

# PLATFORM LIVING WAGE FINANCIALS (PLWF)

## STRATEGY PAPER

### INTRODUCTION

Under the umbrella of the **Platform Living Wage Financials (PLWF)**, financial institutions<sup>1</sup> come together to encourage, support, assess, and monitor investee companies with regard to their commitment to paying a living wage to the workers in their supply chains. As recognized by, among others, the **ILO** and **OECD**, living wage is a fundamental human right. By engaging on living wage, we therewith honor our commitment to the **United Nations Guiding Principles (UNGPs)** and **OECD Guidelines for Multinational Enterprises**, wherein financials are asked to act with due diligence and to identify and mitigate salient human rights risks. In doing so, we also aim to help reduce poverty and stimulate economic growth.

In sectors that employ and rely on masses of manual labor, such as the garment and footwear, consumer electronics, or food products sectors, **wages are often insufficient to cover workers' basic living expenses** such as food, clothing, housing, health care, and education. Research shows these wages are often on the poverty line and well-below living wage estimates<sup>2</sup>.

The benefits of paying a living wage are clear. Workers who earn a living wage can meet their own basic needs and those of their families as well as to put aside savings, thus being more likely to find their way out of poverty. They work regular working hours instead of excessively working overtime to make ends meet, and they are more likely to send their children to school instead of sending them to work. In short, **our focus on living wage also advances the respect for a number of other fundamental human rights in global supply chains**. It is also a concrete contribution to advancing the **United Nations Sustainable Development Goals**, specifically **Goals 1: No poverty**; and **8: Decent work and economic growth**.

As of 5 March 2017, the **PLWF** consists of three founding members: **ASN Bank, MN, and Triodos IM** who collectively represent **€135 bil. AUM**.

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<sup>1</sup> These can be banks, pension funds, asset managers, insurers, other (institutional) investors.

<sup>2</sup> See for example data provided by Wage Indicator Foundation and the Global Living Wage Coalition

## WHAT DO WE DO?

In the **PLWF**, we collaborate in three main areas:

1. **Methodology:** We apply a comparable rating approach to assess investee companies
2. **Engagement:** We coordinate our engagement strategy/collectively engage with investee companies
3. **Communication:** We jointly promote our work and inform stakeholders at (inter)national events<sup>3</sup>

For that, we hold quarterly meetings in person and frequently coordinate via phone and e-mail.

## WHY DO WE DO THAT?

We fully recognize that **bundling our forces may have significant positive effects** as we may allocate our resources more efficiently by sharing our workload and expertise. It also allows us to exercise more leverage so as to effectively influence investee companies to move forward on living wage. Furthermore, our experience shows that focusing on a single engagement topic makes for better engagement strategies. We also hear that the investee companies under our engagement welcome such a harmonized approach as that enables them to talk to us simultaneously, which is more efficient.

**We increasingly recognize the benefits of investing in socially conscious brands.** Companies that analyze and mitigate their human rights risks have a lower risk profile and healthier financial and overall policies, and they perform better across all **Environmental, Social and Governance (ESG) metrics**. Lastly, we find that ‘deep diving’ into one specific human right issue in a single sector has more potential for positive impact on the ground.

## BACKGROUND

In 2016, **ASN Bank** published a baseline study on living wage and its **14 investee companies in the garment sector**<sup>4</sup>. The garment sector was selected after a thorough due diligence process, analyzing salient risks in **ASN Bank**’s investment universe. The assessment showed mixed results with some frontrunners, some laggards, and a few companies in the middle. The initial methodology

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<sup>3</sup> Important stakeholders in the garment sector are: FLA, ETI, ACT, Amfori, SER Textile, Banking and Pension Funds Agreements (in Dutch: IMVO Convenanten), FWF, Better Buying, SAC/Higg, and so forth.

<sup>4</sup> Scroll down for the English version (“Garment companies and living wage: the case study of ASN Bank”): <https://www.asnbank.nl/over-asn-bank/duurzaamheid/mensenrechten-voor-iedereen/leefbaar-loon.html>.

was adopted by **MN** and **Triodos IM**. Together, we started engaging with the brands and presenting our work externally.

In 2017, **ASN Bank** published a Living Wage Manual explaining the due diligence steps that companies can take to implement living wages in their own manufacturing operations and supply chains<sup>5</sup>. We, the three financials, continued the dialogue with the 14 brands on the basis of this manual throughout 2017. The 2017 rating showed some improvements with regard to setting an appropriate definition of living wage and a living wage policy, particularly on the part of the laggard companies.

## **PLAN 2018**

### *EXPANDING*

In Q1, we want to invite colleagues from other financials to join our platform (during a meeting on 7 March). We believe that we can increase our leverage, improve our engagement strategy, and increase our impact if we form a larger group that collectively gathers behind the living wage objective. Ideally, we would welcome if other financials join the ongoing engagement with garment sector companies to remain fully focused, but we are also open to cross-learn and reference other sectors (such as consumer electronics or food products).

### *RATING THE BRANDS*

In Q2, we will start rating the brands according to the new methodology. **We will cover the 14 brands that we started out with in 2016 and add a few more brands that have been included in either of our members' investment universes.** We are open to