subject is endorsed at board level;
 - it indicates the level of priority of the subject;
 - it shows that the company has performed a risk analysis and is aware of the possible problems that may occur;
 - it is the basis for new improvement efforts in practice;
 - it allows companies to demonstrate to stakeholders how they can work on this subject;
 - it is desirable for companies to elaborate on the definition of living wage; there are sometimes major differences as to what it covers, which has consequences for the level of the wage;
 - it shows how policy is translated into practice.

In order to determine how companies compare on this point, we made an assessment model to answer the following questions:

- Does the company have a vision?
- Does the company have a policy?
- Has the company formulated a definition of living wage?
- Does the company ensure policy implementation?
- How transparent is the company about this?

Please refer to Appendix 6.4 for the relevant assessment framework.

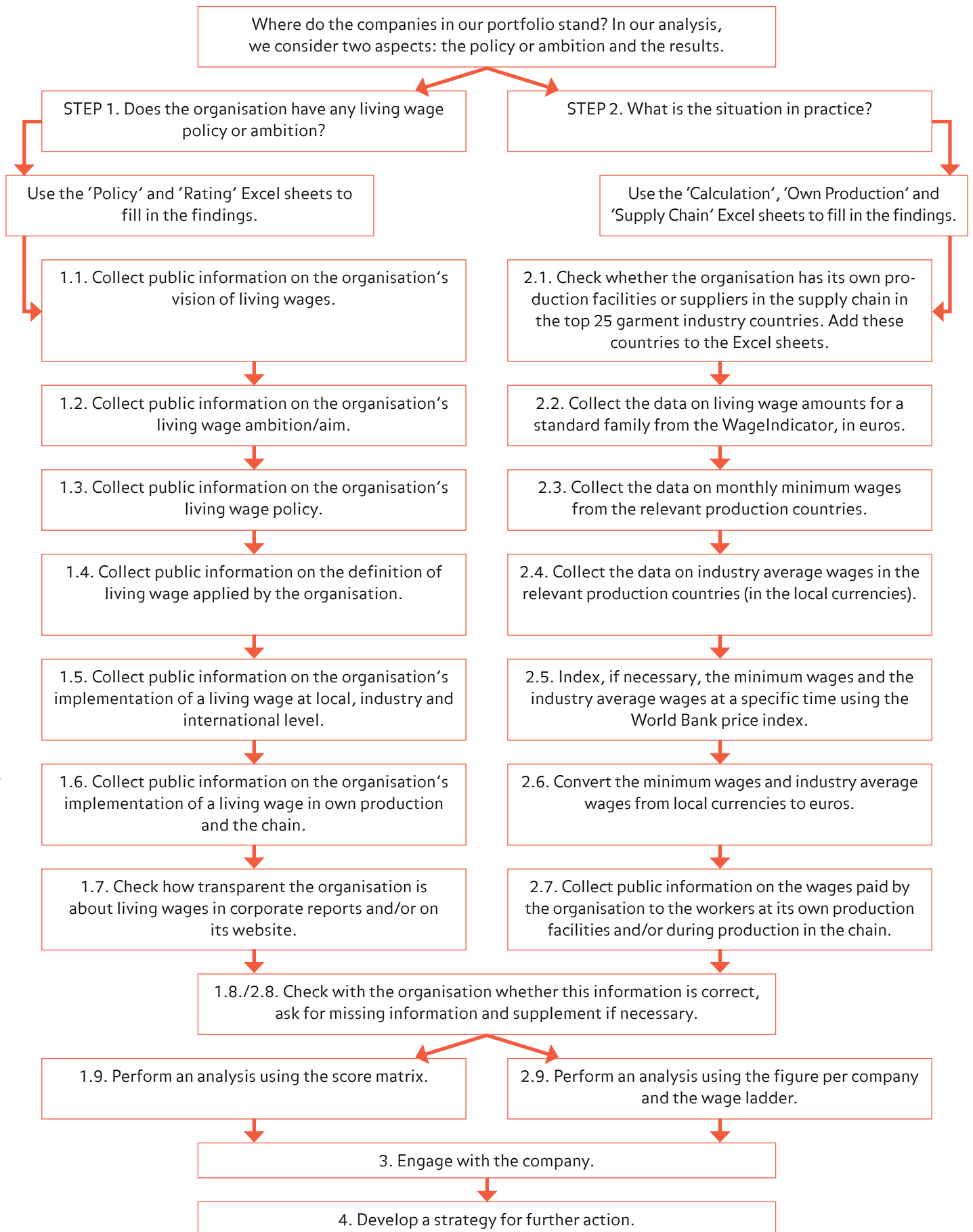
- B. What information can we find regarding the company's practices? It is important for companies to gather information about practice because:
- this information reflects the company's performance as regards its policy implementation (baseline measurement);
 - this information reflects where the company should take action;
 - the actual risks can be identified in this way.

In order to find information on practices, we looked for information on:

- companies' own production sites;
- the production sites in the first-tier supply chain.

For this purpose, we tried to find information about production countries, the number of production sites, the number of production staff employed at these sites, the type of product made there, the type of contract and the working hours applied, and wages. Except in a few cases, it proved difficult to find this information. We initially wanted to use concrete figures about the number of production staff and the type of wages paid. We now hope we will be able to do so in subsequent measurements. In this first measurement, we had to confine ourselves to information about the countries in which each company operates and the wages the companies say they pay in their policies or communications.

Figure 3: Flowchart showing the steps of our baseline measurement (see Appendix 6.6 for the detailed plan of action)



3 Findings and conclusions

3.1 Findings

General findings

The survey produced some interesting general observations. We were pleasantly surprised by the goodwill shown by most companies in engaging with us and receiving their scores, even if those scores were not the best. We had initially thought that the engagement with companies would start only after the baseline measurement, but actually it already began from the first moment we got in touch with them. Our survey, but especially the scorecards, proved good conversation starters. The contact with companies was therefore a key element in the process, not only to validate the scorecards but particularly also to use as a starting point for our further engagement and approach. We would therefore like to thank all companies for their openness, goodwill and cooperation to date.

Please refer to Appendix 6.1 for the scorecards with the findings on each company.

Findings on ambition, policy and implementation

Figure 4 lists the total scores of the companies in terms of ambition, policy and implementation. Scorecards were made for each company, including a detailed overview. Our general findings are presented here.

Definition of living wage:

- Apart from two companies, 'living wage' was not a new concept for most companies.
- Not all companies are convinced of the merits of the concept of a living wage. They may or may not look for and work on terms that are related to living wage, such as 'fair wage' and 'fair living wage'. Although companies are aware of the importance of the subject, some of them avoid the debate on the definition and calculation of a living wage as they believe it distracts from its actual implementation.
- Some companies take the view that the minimum wage should be a living wage.
- Except for one company (Marks & Spencer), all companies are rated 'poor' on definition. While they do indicate that the wage should provide for the basic needs, they do not define what those basic needs are (such as food, clothing, housing, healthcare and education and 10% discretionary income).

Reputable initiatives:

- Most businesses collaborate with other businesses in a sector or multistakeholder initiative, such as the Fair Labor Association (FLA), the Ethical Trading Initiative (ETI) and the ACT Process.

Goal and strategy:

- Only Puma and H&M have formulated a clear goal along with the corresponding KPIs for a living wage.
- Five companies – Adidas, Asos, Esprit, H&M and Inditex – regard collective bargaining (which includes wages) as a key strategy to achieve a living wage.

Implementation:

- Eight companies are facing the challenge of further implementing living wage policies in their supply chains. They can do so, for example, by offering guidelines and tools for purchasing staff, entering into long-term relationships with suppliers and working on a pricing model.

Figure 4: Total scores on ambition, policy and implementation (scale of 0 to 5)

Ranking	Score	Company
1	4,00	H&M
2	3,86	Puma
3	3,50	Adidas
4	3,42	Inditex
5	3,40	Marks & Spencer
6	3,28	Esprit
7	3,25	Gildan
8	3,10	Asos
9	2,86	KappAhl
10	2,60	Nike
11	2,43	Gap
12	2,30	ASICS
13	1,14	Lojas Renner
14	1,10	Amer Sports

Findings on practice

In order to gain a better understanding of the fourteen companies' practices, we made an overview in the scorecards of the countries where each company produces its garments and shoes. Figure 5 shows the general situation in the 25 production countries. The overview shows how the minimum wage (red) and the industry average wage (blue) compare to the living wage, which is set at 100 percent. Please refer to Appendix 6.5 for an explanation of our calculation of these percentages.

The following stands out as regards the companies' practices:

- Eight companies state in their policies (or through initiatives they have joined) that they pay the industry average wage if it exceeds the minimum wage.
- Five companies regard collective bargaining as a key strategy to achieve a living wage. Three companies refer to a collectively bargained wage in their policies.
- Five companies can make major strides towards a living wage by introducing the industry average wage (if it exceeds the minimum wage).
- Some companies are transparent about the locations and activities in the supply chain. Nevertheless, it has proven difficult to obtain accurate information about the number of production staff in the supply chain, wages paid, types of contract, types of production, production volumes per country and/or production sites.
- Except for H&M, none of the companies are willing to disclose the wages they pay. In its sustainability report, H&M publishes information about part of the wages paid at strategic suppliers. The rest of the companies regard this as commercially sensitive information.

Figure 5: Minimum wage and industry average wage compared to living wage in the top 25 garment producing countries



Figure 6: Interpretation of Figure 5 – where are the greatest and smallest differences?

	Country	Difference in comparison to living wage
Minimum wage versus living wage		
The difference between the minimum wage and the living wage is greatest in:	Tunisia	-88.38%
	Sri Lanka	-84.34%
	China	-79.55%
The minimum wage and the living wage are the same, or almost the same, in:	Honduras	+0.10%
The difference between the minimum wage and the living wage is smallest in:	Honduras	+0.10%
	Peru	-24.63%
	Taiwan	-34.05%
Industry average wage versus living wage		
The difference between the industry average wage and the living wage is greatest in:	China	-80.74%
	Sri Lanka	-69.90%
	Peru	-60.55%
The industry average wage and the living wage are the same, or almost the same, in:	-	
The difference between the industry average wage and the living wage is smallest in:	Hong Kong	-7.27%
	Bangladesh	-13.71%
	Indonesia	-21.34%
In the following countries, the industry average wage exceeds the minimum wage and the living wage:		
	Pakistan	+35.21%
	South Korea	+25.43%
	Taiwan	+18.37%
	Mexico	+14.40%

3.2 Conclusions

Based on the scorecards and the conversations we had with companies and other stakeholders, we are hopeful. As the scorecards show, most companies – with a few exceptions – still have a long way to go in practice to implement a living wage. This is also evident from Figure 4. At the same time, quite a number of companies are already making good progress. As this is a subject under development, we do not mind the differences among companies at this point in time. However, we do find it important that companies continually move forwards and achieve results. We will therefore monitor the progress made by these companies and further fine-tune our methodology.

We have identified the following opportunities on the road towards a living wage:

- Quick wins:
 - o It helps to join a sector or multistakeholder initiative. The problems regarding wages, especially in the supply chain, are difficult to solve by one company alone.
 - o In many cases, paying the industry average wage takes companies a major step closer to living wage.

As we outlined above, there are also challenges:

- A lack of transparency makes it difficult for outsiders (including major stakeholders) to keep track of corporate practices. That is why we will continue to urge companies to provide openness and transparency.
- We are aware of the importance of an internationally recognised definition of 'living wage'. However, at this time the discussion on this point may distract from the main issue: bringing production staff's wages in line with what they and their families need to meet their basic needs and (some) unexpected costs. We are pleased that companies are as yet not deterred from taking action and that most companies in the ASN Investment Universe do so collectively. The role of governments is vital in this process.

4 Looking back and looking ahead

4.1 What does this case study teach us about social impact measurement?

Throughout the process, we continually looked for the most accurate information and the most robust methodology. The greatest challenge in this measurement was to obtain reliable data. Good data stands or falls with transparency, in this case of the companies. In cases of too much guesswork, we decided not to include data. We were therefore forced to abandon some initial plans, such as identifying the number of production staff reached with this goal.

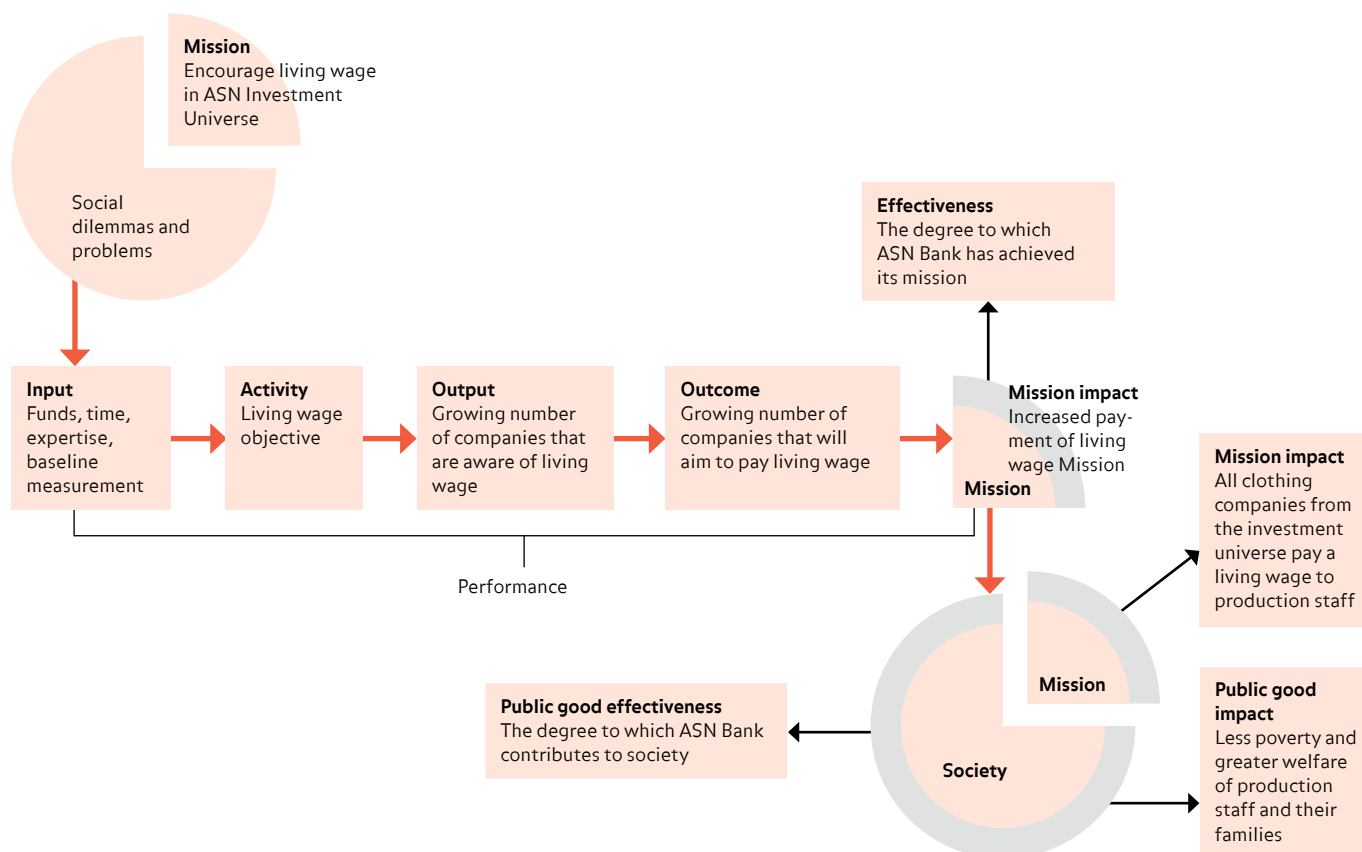
May we call it a social impact measurement?

Yes. We performed a mission based impact measurement. We:

- formulated a mission;
- performed an activity;
- obtained information on output: the number of companies from the ASN Investment Universe that are aware of living wage;
- determined the outcome of our activities: the number of companies from the ASN Investment Universe paying a living wage to production staff.

However, it is still work in progress. We do not yet have any information on the mission based impact: will the companies in the ASN Investment Universe now really start taking steps towards paying a living wage in their supply chain? This information will emerge as we continue to monitor the organisations.

Nor did we measure the impact at society level (public good impact measurement). We do not yet have any insight into the impact of our activity on the financial situation and wellbeing of production staff (public good impact measurement). Ideally, we will make the transition necessary.



The final result is therefore not perfect, but still we are proud of it: it gives a good view of the general performance of companies and the field in terms of living wage. The comparison of wages in the 25 production countries provides surprising insights. The scorecards as a whole give companies (and us) many insights for subsequent steps to take towards a living wage.

4.2 Going forward

This report is not the end. The methodology we have developed for the baseline measurement presents a starting point rather than a final destination. We will continue our work, of course again by way of open source. In a year or two, therefore, the Impact Centre Erasmus and ASN Bank will present a joint follow-up measurement. In addition, ASN Bank is working on a change strategy based on the results of this baseline measurement and the engagement with companies and other relevant stakeholders: how can the bank ensure that the goal – all garment companies in the ASN Investment Universe to have introduced a living wage by 2030 – will become reality? We greatly value your questions and suggestions.

5 More information

Feel free to contact us for more information on living wage, the case study, decisions we took as regards the methodology and underlying calculations.

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Appendix 6.1 Scorecards

In alphabetical order

- Adidas
- Amer Sports
- ASICS
- Asos
- Esprit
- Gap Inc.
- Gildan Activewear
- H&M
- Inditex (with brands including Zara)
- KappAhl
- Lojas Renner
- Marks & Spencer
- Nike
- Puma

Living wage scorecard – Adidas

ABOUT THE COMPANY

Adidas is a garment company that designs, manufactures and sells sportswear worldwide. With 4,010 stores distributed across the globe, the company employs 47,435 staff. Adidas has production facilities of its own in countries that fall outside the scope of this survey. Adidas was founded in 1920 and is headquartered in Herzogenaurach, Germany.

ABOUT THE SUPPLY CHAIN

Adidas has suppliers in Bangladesh (8), Cambodia (26), China (221), Egypt (1), El Salvador (5), Guatemala (4), Honduras (6), India (29), Indonesia (41), South Korea (47), Malaysia (6), Mexico (6), Pakistan (14), the Philippines (13), Singapore (2), Sri Lanka (6), Taiwan (31), Thailand (16), Tunisia (2), Turkey (10) and Vietnam (61). A total of 1 million people work in the supply chain, 400,000 to 500,000 of whom are based in China, Indonesia and Vietnam. The company does not share any data regarding the type of production taking place in the factories or any production percentages per country. Adidas encourages suppliers to give workers permanent contracts. Workers may not work for more than 48 hours per week plus 12 hours overtime. Workers receive the minimum wage or the prevailing industry wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

Chain	
1. Vision	Very good: 5
2. Aim/ambition	Poor: 2
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry	Very good: 5
b. Implementation in own company/chain	Good: 4
6. Transparency	Sufficient: 3
TOTAL SCORE (maximum 5)	Sufficient 25/7 = 3.50

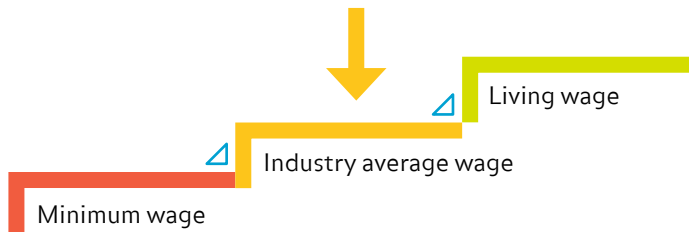
25

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures have been disclosed, but Adidas states in its Code of Conduct that it pays **the statutory minimum wage or the prevailing industry wage** (the higher of the two).

3. Advice

Analyse

- The difference between the wage that Adidas pays and the living wage is greatest in Tunisia, China, Sri Lanka and Egypt. In South Korea, Mexico and Taiwan, the prevailing industry wage is higher than the living wage. In Honduras, the minimum wage is the same as the living wage. The difference is smallest in Malaysia and Turkey, where the prevailing industry wage is relatively similar to the living wage.

Advice

Adidas applies a fair wage. While we do not expect companies to use the term 'living wage', we are pleased to see the elements that lead to a living wage. In order to take the next step towards a living wage, we advise the company:

- With regard to their definition of a fair wage, to explain which elements fall under 'decent living' and 'basic standard of living', and to explain whether this applies to an employee or to an employee and his family;
- To draw up a clear living wage objective, including a time frame and clear KPIs;
- In practice, Adidas is still paying the minimum wage or the prevailing industry wage, choosing whichever is higher. We would like to see this become a living wage, with this being amended in the Code of Conduct;
- To continue implementing a living wage in the chain, to share advances with stakeholders and, for example, to work on (reasonable) delivery periods for suppliers;
- To be transparent about the number of workers per country in the chain, the type of production taking place there, the type of contract that workers receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Adidas website (consulted between 15 May and 15 July 2016)
- Sustainability Report 2015
- Workplace Standards (as on the website in July 2016)
- Call with company, June 2016
- Email from company, September 2016

Living wage scorecard – Amer Sports

ABOUT THE COMPANY

Amer Sports designs, manufactures and sells sportswear, sports materials and sports shoes worldwide. The company itself employs 7,954 people. Amer Sports sells its products chiefly under the brand names Salomon, Wilson, Atomic, Arc'teryx, Mavic, Suunto and Precor. The company owns a few production facilities of its own in countries that fall outside the scope of this report. Amer Sports was founded in 1950 and is headquartered in Helsinki, Finland.

ABOUT THE SUPPLY CHAIN

Amer Sports has suppliers in China, South Korea, Mexico and Taiwan. A total of 100,000 people work in the first-tier supply chain, distributed between 200 production facilities. The company does not publish any data about the number of production facilities or workers per country, the type of production taking place there, the production percentages per country, the type of contract that workers receive and the number of hours that they work. Workers receive at least the statutory minimum wage.

HOW APPROACHABLE IS THE COMPANY?

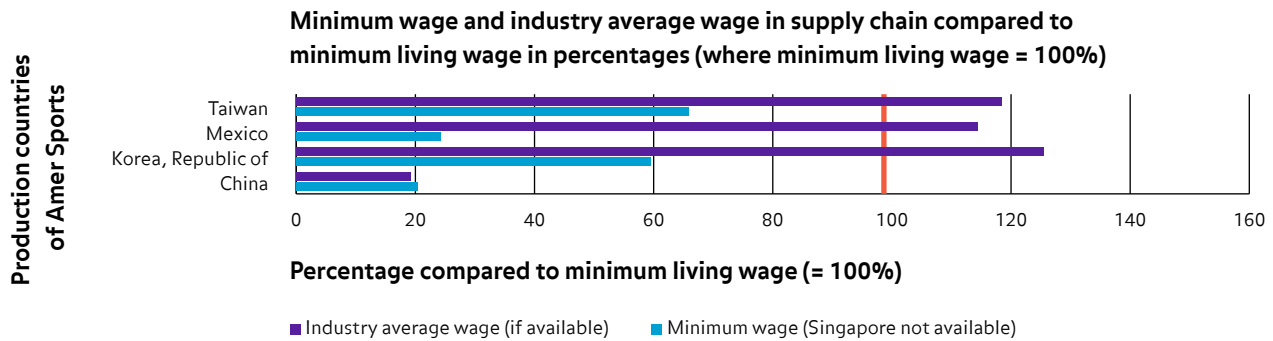
The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

Chain	
1. Vision	Wholly insufficient: 0
2. Aim/ambition	Insufficient: 1
3. Policy	Insufficient: 1
4. Definition	Wholly insufficient: 0
5. a. Implementation in country/industry b. Implementation in own company/chain	Sufficient: 3 Insufficient: 1
6. Transparency	Poor: 2
TOTAL SCORE (maximum 5)	Insufficient 8/7 = 1.10

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Amer Sports indicated during personal contact that it paid at least the **minimum wage**.

3. Advice

Analysis

- The difference between the wage that Amer Sports pays and the living wage is greatest in China and Mexico. The difference is smallest in Taiwan, where the minimum wage is relatively similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- To state in its policy that it pays the prevailing industry wage in the production countries, which would be a major step towards a living wage;
- To draw up a definition for living wage, also indicating which basic needs are to be met with the wage (such as food, clothing, housing, healthcare and education and 10% discretionary income), and to include it in new or existing policy;
- To draw up a clear living wage objective, including a time frame and clear KPIs, and to publish such;
- To implement a living wage in the chain, for example by developing guidelines and tools for purchasing staff, entering into long-term relationships with suppliers and working on an adjusted pricing model;
- To be transparent about the number of production facilities and workers per country, the type of production taking place there, the number of hours worked per week, the type of contract workers receive and their salary.

4. Company's response

Fair Play is a core value for us in Amer Sports. We play by the rules: we comply with the laws and regulations. This applies to all aspects across the company, including compensation of both our own and suppliers' employees. In both areas, wages must meet legal minimum wages. Other legal benefits such as an overtime premium rate should apply. Compensation should meet basics needs and provide some discretionary income. We encourage our suppliers to progressively work on these principles.

5. Sources

- Annual Report 2015
- Amer Sports website (consulted between early May and 15 July 2016)
- Call with company (May 2016)

Living wage scorecard – ASICS

ABOUT THE COMPANY

ASICS Corporation manufactures and sells sports items, sportswear and sports shoes, mainly in Asia, Europe, and North and South America. The company sells its products via its own stores and distributors. The company employs 7,484 people. It has a single production facility in China, manufacturing technical sportswear. With 125 employees, less than 2% of the total production takes place there. These employees receive the higher of the statutory minimum wage and the prevailing wage. ASICS was founded in 1949 and is headquartered in Kobe, Japan.

ABOUT THE SUPPLY CHAIN

ASICS has suppliers in Cambodia, China, Indonesia and Vietnam. Together with Japan, these countries are responsible for 85% of the entire production. Between 140,000 and 150,000 people work in the first tier of the chain. The garment factories deal mainly with the assembly of garments, while work in the shoe factories includes manufacturing shoe soles. The company does not publish any data about the number of production facilities or workers per country, the production percentages per country, the type of contract that workers receive or the number of hours that they work. Workers receive the statutory minimum wage or the prevailing industry wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

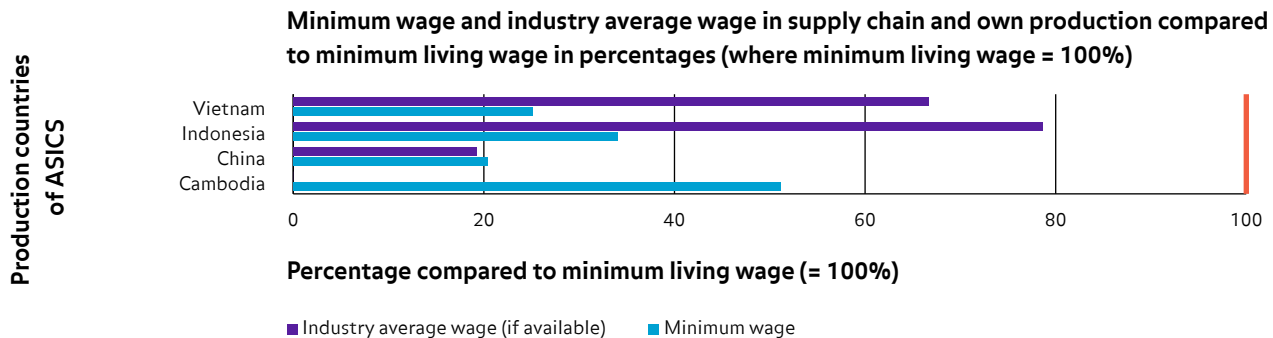
The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

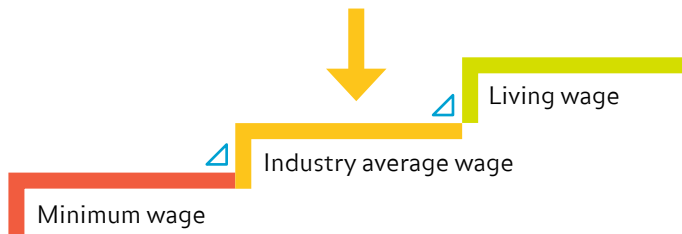
	Own operations	Chain	Total score
1. Vision	Sufficient: 3		3
2. Aim/ambition	Insufficient: 1	Insufficient: 1	2
3. Policy	Sufficient: 3	Sufficient: 3	6
4. Definition	Insufficient: 1		1
5. a. Implementation in country/industry	Sufficient: 3	Sufficient: 3	6
b. Implementation in own company/chain	Poor: 2	Poor: 2	4
6. Transparency	Sufficient: 3	Poor: 2	5
TOTAL SCORE (maximum 5)	16	11	Poor 27/12 = 2.30

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but ASICS states in its policy that it pays **the statutory minimum wage or the prevailing industry wage** (the higher of the two).

3. Advice

Analysis

- The difference between the wage that ASICS pays and the living wage is greatest in China. The difference is smallest in Indonesia and Vietnam, where the prevailing industry wage is relatively similar to the living wage.

Advice

As is evident from our analysis, ASICS has its own production facilities as well as production facilities in the chain. While it already has some guidelines for the chain, as far as we can tell it does not yet have such guidelines for its own production facilities. During our call with ASICS, the company stated that it was working on a fair wage. While we do not expect companies to use the term 'living wage', we are pleased to see the elements that lead to a living wage. In order to take the next step towards a living wage, we advise the company:

- Via its policy, website or annual report, to provide information about its actions and plans in the context of a fair wage;
- To draw up a definition of living wage for its own production facilities, indicating the basic needs that have to be met in order to guarantee a minimum standard of living;
- To draw up a clear living wage objective for both the chain and its own production facilities, including a time frame and clear KPIs;
- To continue to implement a living wage in the chain, for example by drawing up guidelines for employees, entering into long-term relationships with suppliers and working on a pricing model and a reasonable delivery period for suppliers;
- To provide more information about the number of production facilities per country, the number of workers per country and/or production site, the type of production taking place there, the type of contract that workers receive, the number of working hours per week and the salary.

4. Company's response

ASICS recognizes the issues around fair wages in our Industry as well as the need for a clear fair wage mechanism going beyond a strict living wages scope. We take deep interest in discussions regarding wages at industry level whilst being mindful of Anti-Trust standards and regulations. We actively participate in Industry frameworks, conduct our own research on the subject whilst maintaining an open view on other perceptions than our own, and aim to align with the twelve Fair Wage Dimensions of the Fair Wage Network. ASICS does not yet have a company definition of living wage in particular as we believe a broader approach to wages is advisable. This does not automatically exclude what sometimes is referred to as a living wage as is illustrated by the fact that a subsidiary of the global ASICS Group is a member of the FWF, while ASICS is also a partner of ILO Better Work. As a Group however, we would, rather than pursuing only one of the current definitions of a living wage, like to see a clear consensus around fair wages which include a wider range of worker rights and labor practices which could include what one might call a living wage. Combined with the right on collective bargaining / freedom of associations we see fair wage related issues a key area to be addressed on the labor standards agenda in our Industry.

5. Sources

- ASICS Global Code of Conduct (as on the website in July 2016)
- Policy of Engagement (as on the website in July 2016)
- ASICS website (visited between early May and 15 July 2016)
- Call with company (May 2016)

Living wage scorecard – ASOS

ABOUT THE COMPANY

ASOS Plc sells clothing online in the United Kingdom, France, Germany, Italy, Spain, Australia, the United States, Russia and China. ASOS employs 1,918 people, and does not have any production facilities of its own. The company was founded in 2000 and is headquartered in London, United Kingdom.

ABOUT THE SUPPLY CHAIN

ASOS has suppliers in Cambodia (2), China (155), Egypt (1), India (71), Morocco (5), Sri Lanka (2), Taiwan (1), Thailand (2), Tunisia (4), Turkey (67) and Vietnam (9). A total of 87,005 people work in the first tier of the supply chain. The company does not publish any data about the number of workers per country, the type of production taking place per country, the production percentages per country or the type of contract that workers receive. Workers may not work for more than 48 hours per week plus 12 hours overtime. They are paid the statutory minimum wage.

HOW APPROACHABLE IS THE COMPANY?

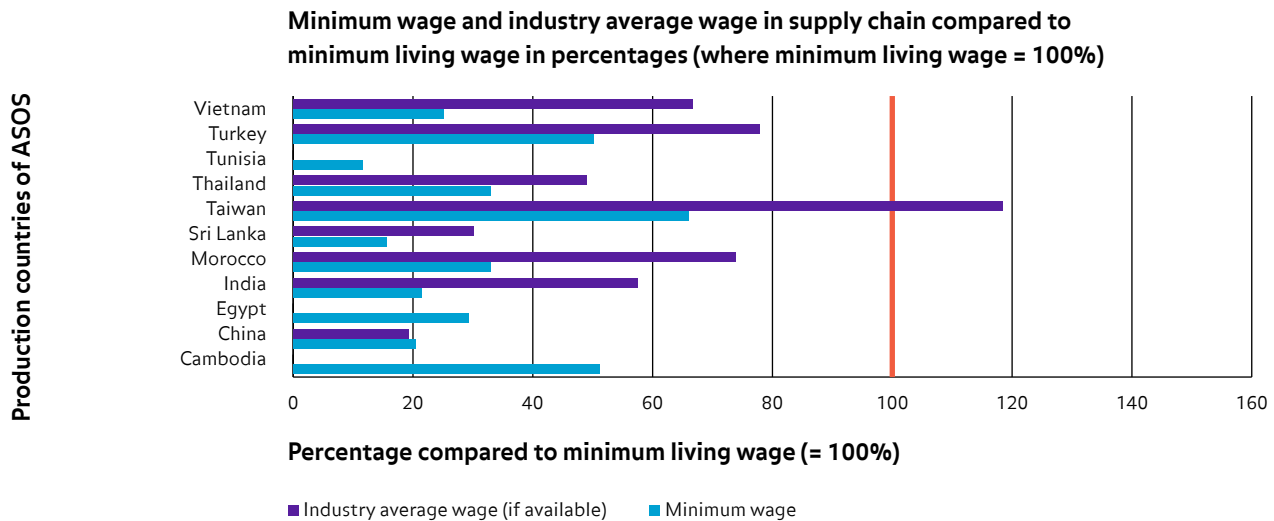
The company's approachability was **POOR** during this survey.

1. Vision, policy, implementation and transparency

	Chain
1. Vision	Good: 4
2. Aim/ambition	Poor: 2
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry	Good: 4
b. Implementation in own company/chain	Sufficient: 3
6. Transparency	Sufficient: 3
TOTAL SCORE (maximum 5)	Sufficient 22/7 = 3.10

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but ASOS states in its Code of Conduct that it pays **the statutory minimum wage**. Via its membership of the Ethical Trading Initiative, the company has committed itself to paying the minimum wage or the industry average wage (the higher of the two). When ASOS also incorporates this into its policy, we will adjust its rung on the wage ladder to the industry average wage.

3. Advice

Analysis

- The difference between the wage that ASOS pays and the living wage is greatest in Tunisia and Sri Lanka. The difference is smallest in Taiwan, where the minimum wage is the most similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- To align the policy on wages in the Code of Conduct with the Ethical Trading Initiative guidelines;
- To state in the Code of Conduct that it pays the prevailing industry wage in the production countries, which would be a major step towards a living wage;
- To expand the definition of living wage with education, healthcare and 10% discretionary income;
- To draw up a clear living wage objective, including a time frame and clear KPIs;
- To continue to implement a living wage in the supply chain, for example by offering guidelines and tools, as well as training for purchasing staff, and by working on the pricing model for suppliers;
- To publish information about the number of workers per country, the type of production taking place there, the type of contract that workers receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- ASOS Ethical Code of Conduct (last examined in July 2016)
- ASOS Ethical Standards (last examined in July 2016)
- Annual Report 2015
- Asos website (consulted between early May and 15 July 2016)
- Emails from company in June and September 2016
- Ethical Trading Initiative website (September 2016)
- Action, Collaboration, Transformation (ACT) (HiiL website, September 2016)

Living wage scorecard – Esprit

ABOUT THE COMPANY

Esprit Holdings Limited sells and distributes clothing for men, women and children under the brand names Esprit and edc worldwide. With 890 stores, 7,500 retail outlets and an online shop. Esprit employs 9,100 people. It does not have any production facilities of its own. Esprit was founded in 1968 and is headquartered in Ratingen, Germany.

ABOUT THE SUPPLY CHAIN

Esprit has suppliers in Bangladesh (responsible for 21.7% of total production), Cambodia (2.8%), China (38.2%), India (6.3%), Indonesia, Morocco, Pakistan (5.4%), the Philippines, Sri Lanka, Tunisia, Turkey (7.3%) and Vietnam (6.2%). It is estimated that a total of 400,000 people work in the first-tier supply chain. The company does not publish any data about the number of workers, the number of production facilities or the type of production per country. Nor does it publish information about the type of contract that workers receive or the number of hours they work per week. Workers are probably paid the statutory minimum wage.

HOW APPROACHABLE IS THE COMPANY?

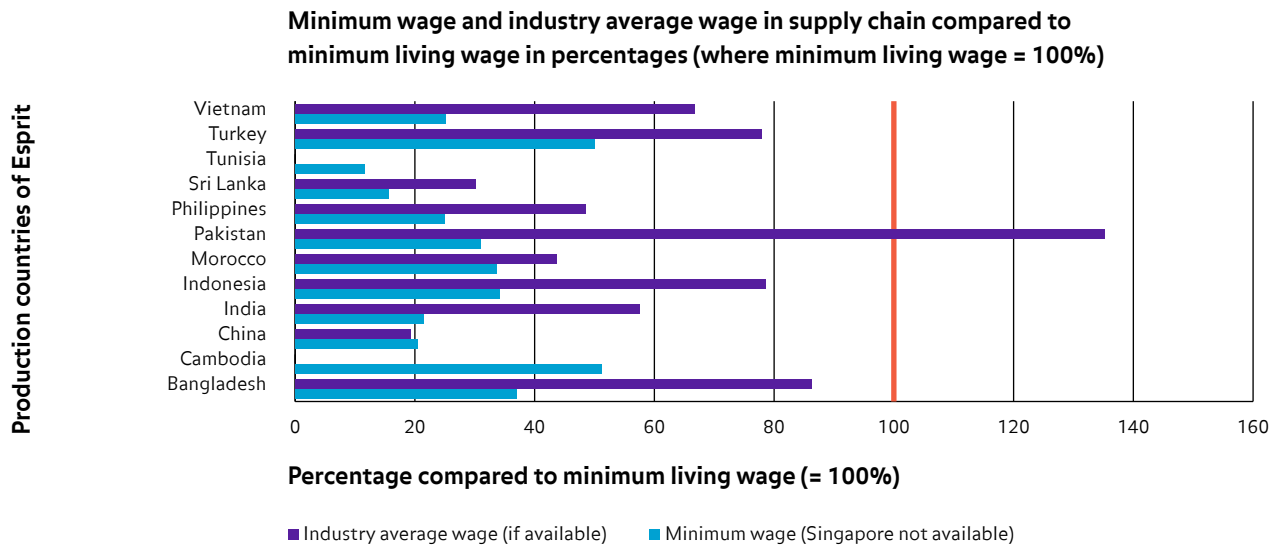
The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

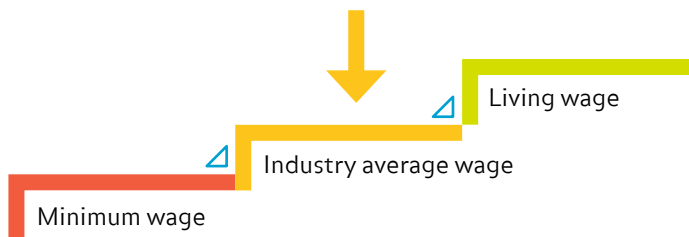
Chain	
1. Vision	Good: 4
2. Aim/ambition	Poor: 2
3. Policy	Good: 4
4. Definition	Sufficient: 3
5. a. Implementation in country/industry	Good: 4
b. Implementation in own company/chain	Sufficient: 3
6. Transparency	Sufficient: 3
TOTAL SCORE (maximum 5)	23/7 = 3.28

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Esprit states in its Supplier Code of Conduct that workers receive 'fair and legal compensation'. We therefore assume that Esprit pays **the statutory minimum wage**. Esprit is a member of the BSCI: the Business Social Compliance Initiative, which is committed to improving labour conditions in its members' production chains worldwide. Via this membership, Esprit has committed itself to paying the minimum wage or the industry average wage (the higher of the two). Esprit states that the BSCI is guiding, which is why the company ranks at 'industry average'.

3. Advice

Analysis

- The difference between the wage that Esprit pays and the living wage is greatest in Tunisia and Sri Lanka. The difference is smallest in Cambodia, where the minimum wage is the most similar to the living wage.

Advice

In its sustainability report 2014-2015, Esprit refers to 'fair and legal compensation that should cover at least workers' basic needs and provides some discretionary income'. However, the minimum wage is often not a living wage. We therefore advise the company to take the following steps towards a living wage:

- To align the policy on wages in the Supplier Code of Conduct with the BSCI guidelines;
- To publish what the company believes falls under 'basic needs and discretionary income';
- To draw up a clear living wage objective, including clear KPIs and a time frame;

- To continue to implement a living wage in the chain by drawing up guidelines and tools for purchasing staff, entering into long-term relationships with suppliers and working with a pricing model;
- To publish information about the type of production per country, the number of hours worked, the type of contract and the production staff's salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Sustainability Report 2014 - 2015
- Esprit website (between early May and 15 July 2016)
- BSCI website (July 2016)
- Emails from company (June and September 2016)

Living wage scorecard – Gap

ABOUT THE COMPANY

Gap Inc. sells clothing, accessories and personal care products for men, women and children worldwide under the brand names Gap, Banana Republic, Old Navy, Athleta and Intermix. The company has 3,721 stores throughout the world and employs more than 150,000 people. Gap was founded in 1969 and is headquartered in San Francisco, United States.

ABOUT THE SUPPLY CHAIN

Gap has suppliers in China (239), India (130), Vietnam (123), Indonesia (91), Cambodia (60), Bangladesh (52), Sri Lanka (46), South Korea (27), Guatemala (19), Pakistan (15), the Philippines (13), Egypt (10), Malaysia (7), El Salvador (3), Turkey (3), Honduras (2), Mexico (2), Hong Kong (1) and Taiwan (1). The company does not publish any information about the number of workers per country, the production percentages per country, the type of contract workers receive or the number of hours they work per week. Workers receive the statutory minimum wage or the prevailing industry wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

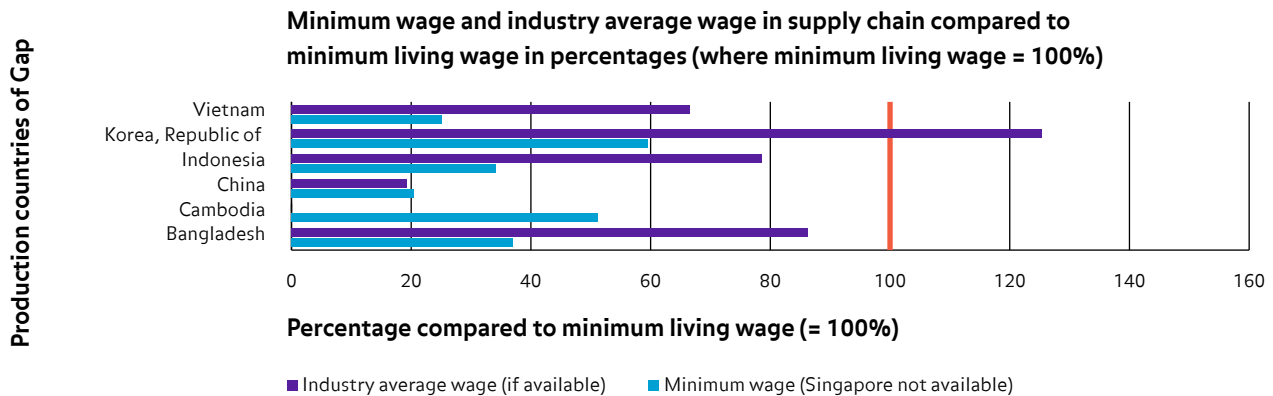
The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

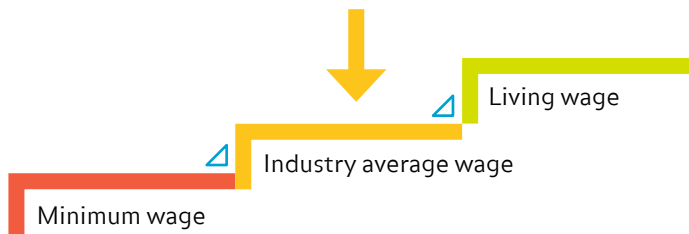
Chain	
1. Vision	Poor: 2
2. Aim/ambition	Wholly insufficient: 0
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry b. Implementation in own company/chain	Sufficient: 3 Poor: 2
6. Transparency	Poor: 2
TOTAL SCORE (maximum 5)	Poor 17/7 = 2.43

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Gap states in its Code of Conduct that it pays **the statutory minimum wage or the prevailing industry wage** (the higher of the two).

3. Advice

Analysis

- The difference between the wage that Gap pays and the living wage is greatest in China. In South Korea, the prevailing industry wage is higher than the living wage. The difference is smallest in Bangladesh and Indonesia, where the prevailing industry wage is relatively similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- For both its own production and production in the first-tier supply chain, to draw up a definition for living wage, also indicating which basic needs are to be met with the wage, such as food, clothing, housing, healthcare and education and 10% discretionary income;
- For both its own production and production in the first-tier supply chain, to draw up a clear living wage objective, including a time frame and clear KPIs;
- To introduce a living wage for first-tier production suppliers;
- To continue to implement a living wage in the supply chain, for example by performing internal and external audits, entering into long-term relationships with suppliers and working on a pricing model;
- For both its own production and production in the first-tier chain, to be transparent about the number of workers in production facilities per country, the type of production taking place there, the number of hours worked per week, the type of contract workers receive and their salary.

4. Company's response

Gap Inc. believes that garment worker wages for a standard working week should meet their basic needs and provide discretionary income. We prioritize ensuring that our suppliers comply with applicable wage and benefits laws. Further, we are conducting a wage verification study, intended to help evaluate current wage levels in our first tier suppliers against industry averages.

In the absence of a universally agreed-upon calculation for a living wage, the foundation for our working wage framework encompasses:

1. A continued focus on ensuring that factories comply with all applicable wage and benefits laws. While this alone is insufficient, it is a critical first step that the apparel industry as a whole has not yet achieved.
2. Partnering with others to engage governments in the countries from which we source on the development and implementation of effective minimum wage setting mechanisms.
3. Seeking to ensure our suppliers respect Freedom of Association rights both in principle and in practice. We recognize that the right to organize and bargain collectively can provide workers with an important framework for engaging with management on their rights to receive fair wages.
4. Helping strengthen factories' capabilities and promoting effective human resource management systems, including those related to wages.

5. Sources

- Code of Vendor Conduct (examined in July 2016)
- Gap website (consulted from early May to July 2016)
- Gap's answers to questions posed by the Clean Clothes Campaign in relation to the Tailored Wages campaign of January 2014.
- Ethical Trading Initiative website (September 2016)

Living wage scorecard – Gildan Activewear

ABOUT THE COMPANY

Gildan Activewear Inc. manufactures and sells sportswear and other clothing under the brand names Gildan and New Balance, among others, in the US, Canada, Europe, Asia and South America. Gildan employs 42,000 people in total. The company owns ten production facilities of its own in Honduras, making screen prints and manufacturing sportswear, underwear and socks. The company does not publish any precise data on the number of workers employed in these facilities or the percentage of total production for which these production facilities are responsible. Workers may not work for more than 60 hours per week, including overtime. They receive the statutory minimum wage or the prevailing wage, whichever is higher. The company was founded in 1984 and is headquartered in Montreal, Canada.

ABOUT THE SUPPLY CHAIN

Gildan Activewear has a single supplier in Bangladesh, a textile manufacturer employing 2,800 people. The company does not publish any data on the percentage of total production for which the supplier is responsible or the type of contract that workers receive. Workers may not work for more than 60 hours per week, including overtime. They receive the statutory minimum wage or the prevailing wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

The company's approachability was **GOOD** during this survey.

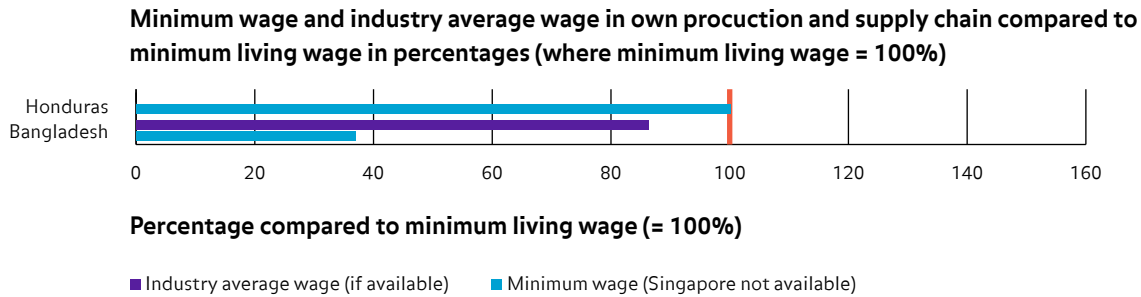
Vision, policy, implementation and transparency

	Own production	Chain	TOTAL SCORE
1. Vision	Very good 5		5
2. Aim/ambition	Insufficient 1	Insufficient 1	2
3. Policy	Good 4	Good 4	8
4. Definition	Poor 2		2
5. a. Implementation in country/industry	Good 4	Good 4	8
b. Implementation in own company/chain	Good 4	Good 4	8
6. Transparency	Sufficient 3	Sufficient 3	6
TOTAL SCORE (maximum 5)			Sufficient 39/12 = 3.25

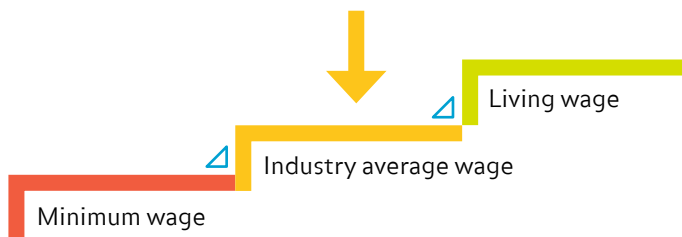
2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place

Production countries
of Gildan Activewear



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Gildan states in its Code of Conduct that it pays **the statutory minimum wage or the prevailing industry wage** (the higher of the two).

3. Advice

Analysis

- The difference between the wage that Gildan pays and the living wage is greatest in Bangladesh. In Honduras, the minimum wage is the same as the living wage.

Advice

Gildan applies a fair wage. While we do not expect companies to use the term 'living wage', we are pleased to see the elements that lead to a living wage. In order to take the next step towards a living wage, we advise the company:

- With regard to their definition of a fair wage, to explain which elements fall under 'minimum standard of living', and to explain whether this applies to an employee alone or to an employee and his family. To declare that this also applies to production in the first-tier supply chain;
- To set a clear living wage objective, including a time frame and clear KPIs, and to publish such;
- To be transparent about the production percentages per country, the number of workers per country, the type of contract they receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Gildan Code of Conduct (last consulted in July 2016)
- Corporate Responsibility Report 2014
- Call with company (May 2016)
- Fair Labor Association website (September 2016)

Living wage scorecard – Hennes & Mauritz

ABOUT THE COMPANY

Hennes & Mauritz (H&M) sells clothing, shoes and accessories for men, women and children under the brand names H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories. The company has around 4,000 stores throughout the world and a web shop. H&M employs 18,857 people. It does not have any production facilities of its own. H&M was founded in 1947 and is headquartered in Stockholm, Sweden.

ABOUT THE SUPPLY CHAIN

H&M has suppliers in Bangladesh (408), Cambodia (64), China (388), Egypt (1), India (160), Indonesia (69), South Korea (15), Pakistan (25), Sri Lanka (24), Tunisia (6), Turkey (216) and Vietnam (41). The company does not publish any data about the number of workers per country, the type of production taking place there, the production percentages per country or the type of contract that workers receive. Workers may not work for more than 48 hours per week plus 12 hours overtime. H&M publishes the salaries received by workers in the production facilities in a number of countries: Bangladesh (85 USD), Cambodia (152 USD), China (515 USD), India (129 USD), Indonesia (161 USD), Turkey (533 USD) and Vietnam (176 USD). Workers in the remaining countries are paid the statutory minimum wage, the prevailing industry wage or the collectively bargained wage (the highest of the three).

HOW APPROACHABLE IS THE COMPANY?

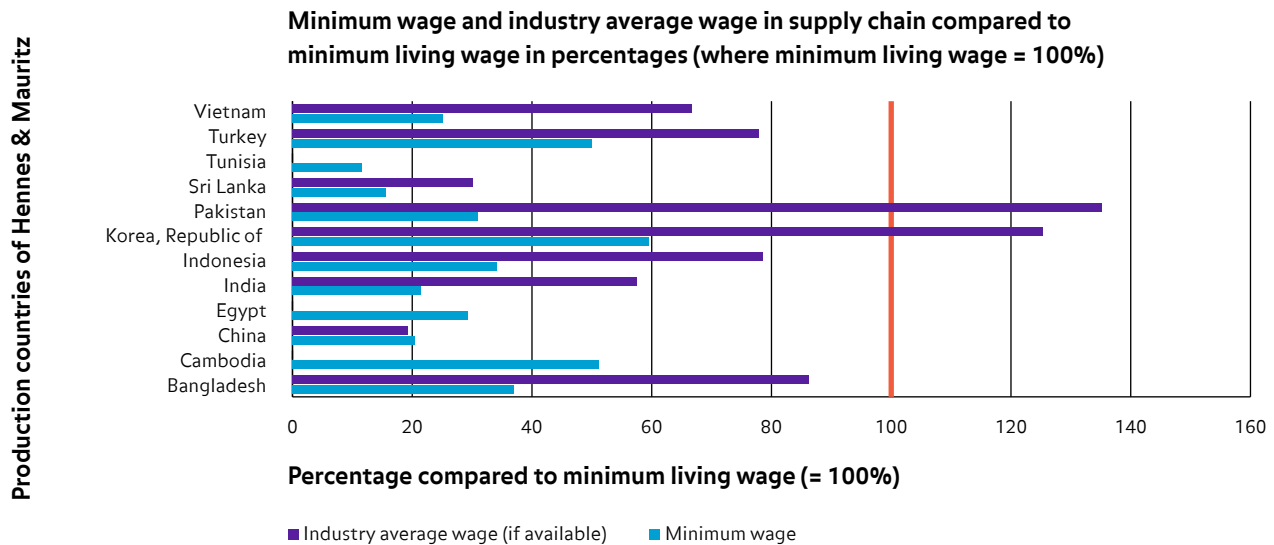
The company's approachability was **GOOD** during this survey.

1. Visie, beleid, implementatie en transparantie

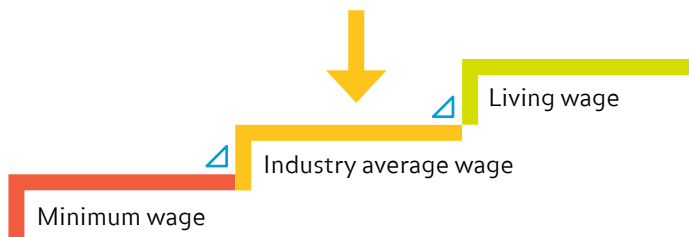
Chain	
1. Vision	Very good: 5
2. Aim/ambition	Good: 4
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry	Very good: 5
b. Implementation in own company/chain	Good: 4
6. Transparency	Good: 4
TOTAL SCORE (maximum 5)	Good 28/7 = 4.00

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

H&M has disclosed the wage paid in a number of production countries (see 'About the chain'). The company states in its Code of Conduct that workers in the remaining countries are paid **the statutory minimum wage, the prevailing industry wage or the collectively bargained wage**, whichever is higher.

NB: We do not have any reliable figures available on the **collectively bargained wage**, which is why we have not included this in the ladder. We do applaud the fact that H&M has included this as an element in its policy, certainly as it states that it pays the highest wage, which is important since, in practice, a bargained wage is not always higher than the minimum wage or the industry average.

3. Advice

Analysis

- The difference between the wage that H&M pays and the living wage is greatest in Tunisia and China. In South Korea and Pakistan, the prevailing industry wage is higher than the living wage. The difference is smallest in Bangladesh, Indonesia and Turkey, where the prevailing industry wage is similar to the living wage.

Advice

H&M applies a 'fair living wage'. While we do not expect companies to use the term 'living wage', we are pleased to see the elements that lead to a living wage. In order to take the next step towards a living wage, we advise the company:

- In their definition of a fair living wage, to explain which elements fall under 'basic needs and a discretionary income';
- To be transparent about the production percentages and number of workers per production country, the type of production taking place there, the type of contract that workers receive and their salary in all production countries (information which is currently disclosed for seven countries).

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Code of Conduct (last examined in July 2016)
- Sustainability Report 2015
- H&M website (consulted between early May and 15 July 2016)
- Call with company in May 2016
- Ethical Trading Initiative website (September 2016)
- Action, Collaboration, Transformation (ACT) website (September 2016)

Living wage scorecard – Inditex

ABOUT THE COMPANY

Inditex designs, manufactures and sells clothing worldwide under various brand names, including Zara, Bershka, Pull&Bear and Massimo Dutti. The company has more than 6,750 stores in 88 different countries, and employs more than 133,400 people. Inditex was founded in 1963 and is headquartered in A Coruña, Spain.

ABOUT THE SUPPLY CHAIN

Inditex has suppliers in Bangladesh (81 facilities, 386,916 workers), Cambodia (1; 104,695), China (340; 302,816), India (134; 131,435), Morocco (106; 62,333), Turkey (183; 155,256) and Vietnam (5; 143,206). The company does not publish any data about the type of production taking place per country or the production percentage. Workers may not work for more than 48 hours per week plus 12 hours overtime. They are paid the statutory minimum wage or the collectively bargained wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

	Chain
1. Vision	Good: 4
2. Aim/ambition	Poor: 2
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry b. Implementation in own company/chain	Good: 4 Good: 4
6. Transparency	Good: 4
TOTAL SCORE (maximum 5)	Sufficient 24/7 = 3.42

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Inditex states in its Code of Conduct that it pays the higher of **the statutory minimum wage and the collectively bargained wage**. Via its membership of the Ethical Trading Initiative (ETI), Inditex has committed itself to paying **the minimum wage or the industry average wage** (the higher of the two). Once Inditex incorporates this into its own policy, we will change the wage that it pays to the industry average.

49

NB: We do not have any reliable figures available on the **collectively bargained wage**, which is why we have not included this in the ladder. We do applaud the fact that Inditex has included this in its policy, certainly as it states that it pays the highest wage, which is important since a bargained wage is not always higher in practice than the minimum wage.

3. Advice

Analysis

- The difference between the wage that Inditex pays and the living wage is greatest in China, India and Vietnam. The difference is smallest in Cambodia, where the minimum wage is similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- To align the policy on wages in its Code of Conduct with the ETI guidelines;
- To draw up a definition for living wage, indicating which basic needs are to be met with the wage, such as food, clothing, housing, healthcare and education and 10% discretionary income;
- To draw up a clear living wage objective, including a time frame and clear KPIs, and to explain whether this applies to an employee alone or to an employee and his family;
- To introduce a living wage in the chain, for example by offering suppliers training regarding living wage;
- To be transparent about the production percentages per production country, the type of production taking place there, the type of contract that workers receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Annual Report 2015
- Code of Conduct for Manufacturers and Suppliers (last consulted in July 2016)
- Inditex website (consulted between early May and 15 July 2016)
- Call with company (July 2016)
- Ethical Trading Initiative (ETI) website (September 2016)
- Action, Collaboration, Transformation (ACT) (HiiL website) (September 2016)

Living wage scorecard – KappAhl

ABOUT THE COMPANY

KappAhl AB designs clothing for men, women and children, and sells it in Europe. The company has 368 stores in Sweden, Norway, Finland and Poland, plus an online shop. The company itself employs 4,104 people. KappAhl was founded in 1953 and is headquartered in Mölndal, Sweden. The company does not have any production facilities of its own; it outsources all its production to suppliers.

ABOUT THE SUPPLY CHAIN

KappAhl has suppliers in Bangladesh (22), China (151), India (22), Indonesia (1), South Korea (1), Taiwan (1) and Turkey (10). The company does not share any data regarding the number of workers in the supply chain, the type of production taking place there or production percentages per country relative to production as a whole. Workers in the supply chain must be given a written contract and suppliers are required to set the number of working hours in accordance with local applicable legislation. Workers receive the statutory minimum wage or the prevailing wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

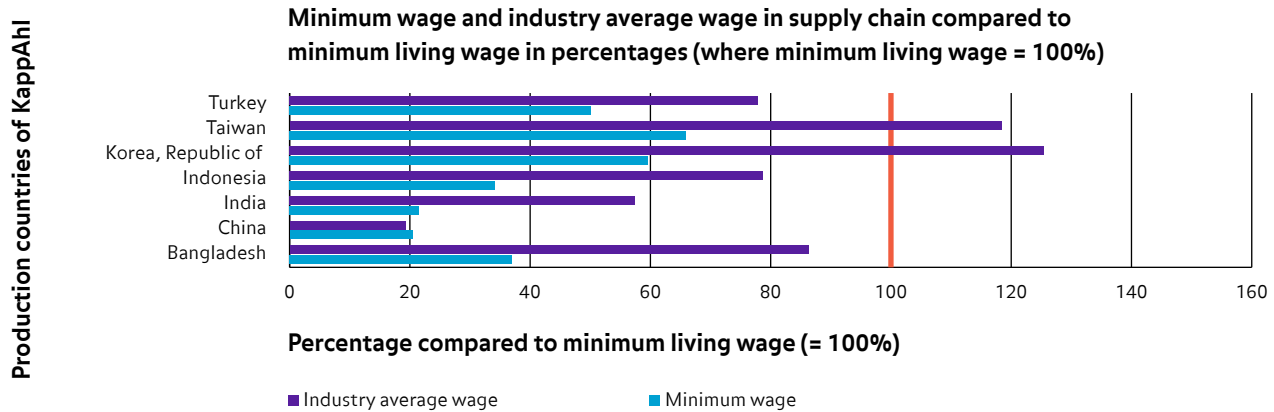
The company's approachability was **POOR** during this survey.

1. Vision, policy, implementation and transparency

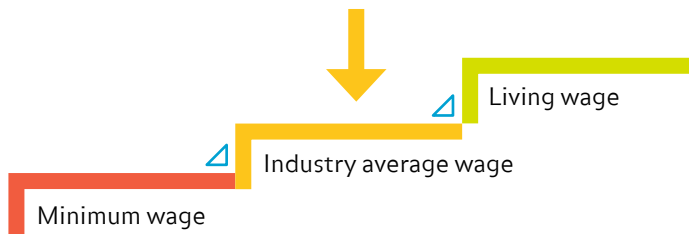
	Chain
1. Vision	Sufficient 3
2. Aim/ambition	Poor 2
3. Policy	Good 4
4. Definition	Poor 2
5. a. Implementation in country/industry	Good 4
b. Implementation in own company/chain	Poor 2
6. Transparency	Sufficient 3
TOTAL SCORE (maximum 5)	Poor 20/7 = 2.86

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

KappAhl has not disclosed any empirical data or figures, but states in its Code of Conduct that it pays **the statutory minimum wage or the prevailing industry wage** (the higher of the two).

3. Advice

Analysis

- The difference between the wage that KappAhl pays and the living wage is greatest in China. In South Korea and Taiwan, the prevailing industry wage is higher than the living wage. The difference is smallest in Bangladesh, where the prevailing wage is similar to the living wage.

Advice

KappAhl applies a 'fair wage'. While we do not expect companies to use the term 'living wage', we are pleased to see the elements that lead to a living wage. In order to take the next step towards a living wage, we advise the company:

- With regard to their wage definition in the Sustainability Report 2012-2013 and the Sustainability Strategy 2015-2020, to explain what it believes falls under 'basic needs';
- To set a clear living wage objective, including a time frame and clear KPIs, and to publish such;
- To continue to introduce a living wage in the supply chain, for example by developing guidelines and tools for purchasing staff, entering into long-term relationships with suppliers and working on a pricing model;
- To be transparent about the production percentages per country, the number of workers per country, the type of production taking place there, the number of hours worked, the type of contract workers receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Annual Report 2015 (last examined in July 2016)
- Sustainability Report 2013 – 2014
- KappAhl website (consulted between May and 15 July 2016)
- Ethical Trading Initiative website (September 2016)

Living wage scorecard – Lojas Renner

ABOUT THE COMPANY

Lojas Renner S.A. sells clothing, sports items, accessories and make-up from over 300 stores in Brazil. The company employs 16,907 people. Lojas Renner was founded in 1912 and is headquartered in Porto Alegre, Brazil.

ABOUT THE SUPPLY CHAIN

Most of Lojas Renner's suppliers are based in Brazil. Given our chosen focus, they fall outside the scope of this survey. Lojas Renner also has suppliers in Bangladesh (23), China (106), Hong Kong (12), India (18), Indonesia (2), Peru (1), Singapore (1), Taiwan (1) and Thailand (4). The company does not publish any data about the number of workers and the type of production per country, the production percentages per country or the type of contract that workers receive. Workers may not work for more than 48 hours per week plus 12 hours overtime. They are paid the statutory minimum wage.

HOW APPROACHABLE IS THE COMPANY?

The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

Chain	
1. Vision	Wholly insufficient: 0
2. Aim/ambition	Insufficient: 1
3. Policy	Poor: 2
4. Definition	Wholly insufficient: 0
5. a. Implementation in country/industry b. Implementation in own company/chain	Wholly insufficient: 0 Poor: 2
6. Transparency	Sufficient: 3
TOTAL SCORE (maximum 5)	Insufficient 8/7 = 1.14

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place

Production countries of Lojas Renner



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Lojas Renner indicated during personal contact that it paid **the statutory minimum wage**.

3. Advice

Analysis

- The difference between the wage that Lojas Renner pays and the living wage is greatest in China and India. The difference is smallest in Peru and Taiwan, where the minimum wage is the most similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- To state in its policy that it pays the prevailing industry wage in the production countries, which would be a major step towards a living wage;
- To draw up a definition for living wage, also indicating which basic needs are to be met with the wage (such as food, clothing, housing, healthcare and education and 10% discretionary income), and to include it in new or existing policy;
- To draw up a clear living wage objective in order to introduce a living wage for first-tier production suppliers;
- To join a reputable partnership between industry, local government, unions and/or civil society organisations;
- To continue to implement a living wage in the supply chain, for example by offering guidelines and tools for purchasing staff, entering into long-term relationships with suppliers and working on a pricing model;
- To be transparent about the type of production and the production volume of the production sites outside Brazil, the type of contract that workers receive there and their salary.

4. Company's response

In order to reply to the analysis, Lojas Renner inform that we do not ignore the result given. The subject "support and development of the supply chain" is on our daily activities whose relationship is made by respectively, Supplier Compliance Management and Resale Supplier Development. The Audit Management process of the Resale Supplier Management was structured to intensify the monitoring and control of risks regarding social responsibility in the supply chain of resale products. The suppliers and subcontractors in clothing production in Brazil are monitored in the following topics among others: child labor, forced or compulsory labor, irregular foreign employment, right to join a union, discrimination, abuse and harassment, occupational health and safety, compensation, working hours, benefits, production chain monitoring, environmental management, and monitoring and documentation. And in respect of the legislation: they also strongly acts on training and awareness of resale suppliers of clothing, footwear and accessories in relation to compliance with labor legislation and health and safety at work through guiding events at the Company's administrative headquarters for all resale suppliers and sending of periodic communication materials on the issues. Obviously, we still have expansion opportunities of work being implemented both in the Brazilian market and abroad.

5. Sources

- Annual Report 2015
- Code of Ethics and Conduct for Lojas Renner and its subsidiaries (last consulted in July 2016)
- Email from company (June 2016)
- Call with company (July 2016)
- Company's response to draft scorecard (September 2016)

Living wage scorecard – Marks & Spencer

ABOUT THE COMPANY

Marks and Spencer Group plc (M&S) sells, among other things, clothing for men, women and children from over a thousand stores in Europe, Asia and the Middle East. The company employs 82,461 people worldwide, and does not have any production facilities of its own. M&S was founded in 1884 and is headquartered in London, United Kingdom.

ABOUT THE SUPPLY CHAIN

M&S has suppliers in Bangladesh (78 facilities; 170,038 production staff), Cambodia (20; 35,305), China (115; 105,451), Egypt (6; 7,750), India (68; 79,204), Indonesia (5; 9,959), Morocco (5; 1,565), Pakistan (3; 7,841), Sri Lanka (56; 57,109), Taiwan (4; 79), Thailand (1; 1,295), Tunisia (1; 50), Turkey (85; 37,677) and Vietnam (21; 21,930). Bangladesh represents a quarter of the company's total garment production. China, India and Cambodia are the other main production countries. M&S does not publish any data on the exact production percentages of those countries or of the remaining countries. Clothing is assembled at all production facilities. Workers may not work for more than 48 hours per week plus 12 hours overtime and are given permanent contracts. Workers are paid a fair wage: the statutory minimum wage, the prevailing industry wage or the collectively bargained wage (the highest of the three).

HOW APPROACHABLE IS THE COMPANY?

The company's approachability was **GOOD** during this survey.

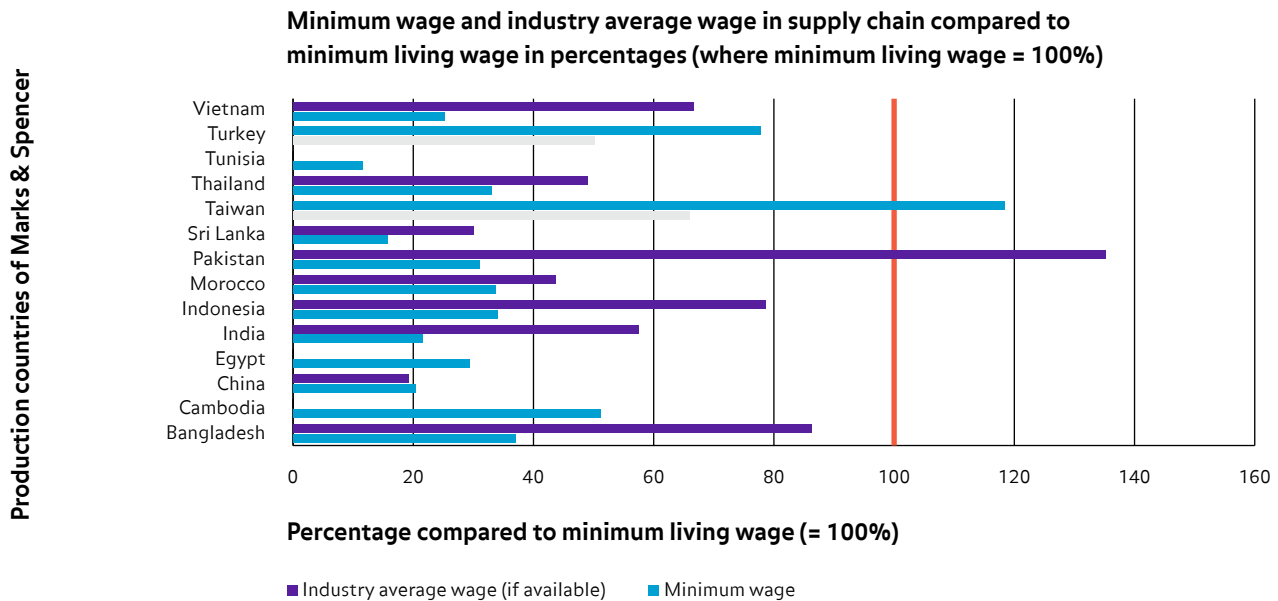
1. Vision, policy, implementation and transparency

Chain	
1. Vision	Very good: 5
2. Aim/ambition	Poor: 2
3. Policy	Very good: 5
4. Definition	Sufficient: 3
5. a. Implementation in country/industry	Good: 4
b. Implementation in own company/chain	Poor: 2
6. Transparency	Sufficient: 3
TOTAL SCORE (maximum 5)	Sufficient 24/7 = 3.40

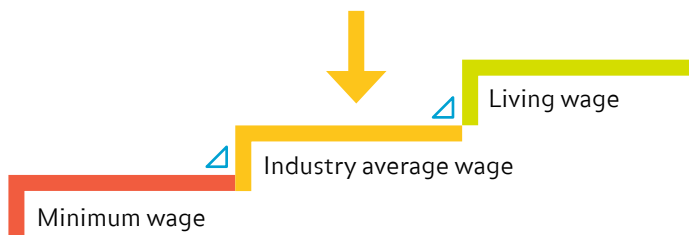
57

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data/figures are known, but M&S states in its policy that it **pays a fair wage: the statutory minimum wage, the prevailing industry wage or the collectively bargained wage** (the highest of the three).

NB: We do not have any reliable figures available on the **collectively bargained wage**, which is why we have not included this in the ladder. We do applaud the fact that M&S has included this in its policy, certainly as it states that it pays the highest wage, which is important since, in practice, a bargained wage is not always higher than the minimum wage or the industry average.

3. Advice

Analysis

- The difference between the wage that M&S pays and the living wage is greatest in China and Tunisia. In Taiwan and Pakistan, the prevailing industry wage is higher than the living wage. The difference is smallest in Turkey, Indonesia and Bangladesh, where the prevailing industry wage is similar to the living wage.

Advice

M&S applies a 'fair wage'. While we do not expect companies to use the term 'living wage', we are pleased to see the elements that lead to a living wage. In order to take the next step towards a living wage, we advise the company:

- To flesh out the objective drawn up by M&S and link this to a time frame and clear KPIs;
- To continue to implement a living wage in the chain, for example by offering guidelines and tools, training purchasing staff and entering into long-term relationships with suppliers;
- To be transparent about the production percentages per country and the salary earned by workers at production sites.

4. Company's response

- The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Marks & Spencer Global Sourcing Principles (last consulted in July 2016)
- Plan A report 2015
- M&S website (consulted between early May and 15 July 2016)
- Call with company (July 2016)

Living wage scorecard – Nike

ABOUT THE COMPANY

Nike, Inc. designs, develops and sells sportswear, sports items, sports shoes and accessories for men, women and children worldwide. The company sells under the brand names Nike, All Starr, Converse and Chuck Taylor, among others. Nike employs 62,600 people, and does not have any production facilities of its own. Nike was founded in 1964 and is headquartered in Beaverton, Oregon.

ABOUT THE SUPPLY CHAIN

Nike has suppliers in Bangladesh (3 facilities; 15,618 workers), Cambodia (7; 23,733), China (170; 211,659), Egypt (3; 2,998), El Salvador (4; 5,173), Guatemala (5; 4,202), Honduras (7; 19,389), India (13; 29,090), Indonesia (42; 198,650), South Korea (11; 2,693), Malaysia (19; 8,322), Mexico (19; 11,292), Pakistan (7; 18,713), Peru (2; 95), the Philippines (1; 34), Sri Lanka (22; 34,739), Taiwan (16; 5,982), Thailand (33; 36,484), Turkey (6; 4,294) and Vietnam (81; 390,247). The company does not publish any data about the type of production per country, the production percentages per country or the type of contract that workers receive. Workers may not work for more than 48 hours per week plus 12 hours overtime. They are paid the statutory minimum wage.

HOW APPROACHABLE IS THE COMPANY?

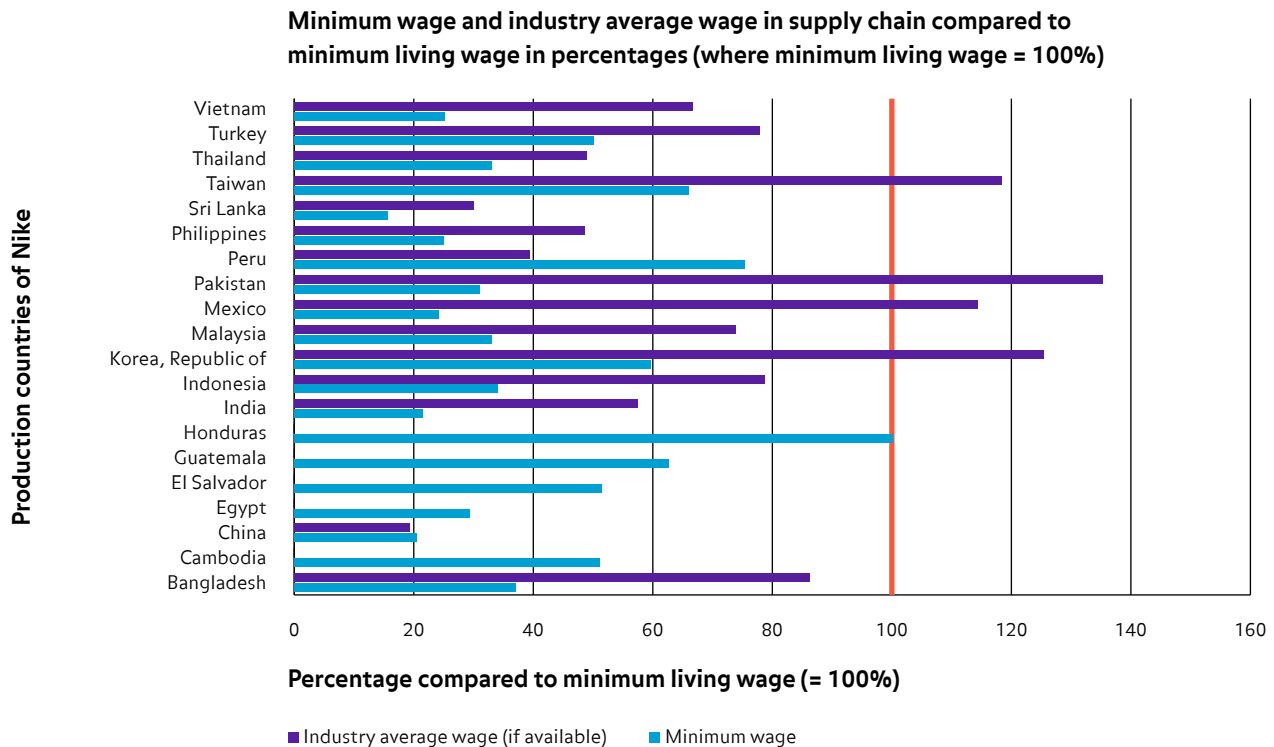
The company's approachability was **POOR** during this survey.

1. Vision, policy, implementation and transparency

Chain	
1. Vision	Wholly insufficient: 0
2. Aim/ambition	Wholly insufficient: 0
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry b. Implementation in own company/chain	Good: 4 Good: 4
6. Transparency	Good: 4
TOTAL SCORE (maximum 5)	Poor 18/7 = 2.60

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Nike states in its Code of Conduct that it pays **the statutory minimum wage**. Via its membership of the Fair Labor Association, the company has committed itself to paying the minimum wage or the industry average wage (the higher of the two). When Nike also incorporates this into its policy, we will adjust its rung on the wage ladder to the industry average wage.

3. Advice

Analysis

- The difference between the statutory minimum wage that Nike pays and the living wage is greatest in Sri Lanka, China and India. In Honduras, the minimum wage is the same as the living wage. The difference is smallest in Taiwan and Guatemala, where the statutory minimum wage is the most similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- To align the policy on wages in the Code of Conduct with the Fair Labor Association guidelines;
- To explain the concept of 'fair compensation' mentioned in the Nike Sustainable Sourcing Index, including by indicating which basic needs are to be met with the wage (such as food, clothing, housing, healthcare and education and 10% discretionary income); to include this in new or existing policy;
- To draw up a clear living wage objective in order to introduce a living wage for first-tier production suppliers;
- To implement a living wage in the supply chain, for example by drawing up guidelines for purchasing staff, engaging with factory owners and working on a pricing model;
- To be transparent about the type of production taking place in the production countries, the production percentages per country, the type of contract that workers receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Code of Conduct (last examined in July 2016)
- Nike website (examined between early May and 15 July 2016)
- Email from Nike, September 2016
- Fair Labor Association website (consulted in September 2016)

Living wage scorecard – Puma

ABOUT THE COMPANY

Puma SE designs, manufactures and sells sports items and sportswear. The company employs more than 4,000 people, and does not have any production facilities of its own. Puma was founded in 1948 and is headquartered in Herzogenaurach, Germany.

ABOUT THE SUPPLY CHAIN

Puma has suppliers in Bangladesh (4), Cambodia (5), China (26), El Salvador (2), India (6), Indonesia (4), Pakistan (3), the Philippines (1), Tunisia (1), Turkey (4) and Vietnam (17). Clothing is assembled at all production facilities. Vietnam represents 29% of the total garment production, followed by China (26%), Cambodia (12%), Bangladesh (9%), Indonesia (7%) and India (4%). The company does not publish any data about the production percentages, the number of workers per country or the type of contract that workers receive. Workers may not work for more than 48 hours per week plus 12 hours overtime. They receive the statutory minimum wage or the prevailing industry wage (the higher of the two).

HOW APPROACHABLE IS THE COMPANY?

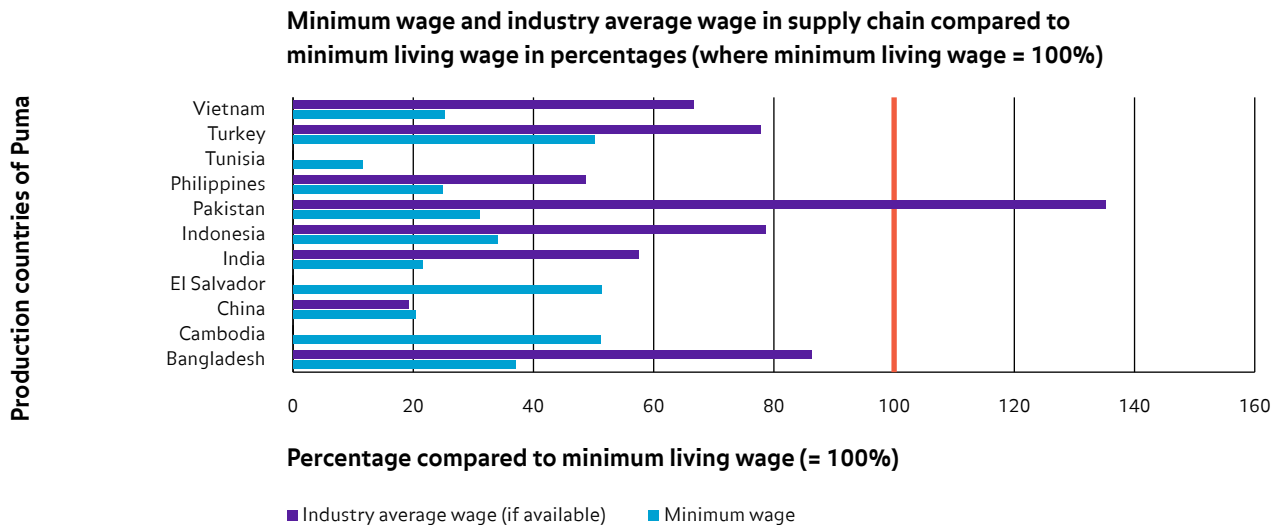
The company's approachability was **GOOD** during this survey.

1. Vision, policy, implementation and transparency

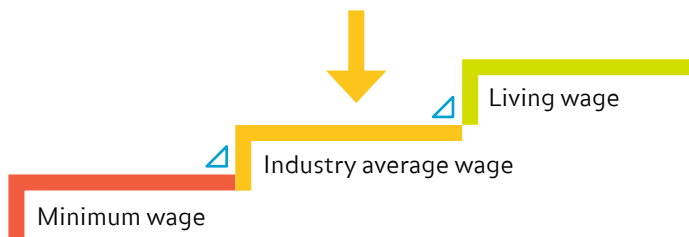
Chain	
1. Vision	Very good: 5
2. Aim/ambition	Very good: 5
3. Policy	Good: 4
4. Definition	Poor: 2
5. a. Implementation in country/industry b. Implementation in own company/chain	Good: 4 Good: 4
6. Transparency	Sufficient: 3
TOTAL SCORE (maximum 5)	Sufficient 27/7 = 3.86

2. Practice

- a. Minimum wage versus living wage in the countries where own production or production in the first-tier chain takes place



- b. What does the company pay?



Explanation:

No empirical data or figures are known, but Puma states in its Code of Conduct that it pays the statutory minimum wage or the prevailing industry wage (the higher of the two).

3. Advice

Analysis

- The difference between the wage that Puma pays and the living wage is greatest in Tunisia and China. In Pakistan, the industry average wage is higher than the living wage. The difference is smallest in Turkey, Indonesia and Bangladesh, where the prevailing industry wage is similar to the living wage.

Advice

In order to take the next step towards a living wage, we advise the company:

- To explain the definition it applies for living wage, including by indicating which basic needs are to be met with the wage (such as food, clothing, housing, healthcare and education and 10% discretionary income), and to include this in new or existing policy;
- To further flesh out the ambition expressed by the company in the 2015 annual report of working towards paying a living wage, and to draw up a clear living wage objective, including a time frame and clear KPIs;
- To continue to implement a living wage in the chain, by offering training for purchasing staff and suppliers and working on reasonable delivery periods and a pricing model;
- To be transparent about production percentages in El Salvador, Pakistan, the Philippines, Tunisia and Turkey (the company has published the production percentages for the other countries in the 2015 annual report), the number of workers per country, the type of contract they receive and their salary.

4. Company's response

The company has not availed itself of the opportunity to provide a public response.

5. Sources

- Code of Conduct (last examined in July 2016)
- Sustainability Report 2015
- Puma website (examined between early May and 15 July 2016)
- Call with company (June 2016)
- Fair Labor Association website (September 2016)

Appendix 6.2 Glossary

NB: the interpretation of many of the concepts set out below is subject to a myriad of nuances. For the purposes of this report, the following working definitions are applied:

ASN Investment Universe – The list of companies and institutions that ASN Bank and the ASN Investment Funds may invest in or fund.

Engagement – Engagement of the investor with companies and institutions, whether or not he invests in them.

Human rights due diligence – According to the UN Guiding Principles Reporting Framework, human rights due diligence is: *'An ongoing risk management process [...] in order to identify, prevent, mitigate and account for how [a company] addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.'*³⁵

Impact – Can roughly be summarised as the impact of an organisation and its actions on society.

Impact investing – Investing money in an organisation generates not only financial impact, but also social and environmental impact.

Impact indicators – 'Impact indicators' often come from the development sector or the government. These indicators see impact as the result of their own activities.

Industry average wage – The average wage paid in a specific industry in a given area (country or region).

Supply chain – The system (or actually the sequence) of organisations, people and activities from raw material to end user.

Living wage – A wage that is enough for a person and his or her average-sized family to live on. The wage enables the production staff member and his family to meet the basic needs of food, clothing, housing, education and healthcare, plus an amount of around ten percent of the wage for unexpected costs and savings.

Indicators of impact – 'Indicators of impact' consider the total effect of an organisation and its actions on society. They do not just measure whether the goal has been achieved: aside from the intended effects, they also explore unintended effects, direct and indirect effects and positive and negative consequences.

Minimum wage – The minimum wage that employers are required to pay their employees in accordance with national legislation.

Mission based impact – The impact that is generated at mission level, in which case the question is whether the organisation has achieved its mission.

Multistakeholder initiative – Generally speaking, an initiative involving various parties that represent various sectors: business, civil society organisations, unions and government.

Production – The process of making a product, from raw material to end product.

Production staff member – A person who works in the production facilities of a company (or its suppliers). This includes anyone contributing to such production, regardless of the employment relationship, contract and skill level.

³⁵ <https://business-humanrights.org/en/un-guiding-principles/implementation-tools-examples/implementation-by-companies/type-of-step-taken/human-rights-due-diligence>

Public good impact – The impact that is generated at society level. This looks at the mission's impact on society.

Supplier – An organisation in a company's chain that supplies goods or services to that company for the creation of an end product.

Value creation – The tangible and intangible benefits, importance or significance of a product, service, or combination thereof.

Appendix 6.3 Methods studied

We studied the following methods to measure living wage. It is not an exhaustive list. There are more initiatives that have drafted definitions and measurements for a living wage or fair wage.

Database/method: WageIndicator

Website + initiators

<http://www.wageindicator.org/main>

Founded by the University of Amsterdam and the Dutch Confederation of Trade Unions

Mission

More labour market transparency for the benefit of all employers, employees and workers worldwide by sharing and comparing information on wages, Labour Law and career.

Geographical distribution

More than 90 countries

Definition + calculation of living wage

Definition and calculation:

The WageIndicator living wage estimates the monthly expenses necessary to cover the cost of food, housing and transportation, as well as a 10% margin for unexpected expenses (such as expenses for other basic necessities like education, health and clothing). The living wage ranges with their minimum and maximum values are presented for an individual, a model family (two parents, two children under 18 - adjusted for national employment conditions)) and a typical family (composition differs per country, adjusted for national employment conditions plus fertility rate).

* the actual costs of three basic inputs any household needs to survive: i.e.

- food & drink
- transportation (home-workplace)
- housing (including utilities),
- plus a 10% margin (incidental expenses/miscellaneous items and services, such as costs for basic education of children, health care or clothing)

* Calculation based on cost of living

Living wages are detailed for regions within countries. The data are collected by means of a Cost-of-Living survey. The survey asks for the prices of approximately 100 items for food, transport, and housing. To provide reliable estimates for the living wage calculations, approximately 1,000 observations are needed per region. The living wage levels are comparable across countries, and they are regularly updated.

Sources

Cost of living data are collected by means of a Cost-of-Living survey. The data for this survey are collected in two ways:

- 1) by posting one item per day on a rotating schedule on the home pages of the national WageIndicator websites in more than 90 countries, with in total more than 32 million visitors in 2015
- 2) by means of an app used by WageIndicator teams together with partners, most cases Trade Unions, aiming to collect price data in specific areas, (depending on projects mainly in Africa, Latin America and Asia).

Due to the online survey and its app, the data is collected continuously, thereby ensuring that the living wage levels are up-to-date, and controlling for inflation.

Database/method: FWF Wage Ladder

Website + initiators

<http://www.fairwear.org/563/wage-ladder/>

Fair Wear Foundation (FWF) is an independent, non-profit organisation that works with companies and factories to improve labour conditions for garment workers.

Geographical distribution

47 countries

Definition + calculation of living wage

Definition and calculation: Payment of a living wage is part of the FWF Code of Labour Practices. This means that wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. FWF does not provide a specific calculation of a living wage, nor does it focus on reaching consensus about a calculation. FWF states that, in view of today's low wage levels in the garment industry, the absence of a generally accepted definition may not be an impediment for taking action to increase wages.

Sources

Data from audits conducted for FWF members is complemented by data from various partners in the production countries, such as trade unions, NGOs and government agencies. For each country, the Wage Ladder often includes a variety of living wages that are based on different calculations and surveys.

Database/method: Asia Floor Wage

Website + initiators

<http://asia.floorwage.org/>

Geographical distribution

12 Asian countries

Definition + calculation of living wage

Definition: A living wage should be earned in a standard working week (no more than 48 hours) and allow a garment worker to be able to buy food for herself and her family, pay the rent, pay for healthcare, clothing, transportation and education and have a small amount of savings for when something unexpected happens.

Calculation (based on statistics related to the average size of the family in the region and costs of living)

- The living wage is calculated for a worker to support themselves and two other 'consumption units' (1 consumption unit = 1 adult or 2 children). Thus:
 - 1 worker + 2 adults OR
 - 1 worker + 1 adult + 2 children OR
 - 1 worker + 4 children
- 50% of monthly salary goes towards food, based on 3,000 calories a day per adult and cost of food basket on open markets.
- 40% clothing, housing, travel costs, children's education, health costs
- 10% towards discretionary income: some entertainment, savings, pension or if main earner loses their job

The Asia Floor Wage is calculated in PPP\$ – Purchasing Power Parity \$ – which are an imaginary World Bank currency built on the consumption of goods and services by people, allowing standard of living between countries to be compared regardless of the national currency. The Asia Floor Wage is different in each country's national currency, but has the power to buy the same set of goods and services in all countries.

Sources

The Asia Floor Wage is based on the cost of living in the various countries. In 2009 a benchmark was calculated, which is adjusted to inflation every year. An entirely new benchmark is calculated every four to five years based on the Food Basket Data collected by the Asia Floor Wage Alliance in the region.

Database/method: Global Living Wage Coalition (Anker Methodology)

Website + initiators

<http://www.globallivingwage.org>

Consists of Standards Systems - Fairtrade International, Forest Stewardship Council (FSC), GoodWeave International, Rainforest Alliance (RA), Social Accountability International (SAI), Sustainable Agriculture Network (SAN), and UTZ, in partnership with the ISEAL Alliance and international living wage experts Richard Anker and Martha Anker.

Geographical distribution

8 living wage benchmark estimates have been completed; 18 studies are underway and scheduled for release in 2016, 2 additional studies are under contract and scheduled for release in early 2017, and 6 more studies are in planning. Studies completed, contracted, and underway are distributed across 18 countries.

Definition + calculation of living wage

Definition: Living wage is the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.

1.1.1 Calculation:

1.1.2 Estimating the cost of a basic but decent life style for worker and family. In the first step, living costs are divided into three categories: food, housing, and other essential needs.

- Food costs are estimated based on: (i) a low cost nutritious diet that meets WHO recommendations on calories, macronutrients and micronutrients and is consistent with local food preferences and a country's development level; and (ii) local food prices for the types, qualities and quantities of foods that workers typically buy based on new data collection that involves workers and key informants. This approach to the model diet uses a more stringent nutrition standard than the more typical approach at present, which ensures only a sufficient number of calories.
- Housing costs are estimated using international (UN-HABITAT) and national standards for decency (e.g. dwellings located outside slums and unsafe areas that have permanent walls, roofs that do not leak, and adequate ventilation; amenities such as electricity, water, and sanitary toilet facilities; and sufficient living space so parents can sleep separately from children
- Lastly other essential needs are accounted for inclusive of transport, education, healthcare, and items such as clothing and soap that are not included in the food and housing costs, but are necessary to achieve a decent standard of living,

Total cost per capita of a basic but decent standard of living is then scaled up to arrive at a cost for a typical family size in the area. A small margin is then added to provide for unexpected events and emergencies such as illnesses and accidents, to help ensure sustainability and avoidance of perpetual poverty trap. To arrive at the living wage estimate, the estimated total cost of a decent standard of living for a typical family is then defrayed over the typical number of full-time equivalent workers per family for the location.

Sources

Work on the basis of the Anker Methodology.

Food Prices: This data is collected through field work wherein trained researchers visit the markets in which workers shop (often accompanied by workers and/or other key informants) to collect direct data on food prices. By collecting local food prices with worker input, realistic food prices are obtained that mimic workers' food shopping habits and preferences.

Housing Costs: The cost of acceptable housing is established based on visits to local housing with workers.

Other Essential Needs: For practical reasons, cost of other essential needs is estimated using an extrapolation method based on secondary household expenditure data. This is then "post checked" in the field to make sure that sufficient funds are included for health care and education and transport. This guards against the extrapolation method replicating poor living conditions as it is based on currently observed expenditure according to available household expenditure data.

The full manual on the Anker Methodology will be published by Edward Elgar, expected December 2016.

Appendix 6.4 Policy score table

Score calculation:

Organisations that only have their own production facilities or only use first-tier suppliers can obtain 35 points in the assessment matrix. They are rated on seven aspects (see below). The total number of points must therefore be divided by seven to determine the total scores for their policies and ambitions.

Organisations that have their own production facilities but also outsource garment production to first-tier suppliers can obtain 60 points, as they are rated on twelve aspects (see below). The total number of points achieved must therefore be divided by twelve to determine the final scores for their policies and ambitions.

Final score	Assessment
0 – 0.9	Wholly insufficient
1 – 1.9	Insufficient
2 – 2.9	Poor
3 – 3.9	Sufficient
4 – 4.9	Good
5	Very good

Scores

	Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient		Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient	TOTAL SCORE
1 Vision	5	4	3	2	1	0								
2 Definition	5	4	3	2	1	0								
	In own production facilities							In first-tier supply chain						TOTAL SCORE
	Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient		Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient	
3 Aim/ambition	5	4	3	2	1	0		5	4	3	2	1	0	
4 Policy	5	4	3	2	1	0		5	4	3	2	1	0	
5 Implementation	5	4	3	2	1	0		5	4	3	2	1	0	
6 Transparency	5	4	3	2	1	0		5	4	3	2	1	0	
TOTAL SCORE														

4. Definition

Question: Has the company formulated a definition?

Elements:

1. Living wage is a wage that is enough to live on for:
 - a. a person
 - b. and his family.
 2. Including:
 - a. food,
 - b. clothing,
 - c. housing,
 - d. education,
 - e. healthcare,
 - f. +/- 10% discretionary income
- Bonus
- g. savings,
 - h. vision on overtime and wage.

NB It does not matter whether the company uses the terms 'living wage', 'fair wage' or any other terms; what is important are the elements included in the definition.

5 points

Very good: the company has formulated a definition that meets all elements of the definition used by ASN Bank.

4 points

Good: the company has formulated a definition that meets eight or nine elements of the definition used by ASN Bank.

3 points

Sufficient: the company has formulated a definition featuring six or seven elements of the definition used by ASN Bank.

2 points

Poor: the company has formulated a definition featuring three to five elements of the definition used by ASN Bank.

1 point

Insufficient: the company has formulated a definition featuring one or two elements of the definition used by ASN Bank.

0 points

Wholly insufficient: the company has not formulated any definition.

5. Policy implementation

Question: What progress has been made with the policy's implementation?

5. a. Implementation at the local/ industry/international level (how do you achieve that?)

Elements:

1. Engagement or collaboration:
 - engagement with unions
 - engagement with local government
 - collaboration with civil society organisations
2. Joining relevant national, sector or international initiatives

NB It is not possible to give an exhaustive definition of 'reputable' initiatives. We assess who facilitates the process, who has joined the process and what is required of companies. For example: ACT Process, Ethical Trading Initiative (ETI), Fair Wage Network, Fair Labor Association.

5 points

Very good: the company actively collaborates with industry, local government, unions and/or civil society organisations via a reputable partnership and leads the way in this partnership.

4 points

Good: the company actively collaborates with industry, local government, unions and/or civil society organisations via a reputable partnership.

3 points

Sufficient: the company has joined a reputable partnership between industry, local government, unions and/or civil society organisations.

2 points

Poor: the company engages with one or more actors.

1 point

Insufficient: the company indicates that it intends to do 'something' about engagement or collaboration at the local, international or industry level, but has not yet revealed what that might be.

0 points

Wholly insufficient: the company is not working on implementation at the country or industry level.

N/A

The company does not have any production sites of its own.

5 points

Very good: the company actively collaborates with industry, local government, unions and/or civil society organisations via a reputable partnership and leads the way in this partnership.

4 points

Good: the company actively collaborates with industry, local government, unions and/or civil society organisations via a reputable partnership.

3 points

Sufficient: the company has joined a reputable partnership between industry, local government, unions and/or civil society organisations.

2 points

Poor: the company engages with one or more actors.

1 point

Insufficient: the company indicates that it intends to do 'something' about engagement or collaboration at the local, international or industry level, but has not yet revealed what that might be.

0 points

Wholly insufficient: the company is not working on implementation at the country or industry level.

5. b. Implementation in own production and supply chain		-		N/A	The company does not have any production sites of its own.
	5 points	Very good: the company meets all elements.	5 points	Very good: the company meets all elements.	
Elements:	4 points	Good: the company meets at least five or six elements.	4 points	Good: the company meets at least five of the seven elements.	
1. guidelines/resources for staff	3 points	Sufficient: the company meets three or four of the seven elements.	3 points	Sufficient: the company meets three or four of the seven elements.	
2. engagement with factory owners (chain)	2 points	Poor: the company meets two of the seven elements.	2 points	Poor: the company meets two of the seven elements.	
3. training of staff and suppliers	1 point	Insufficient: the company meets one of the seven elements.	1 point	Insufficient: the company meets one of the seven elements.	
4. control systems (internal & external audits/measurements)	0 points	Wholly insufficient: the company is not working on implementation in the chain.	0 points	Wholly insufficient: the company is not working on implementation in the chain.	
5. working on pricing model					
6. long-term relationship with suppliers					
7. reasonable delivery periods (to be requested from suppliers)					
6. Transparency		-		N/A	The company does not have any production sites of its own.
Question: How transparent is the company?	5 punten	Very Good: the company is transparent about ten or more elements through publicly available sources.	5 punten	Very Good: the company is transparent about six to eight elements through publicly available sources.	
Elements:	4 points	Good: the company is transparent about six to eight elements through publicly available sources.	4 points	Good: bedrijf is transparant over zes tot acht elementen via publiek beschikbare bronnen.	
1. living wage policy	3 points	Sufficient: the company is transparent about six or more elements, but the information on one or more elements was not obtained through publicly available sources but through personal contact with the company.	3 points	Sufficient: the company is transparent about six or more elements, but the information on one or more elements was not obtained through publicly available sources but through personal contact with the company.	
2. living wage vision	2 points	Poor: the company is transparent about four to six elements through publicly available sources	2 points	Poor: the company is transparent about four to six elements through publicly available sources	
3. aim/ambition for living wage		OR		OR	
4. implementation of living wage		the company is transparent about four to six elements; the information on one or more of these elements was obtained during personal contact with the company.		the company is transparent about four to six elements; the information on one or more of these elements was obtained during personal contact with the company.	
5. number of production sites	1 point	Insufficient: the company is transparent about one to four elements through publicly available sources	1 point	Insufficient: the company is transparent about one to four elements through publicly available sources	
6. production countries		OR		OR	
7. number of staff per production country	0 points	Wholly insufficient: the company is not transparent about any of the elements mentioned.	0 points	Wholly insufficient: the company is not transparent about any of the elements mentioned.	
8. production volume (in percentages or in exact figures)					
9. type of production					
10. paid wage/salary					
11. type of contract					
12. working hours					
How is the company transparent about this?					
1. Publicly available sources					
2. During personal contact with ASN Bank, both by telephone and by email					
NB If information on one or more elements can only be obtained through personal contact with the company, the company's score can never be more than sufficient. In that case, the number of elements on which information can be obtained through publicly available sources does not matter. We find it important for companies to be transparent and checkable. Companies that are not transparent but are still frank during personal contact are rewarded on other substantive aspects.					

NB: additional assessment guideline for leading initiatives:

Having assessed the following leading initiatives, we included their vision, ambition, definition and implementation in our assessment of a company if the company refers to those initiatives. We identified the guideline endorsed by each company and examined what the guideline prescribes for the company in question, enabling us to draw up the following assessment guideline. This assessment counts towards the score of the companies that endorse these initiatives. In the event of inconsistencies in the documents and communications from a company, we checked which guideline(s) the company considers to take precedence.

Ethical Trading Initiative

(Asos, Gap, H&M, Inditex, KappAhl, M&S)

Assessment guideline:

- Definition: poor
- Policy: good
- Implementation (5a): sufficient

ACT Process

(Esprit, Inditex, Asos, H&M)

- Ambition: poor
- Vision: sufficient
- Implementation (5a): good

FLA

(Adidas, Gildan, Nike Puma)

- Definition: poor
- Policy: good
- Implementation (5a): good
- Implementation (5b): good

BSCI

(Esprit)

- Definition: Insufficient
- Policy: good
- Implementation (5a): poor

Appendix 6.5 Calculation Excel sheet³⁶

	A	B	C	D	E	F	G
1	Top 25 apparel-exporting countries	Min. living wage for model family according to Wage Indicator in EUROS in production country	Max. living wage for model family according to Wage Indicator in EUROS in production country	Minimum wage converted to EURO (Exchange date 31 december 2015), we use lowest minimum wage	If minimum living wage = 100%, minimum wage should be X%	Industry average wage in EURO. Exchange date 31 December 2015, per month	If living wage = 100%, Industry Average Wage should be X%
2	Bangladesh	178	286	65.85	36.99	153.59	86.29
3	Cambodia	181	252	92.63	51.18	NA	NA
4	China	707	1071	144.55	20.45	136.2	19.26
5	Egypt	527	680	154.72	29.36	NA	NA
6	El Salvador	359	449	184.44	51.38	NA	NA
7	Guatemala	401	508	251.54	62.73	NA	NA
8	Honduras	296	395	296.3	100.10	NA	NA
9	Hong Kong	2050	2637	759.07	37.03	1901	92.73
10	India	290	415	62.35	21.50	166.75	57.50
11	Indonesia	189	270	64.45	34.10	148.66	78.66
12	Korea, Republic of	1431	2061	852.56	59.58	1794.92	125.43
13	Malaysia	529	699	174.63	33.01	391.05	73.92
14	Mexico	371	525	89.74	24.19	424.43	114.40
15	Morocco	694	929	233.59	33.66	303.06	43.67
16	Pakistan	261	365	80.9	31.00	352.91	135.21
17	Panama	1604	1985	389.59	24.29	1122.5	69.98
18	Peru	278	396	209.53	75.37	109.67	39.45
19	Philippines	536	745	133.68	24.94	260.52	48.60
20	Singapore	2252	2764	NA		1423.5	63.21
21	Sri Lanka	354	550	55.42	15.66	106.56	30.10
22	Taiwan	816	1145	538.13	65.95	965.92	118.37
23	Thailand	595	793	196.2	32.97	291.3	48.96
24	Tunisia	1054	882	122.5	11.62	NA	NA
25	Turkey	721	1077	361.14	50.09	561.38	77.86
26	Vietnam	311	389	78.29	25.17	207.28	66.65

³⁶ Calculation of minimum wage and industry average wage versus living wage.

Appendix 6.6 ASN Bank's plan of action

All garment companies in the ASN Investment Universe to have introduced a living wage by 2030.

The plan of action shows the steps taken by ASN Bank during the baseline measurement to gain insight into the situation regarding living wage at the garment companies in the ASN Investment Universe. The plan of action also explains the choices that were made during the baseline measurement. This baseline measurement was recorded in an Excel sheet, the format of which is presented in Appendix 6.7.

ASN Bank gained insight into the situation regarding living wage by rating the garment companies in the investment universe on the following aspects:

- Step 1. Does the organisation have a living wage ambition and/or policy?
- Step 2. What is the situation in practice? Does the organisation pay its own production staff a living wage and do production staff in the first-tier supply chain receive a living wage?

As well as forming a basis for ASN Bank's view on the garment companies in the investment universe, the answers to these questions also enable substantiated advice to be provided, where necessary, on steps to take to introduce a living wage.

Figure 1 in section 1.2 is a flowchart showing the steps in our methodology. Please see below for further explanation of our considerations and steps. By making the process transparent and clear, we hope to have made it easier for other parties to apply the plan of action and the approach themselves.

Step 1. Living wage ambition and policy

We have drawn up criteria for ambitions, policy and procedures for living wages. Garment companies in the ASN Investment Universe have to meet these criteria, which are as follows:

- vision
- definition of living wage
- aim and/or ambition
- policy
- implementation
- transparency

The *Assessment of Vision, Policy and Ambition* document (see Appendix 6.4) sets out the requirements for these criteria. The criteria can be assessed using the *Assessment Matrix* (see Appendix 6.4).

Please note for Steps 1.1 to 1.7

Our assessment document focuses on policy, ambition and procedures for both production staff in own production facilities and production staff of first-tier suppliers.

TIP for Steps 1.1 to 1.7

If the company documentation does not provide any useful information, use secondary sources (such as the report by the Clean Clothes Campaign).

COMMENT on Aspect 1

The organisation may achieve different scores for each criterion. These vary from dark green (5 points) to black (0 points).

STEP 1.1. Vision

STEP 1.1.1

Conduct a desk study to look for information on the organisation's vision on living wage. This entails: analysing annual reports, sustainability reports and the company website.

STEP 1.1.2

Use the *Assessment of Vision, Policy and Ambition* document (see Appendix 6.4) to look specifically for information on the vision.

STEP 1.1.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

STEP 1.2. Aim/ambition

STEP 1.2.1

Conduct a desk study to look for information on the organisation's ambition and aims regarding living wage. This entails: analysing annual reports, sustainability reports and the company website.

STEP 1.2.2

Use the *Assessment of Vision, Policy and Ambition* document to look specifically for information on the organisation's ambition.

STEP 1.2.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

STEP 1.3. Policy

STEP 1.3.1

Conduct a desk study to look for information on the organisation's living wage policy. This entails: analysing annual reports, sustainability reports and the company website.

STEP 1.3.2

Use the *Assessment of Vision, Policy and Ambition* document to look specifically for information on the organisation's living wage policy.

STEP 1.3.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

STEP 1.4. Definition

STEP 1.4.1

Conduct a desk study to look for information on the definition of living wage applied by the organisation. This entails: analysing annual reports, sustainability reports and the company website.

STEP 1.4.2

Use the *Assessment of Vision, Policy and Ambition* document to look specifically for information on the organisation's living wage policy.

STEP 1.4.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

STEP 1.5. Implementation at local/industry/international level

STEP 1.5.1

Conduct a desk study to look for information on the implementation of a living wage at local, industry and international level. This entails: analysing annual reports, sustainability reports and the company website.

STEP 1.5.2

Use the *Assessment of Vision, Policy and Ambition* document to look specifically for information on the organisation's implementation of a living wage.

STEP 1.5.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

STEP 1.6. Implementation in production/chain

STEP 1.6.1

Conduct a desk study to look for information on the implementation of a living wage in own production and in the chain. This entails: analysing annual reports, sustainability reports and the company website.

STEP 1.6.2

Use the *Assessment of Vision, Policy and Ambition* document to look specifically for information on the organisation's implementation of a living wage.

STEP 1.6.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

STAP 1.7. Transparency

STEP 1.7.1

Reflect on the process of collecting all information in Steps 1.1 to 1.6.

STEP 1.7.2

Use the *Assessment of Vision, Policy and Ambition* document to consider how transparent the organisation has been on living wage.

STEP 1.7.3

Add the qualitative information to the *Policy* Excel sheet (see Appendix 6.7).

The weight of reputable initiatives:

- Most companies collaborate with other parties in a sector or multistakeholder initiative, such as the Fair Labor Association (FLA), the Ethical Trading Initiative and the ACT Process.
- We have assessed four of these initiatives: BSCI, FLA, ETI and ACT. Depending on membership, this results in points for policy, definition and implementation. See in this regard the policy assessment framework in Appendix 6.4.
- We view membership as an important step that companies can take to introduce living wages. However, the fact that many of these initiatives are long-standing shows that practices can prove resistant to change and that the introduction of a living wage does not happen automatically. It is good to see that the FLA and ETI assist companies with implementation. The FLA has set up a more intensive strategy on this issue and will also be issuing a report in 2017. The new ACT Process will be working towards living wages from collective bargaining.

Step 2. What is the situation in practice?

Our methodology focuses on the top 25 garment producing countries, as compiled by the International Labour Organization (ILO). The top 25 countries are Bangladesh, Cambodia, China, Egypt, El Salvador, Guatemala, Honduras, Hong Kong, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Pakistan, Panama, Peru, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Tunisia, Turkey and Vietnam. We took this decision in order to sharpen the focus of our methodology. Some garment companies have their garments produced in more than fifty countries, which would make analysis difficult in this development phase of our methodology. Our ultimate aim is to have garment companies pay a living wage to production staff in all production countries. We expect our focus on the top 25 to create awareness within the garment companies, which we hope will also lead to change in the other production countries.

In order to gain insight into the companies' current situation, we consider the wage they pay relative to the minimum wage, the industry average wage and living wage. If necessary, we can engage with the garment companies to steer them towards the achievement of our long-term goal: the payment of a living wage by all garment companies in the ASN Investment Universe. Consequently, the information also helps us to increase awareness in the garment industry, to give advice and to map out strategies for the garment companies.

Suppose you are conducting a similar study in the same or another industry. How can you tackle the empirical research in that case? You can translate the following into steps to carry out for organisations in the industry you are studying.

NB: Please note! Depending on the company's activities, complete the following steps for both the company's own production (*Own Production* Excel sheet – see Appendix 6.7) and for the company's supply chain (*Supply Chain* Excel sheet – see Appendix 6.7).

STEP 2.1. Production countries

Conduct a desk study to check whether the organisation has its own production facilities or first-tier suppliers in one or more of the top 25 garment producing countries. Add the countries in which the organisation has its own production facilities to the *Own Production* Excel sheet (see Appendix 6.7). Add the countries in which first-tier suppliers are situated to the *Supply Chain* Excel sheet (see Appendix 6.7).

TIP for Step 2.1

If the company documentation does not provide any useful information, use secondary sources to obtain information, such as the report by the Clean Clothes Campaign.

STEP 2.2. Living wages in the production countries concerned

STEP 2.2.1

For each of the garment companies selected, collect information on living wage in the production countries determined during Step 2.1. Everyone is free to make their own choice as regards a suitable database. We collected the necessary information on living wages from the WageIndicator Foundation's database (<http://www.wageindicator.org/main/salary/wages-in-context>). The WageIndicator shows various types of wages, such as:

- the statutory minimum wage;
- the living wage for an individual;
- the living wage for a standard family: two parents and two children, based on a wage of 1.6 full-time equivalents (FTEs);
- the living wage for a typical family in that country, taking account of the fertility rate.

Collect the wages data selected. For the sake of simplicity, we have opted for the standard family.

COMMENT on Step 2.2.1

There are various methods and databases that deal with the collection and/or charting of living wages. We looked at the following methods and databases:

- WageIndicator Foundation
<http://www.wageindicator.org/main/salary/wages-in-context>
- WageIndicator Minimum Wage database
<http://www.wageindicator.org/main/salary/minimum-wage>
- Asia Floor Wage Alliance (AFWA)
<http://asia.floorwage.org>

- Global Living Wage Coalition (GLWC)
www.isealliance.org
- FWF Wage Ladder, Fair Wear Foundation (FWF), <http://www.fairwear.org/563/wage-ladder/>

After comparing the above, we selected the WageIndicator Foundation's database. For more information, please see the comparison in Appendix 6.3 and the explanation in Chapter 2, in the section entitled *Measuring the living wage*.

COMMENT on Step 2.2.1

We are aware that, in reality, families differ from the standard family. For the sake of simplicity, we have opted for the standard family at this time.

WageIndicator makes three sorts of estimate of the living wage.

1. The simplest estimate is: what does an individual need?
2. The more complex estimate is: what would a standard family of two parents and two children need in the country concerned, given the employment situation in that country? WageIndicator takes the likelihood of obtaining work into account in these estimates. While there are adjustments for each country, the estimate basically shows the living wage that is enough for a standard family to live on, provided that another family member is also earning a living wage, albeit not full-time. In total, this boils down to 1.6 FTEs.
3. The estimated living wage for a typical family is higher than that for a standard family, because it takes account of the size of the average family in a country. It should be borne in mind that the figures are only estimates.

STEP 2.2.2

When collecting living wage data for the production countries concerned, you can select a currency. Choose the euro.

STEP 2.2.3

WageIndicator's database shows ranges of the estimated living wages. Choose the lowest variant of living wage, calculated in euros.

COMMENT on Step 2.2.3

To indicate that the figures are estimates, WageIndicator provides ranges of living wages from low to high. These living wages apply at national level. The estimates are higher or lower for individual regions. WageIndicator also shows the lowest statutory minimum wage. In some countries, there is only one statutory minimum wage, while in others there are thousands of different statutory minimum wages. These differences may relate to factors such as the region, sector, area of work and occupation.

STEP 2.2.4

Normally speaking, to obtain an accurate impression of the current context you would have to convert the data to the most recent price level. However, WageIndicator's database is updated every three months, so the information collected is never more than three months old. Therefore, any difference in price level will be limited, making it unnecessary to convert data to the present price level if the WageIndicator data is selected.

STEP 2.2.5

For each organisation, add the production countries' living wage to the Calculation Excel sheet (see Appendix 6.5). Choose the correct column(s), depending on whether the company has its own production facilities and/or first-tier suppliers.

STEP 2.3. Minimum wages

For each organisation, we collect information on the minimum wage in all production countries. We do this for two reasons:

- As alternative data, when an organisation is not transparent about the wages it pays to production staff.
- As an instrument for comparing the wages paid by the organisation with the minimum wage and living wages in the production countries.

COMMENT on Step 2.3

In practice, there are few companies that divulge information on the wage paid.

STEP 2.3.1

Collect the data on the monthly minimum wages from the top 25 production companies. These minimum wages are set out in the ILO report *In the garment industry* (November 2014). This report provides a range of minimum wages. Collect the *lowest* minimum wages for each production country.

COMMENT on Step 2.3.1

The ILO report *In the garment industry* draws a distinction between different types of minimum wage. The range of various minimum wages results from regional differences and different types of production staff (skilled and unskilled). We use the lowest minimum wage as a basis, because we believe that unskilled production staff have the right to a living wage too. Singapore's minimum wage is not available in the ILO report.

STEP 2.3.2

For each organisation, add the minimum wage from the production countries to the *Calculation* Excel sheet (depending on whether the company has its own production facilities or first-tier suppliers) (see Appendix 6.7).

STEP 2.3.3

In the *Calculation* Excel sheet (see Appendix 6.5), record for each production country the year from which the minimum wage data originate.

Please note for Steps 2.2 and 2.3: regional differences in wages

In some countries, living wage and the minimum wage vary per region. As it is not always easy to find this information per production country and company, our analysis does not yet include this regional distinction. That being said, we are already gaining interesting insights from the information for each production country, allowing great strides to be made towards a living wage. We hope to further develop our methodology in the future and to incorporate regional differences as well.

STEP 2.4. Industry average wages

For each organisation, we collect information on the industry average wage in all production countries. We do so for the following reasons:

- It enables us to compare the wages paid with the minimum wage, the average wage in the industry and the living wages in the production countries.
- It is an instrument for giving advice or for developing a strategy for the organisation. Paying the industry average wage can be a good intermediate step towards implementing a living wage.

STEP 2.4.1

Collect the data on industry average wages from the UNIDO Stat Employment database. Select the industry average wages at the option *Wages and related Indicators by Industry, at current prices, for selected years*.

COMMENT on Step 2.4.1

Information on the industry average wage is not available for all production countries.

STEP 2.4.2

For each organisation, add the production countries' industry average wage (if available) to the *Calculation* Excel sheet (see Appendix 6.5).

STEP 2.4.3

For each production country, record the year from which these data originate.

STEP 2.5. Indexation

As will become evident during Steps 2.3 and 2.4, the data on the minimum wage and industry average wage is not always recent. The minimum wage in the ILO report dates from 2014. The industry average wages come from various countries, collected between 2005 and 2014. However, for analysis and comparison of the wages, it is important to convert the data to a specific, recent date. That is why it is necessary to link the minimum wages and the industry average wages to the most recent price index. This gives us the answer to the following question: if, in year X, the minimum wage and the industry average wage were Y, how much would they now need to be to enable the same amount to be bought?

STEP 2.5.1

Open the World Bank's Consumer Price Index. Take the most recent price level as a basis. ASN Bank based its analysis on the 2015 price level.

COMMENT on Step 2.5.1 World Bank Price Index

We use the World Bank's price index because it includes all production countries, apart from Taiwan. In the case of Taiwan, we use China's price index. The World Bank has an annual price index. While the International Monetary Fund (IMF) has more recent price indexes because it updates the price index monthly, its database does not include several production countries. Moreover, the monthly updates of the price levels are not the same for all production countries. Consequently, we favour the World Bank price index.

STEP 2.5.2

For each production country, record in the *Calculation* Excel sheet (see Appendix 6.5) the price index for the year from which the *minimum wage* data originate, and for the year from which the *industry average wage* data originate.

STEP 2.5.3

For each production country, record the most recent price index (in this case, 2015) in the *Calculation* Excel sheet (see Appendix 6.5).

STEP 2.5.4

For each production country, calculate the percentage by which the minimum wage from the ILO report should have increased, using the following formula:

$(\text{NEW Price Index} - \text{OLD Price Index}) / \text{OLD Price Index} \times 100 = X\%$.

The OLD Price Index is the price index of the year from which the minimum wage data originate; the NEW Price Index is the most recent price index.

STEP 2.5.5

For each production country, increase the minimum wage by the corresponding percentage. Enter the indexed minimum wages in the *Calculation* Excel sheet (see Appendix 6.5).

Example calculation for Steps 2.5.4 and 2.5.5

Bangladesh's minimum wage is from 2014 and amounts to BDT 5300. According to the World Bank's price index, the price level was 135.3 at that time. In 2015, the price level according to this index was 143.7.

If we apply the formula, we get $(143.7 - 135.3) / 135.3 \times 100 = 6.2\%$.

This means that, if government authorities had adjusted their minimum wages to the price level, the minimum wage would have been 6.2% higher in 2015: $\text{BDT } 5300 \times 1.062 = \text{BDT } 5628.6$.

STEP 2.5.6

For each production country, record the percentage by which the industry average wage from the UNIDO Stat Employment database should have increased. You can calculate this using the formula: $(\text{NEW Price Index} - \text{OLD Price Index}) / \text{OLD Price Index} \times 100 = X\%$.

The OLD Price Index here is the price index of the year from which the industry average wage data originate. By NEW Price Index, we mean the most recent price index, which in our case was the index for the year 2015.

Example calculation for Steps 2.5.6 and 2.5.7

Bangladesh's industry average wage is from 2011 and amounts to USD 1,419. According to the World Bank's price index, the price level in Bangladesh in 2011 was 110.7. In 2015, the price level according to this index was 143.7.

If we apply the formula, we get $(143.7 - 110.7) / 110.7 \times 100 = 29.8\%$.

This means that, if the garment industry had adjusted its average wage to the price level, the industry average wage would have been 29.8% higher in 2015: $\text{USD } 1419 \times 1.298 = \text{USD } 1841.86$.

COMMENT on Step 2.5

In our view, government authorities and the industry have to adjust the minimum wages and the industry average wages in line with the changed price level in a country. That is why we decided to index the old data. We are aware that we are

making an assumption by indexing minimum wages and industry average wages from the past to recent data. We are thus assuming that government authorities adjust their minimum wages to the price level on an annual basis, and that the garment industry also adjusts its industry average wages to the price level. Whether this is actually the case in each production country is of course open to question.

STEP 2.5.7

For each production country, increase the industry average wage by the corresponding percentage.

STEP 2.5.8

As industry average wages are calculated on an annual basis, divide the new industry average wage by twelve. Enter the indexed monthly industry average wages in the *Calculation* Excel sheet (see Appendix 6.5).

STEP 2.6. Convert to euros

STEP 2.6.1

Convert the minimum wages that are expressed in US dollars to euros so that a comparison can be made. To do this, use the website <https://www.oanda.com/currency/converter/>

STEP 2.6.2

Use 31 December 2015 as the exchange rate date.

STEP 2.6.3

Convert the industry average wages, expressed in local currencies, to euros so that a comparison can be made. To do this, use the website <https://www.oanda.com/currency/converter/>

STEP 2.6.4

Use 31 December 2015 as the exchange rate date.

EXPLANATION for Steps 2.6.2 and 2.6.4

We are using the exchange rate date of 31 December 2015 because we have converted everything on the basis of the 2015 price index.

STEP 2.6.5

Enter the converted minimum wages and industry average wages in the *Calculation* Excel sheet (see Appendix 6.5).

STEP 2.7. Wages paid

Collect publicly available information on the wages paid by the organisation to the production staff at its own production facilities and/or during production in the supply chain. Sources include annual reports, sustainability reports and the company website.

STEP 2.7.1

Collect information on the wages of production staff in the organisation's own production facilities in the top 25 production countries.

STEP 2.7.2

Collect information on the wages of production staff at the first-tier suppliers in the top 25 production countries.

TIP for Step 2.7

If the company documentation does not provide any useful information, use secondary sources to obtain information, such as:

- publications of NGOs such as the Fair Wear Foundation and the Clean Clothes Campaign;
- international unions such as IndustriALL (international union with members in textile producing countries) and ITUC; the International Labour Organization (ILO) and offices/partners in production countries; embassies in production countries; (sector) initiatives such as ACT (Action, Collaboration, Transformation), the Ethical Trading Initiative, Fair Labor Association, BSCI, Fair Wage Network, Sustainable Apparel Coalition, etc.
- the Business & Human Rights Resource Centre;
- (in the near future) the Corporate Human Rights Benchmark.

COMMENT on Step 2.7

Bear in mind that the wages in own production facilities can vary from those of first-tier suppliers. Wages can also vary between different first-tier suppliers.

First contact

At this point, contact is made with the organisations for the first time. Before the first appointment with each organisation from the investment universe (by telephone or in person), we wanted to be transparent with the companies about our intentions and reasons for requesting the information. Consequently, we submitted our questions to the companies by email prior to the appointment, giving them time to prepare for it.

STEP 1.8 / 2.8

Check with the organisation whether all information collected during Step 1.1 and during Steps 2.1 to 2.7 is correct, ask for missing information and supplement if necessary. Draw up a list beforehand of the questions you want to put to the company.

COMMENT on Steps 1.8 / 2.8

If the research during Step 2.7 did not result in a clear picture of the wage paid by a company to its production staff, and the company in question does not want to provide information about this, we assume that the minimum wage applies.

Analysis

STEP 1.9. Policy analysis

STEP 1.9.1

Use the assessment matrix (see Appendix 6.4) to convert the qualitative information collected during Step 1.1 into a quantitative assessment. Allocate points to the organisation depending on the extent to which it is transparent about its vision, the definition of living wage, aim or ambition, policy and implementation, and the extent to which the organisation has developed these concepts.

STEP 1.9.2

Enter the findings in the *Rating* Excel sheets.

STEP 1.9.3

Add up the scores for the concepts Vision, Transparency, Definition, Aim/ambition, Policy and Implementation.

STEP 1.9.4

Calculate the final score:

Organisations that only have their own production facilities or only use first-tier suppliers can obtain 35 points in the assessment matrix. They are rated on seven aspects (see the *Assessment of Vision, Policy and Ambition* document in Appendix 6.4). The total number of points *must therefore be divided by seven* to determine the final scores for their policies and ambitions.

Organisations that have their own production facilities but also make use of first-tier suppliers can obtain 60 points. They are rated on twelve aspects (see the *Assessment of Vision, Policy and Ambition* document in Appendix 6.4). The total number of points *must therefore be divided by twelve* to determine the final scores for their policies and ambitions.

STEP 1.9.5

Assign a definitive assessment to an organisation, using the table below.

Final score	Assessment	
0 – 0.9	Wholly insufficient	
1 – 1.9	Insufficient	
2 – 2.9	Poor	
3 – 3.9	Sufficient	
4 – 4.9	Good	
5	Very good	

EXPLANATION for Steps 1.9.4 and 1.9.5

If a company that only uses first-tier suppliers obtains 24 points according to the assessment matrix, its final score will be $24/7 = 3.4$. As the assessment table in Step 1.9.5 shows, this corresponds to the score 'sufficient'.

If a company that has its own production facilities but also makes use of first-tier suppliers obtains 34 points, its final score will be $34/12 = 2.8$. As the assessment table in Step 1.9.5 shows, this corresponds to the score 'poor'.

STEP 1.9.6

Enter this assessment on the company's scorecard (see Appendix 6.1).

STEP 1.9.7

Use the results to rank the companies studied.

STEP 2.9. Empirical analysis

You have incorporated information into the *Calculation* Excel sheet (see Appendix 6.5) on living wages, minimum wages and industry average wages in the organisation's production countries. During Steps 2.5 and 2.6, you indexed these various wages and converted them into euros.

STEP 2.9.1

During Steps 2.7.1 and 2.7.2, you found out what wage the organisation pays to the production staff in its own production facilities and in the supply chain. If an organisation has disclosed a specific wage, compare this to the minimum wages, industry average wages and living wages. Select the organisation's position on the wage ladder accordingly (see Figure 2).

COMMENT on Step 2.9.1

It is often the case that organisations do not provide any information on specific wages but do say whether they pay the minimum wage or the industry average wage. If so, place them on the corresponding rung of the wage ladder (Figure X). Some organisations say that they pay *either* the minimum wage *or* the industry wage, depending on which is higher in the production country concerned. If so, place the organisation on the 'industry average wage' rung, as on average this wage is often higher than the minimum wage.

Our wage ladder does not include the collectively bargained wage. This is because we do not have any figures for the collectively bargained wage for the production countries and so do not know how high it is compared to the living wage. Consequently, it is not clear what the correct rung for it would be on the wage ladder.



Figure 4 Wage ladder

STEP 2.9.2

On the basis that the minimum living wage is currently the target wage, we deem the minimum living wage for each production country to be equivalent to 100 percent. For each production country, for all organisations, use the *Calculation* Excel sheet (see Appendix 6.5) to calculate what percentage the minimum wage is relative to the minimum living wage, using the following formula: (minimum wage / minimum living wage) x 100.

STEP 2.9.3

For each production country, for all organisations, use the *Calculation* Excel sheet (see Appendix 6.5) to calculate what percentage the industry average wage is relative to the minimum living wage. Once again, the minimum living wage equals 100% here.

Use the formula: (industry average wage / minimum living wage) x 100.

EXPLANATION for Steps 2.9.2 and 2.9.3

Suppose that company X pays the minimum wage to people in the supply chain. We know from our survey that the minimum wage in Bangladesh is 65.85 euros, while the minimum living wage is 178 euros. Assuming that the minimum living wage is 100% (our target amount), company X now pays $(65.85 / 178) \times 100\%$ = the minimum that must be earned to get by with one's family.

STEP 2.9.4

For the production countries concerned, for each organisation, add the data from the *Calculation* Excel sheet – the minimum wages converted to euros, the industry average wages per month *and* the data collected in Steps 2.9.2 and 2.9.3 – to the *Own Production* and/or *Supply Chain* Excel sheets. Make a table for each garment company stating, for each production country, what percentage of the living wage is constituted by the minimum wage and industry average wage (see Figure 3 for an example).

STEP 2.9.5

Add the wage ladder to the organisation's scorecard, as well as the figure with the percentage of the living wage that the minimum wage and industry average wage constitute for each production country.

STEP 2.9.6 / STEP 1.9.7 Development of advice

Formulate advice based on all information on the scorecard and in the Excel sheet.

- In which countries is the gap between the minimum wage or industry average wage and the living wage particularly large? This gap indicates the countries that require extra attention from the organisation.
- How can the organisation close this gap?

TIP for Steps 2.9.6 and 1.9.7

Our strategy to promote living wage is still in development. In the future, you will be able to consult our strategy for step-by-step advice and for the development of tailored advice.

Step 3. Engagement with company

STEP 3.1 Verification and testing of findings

Make several appointments (in person or by telephone) with each organisation surveyed. Present the preliminary findings to the organisations so that they can respond to them.

STEP 3.2 Final result of baseline measurement

Present the final results to the organisations, explaining how you arrived at the results and what your advice is.

STEP 3.3 Determine strategy for engagement

*Determine the phase³⁷ that the organisations are in, using all information on the scorecard and from the Excel sheet:

- Phase 0 companies that fall outside our scope
- Phase 1 companies that do not yet have a vision or policy
- Phase 2 companies that do have a vision, policy or ambition but still have little insight into how they are doing
- Phase 3 companies that have a vision, policy or ambition and have insight into how they are doing, but that are still at the beginning of implementation of living wages
- Phase 4 companies that have a vision, policy or ambition, have insight into how they are doing and have the implementation in proper order, but that do not yet monitor and report their progress.

* Determine the focus and points of reference for further engagement with the organisations.

* Determine whether to join current (multistakeholder or sector) initiatives.

COMMENT on Step 3.3

Please note: the measurement process does not end with this engagement. All being well, you will have developed advice to encourage organisations to pay a living wage. This process must be managed and monitored, so it is very important for you to repeat the measurement periodically (every two years, for example). This will allow you to set interim objectives for the organisations and to steer adjustments in good time.

COMMENT on Step 3.3

Phase 0 – companies may be ones in which you are considering investment. If so, you can perform this measurement before taking a decision on whether to include the company in your investment universe.

Step 4. Development of strategy

ASN Bank is planning to use the results described in Steps 1 to 3 in its investment decisions. Companies that do not meet our objectives will face consequences, as we are convinced that a living wage is a human right for which organisations must accept their responsibility. Therefore, our aim is for all garment companies in our investment universe to pay a living wage to their production staff by 2030. If companies do not meet our interim objectives (see Step 3.3), we will take that into account in our subsequent investment decisions.

³⁷ Irina van der Sluijs, independent consultant and expert on living wages, made this classification for us (advice to ASN Bank, June 2016, www.irinavandersluijs.nl).

Appendix 6.7 Excel sheets on policy and practice

Policy Excel sheet

	A	B	C	D	E	F	G	H	I	J	K
2	Geef een naam op voor een colbereik of selecteer een benoemd bereik in de lijst										
3	Own production	Year	Vision	Definition	Goal/ambition	Policy	Implementation in procedures, practice and reporting	Transparency			
4	Information from deskresearch										
5	Information from contact with company										
6	Supply chain	Year	Vision	Definition	Goal/ambition	Policy	Implementation in procedures, practice and reporting	Transparency			
7	Information from deskresearch										
8	Information from contact with company										
9											
10											

Own Production / Supply Chain Excel sheet

	A	B	C	D	E	F	G	H	I	J	K	L	M
			Number of production facilities (if available)	Type of production	Production quantity in percentages of total production	Number of workers in the production chain in first tier production facilities	Working hours per week	Type of contract	Paid salary in EUROS to employees in first tier by organisation	Min. living wage for model family according to Wage Indicator in EUROS in production country	Max. living wage for model family according to Wage Indicator in EUROS in production country	Minimum wage in EUROS per month	Industry average wage in the wearing apparel sector in EUROS per month
1	Top 25 apparel-exporting countries	Production facilities in country											
2	Bangladesh												
3	Cambodia												
4	China												
5	Egypt												
6	El Salvador												
7	Guatemala												
8	Honduras												
9	Hong Kong												
10	India												
11	Indonesia												
12	Korea, Republic of												
13	Malaysia												
14	Mexico												
15	Morocco												
16	Pakistan												
17	Panama												
18	Peru												
19	Philippines												
20	Singapore												
21	Sri Lanka												
22	Taiwan												
23	Thailand												
24	Tunisia												
25	Turkey												
26	Vietnam												

We have chosen to add a legend to the entire Excel sheet to explain the information in the cells. The policy score table has also been included. This takes the following form:

Legend for Excel sheet

Legend	
Colours in schemes	Meaning
	The company does not disclose this information
	The relevant database does not have this information
	The company does not have production facilities in this country
	The company does not have own production facilities or no own production facilities in one of the top 25 apparel exporting countries
(tekst)	Information on production countries that was not publicly disclosed but disclosed by company in a call or e-mail
	Data was gathered from secondary sources
text in red	Information was supplied by the company after the first draft of the scorecard (15.07.2016)
T.b.d.	To be determined
	Companies that have 4 tab pages have both own production and supply chain facilities. Companies that have 3 tab pages have no own production facilities or no own production facilities in one of the top 25 apparel exporting countries
	In rating tables, 'vision' and 'definition' apply to both own production and supply chain

Assessment Excel sheet

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
7														TOTAL SCORE									
8		Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient	Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient										
9																							
10	1 Vision	5	4	3	2	1	0																
11		In own production facilities												TOTAL SCORE									
12																							
13		Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient	Very good	Good	Sufficient	Poor	Insufficient	Wholly insufficient										
14																							
15		In supply chain (1 st tier suppliers)												TOTAL SCORE									
16	2 Goal/ambition	5	4	3	2	1	0	5	4	3	2	1	0										
17	3 Policy	5	4	3	2	1	0	5	4	3	2	1	0										
18	4 Definition	5	4	3	2	1	0																
19	5a Implementation in country/sector	5	4	3	2	1	0	5	4	3	2	1	0										
20	5b Implementation in own company/supply chain	5	4	3	2	1	0	5	4	3	2	1	0										
21	6 Transparency	5	4	3	2	1	0	5	4	3	2	1	0										
22	TOTAL SCORE																						

Points	0 – 0.9	1 – 1.9	2 – 2.9	3 – 3.9	4 – 4.9	5
Score	Wholly insufficient	Insufficient	Poor	Sufficient	Good	Very good

Appendix 6.8 Bibliography

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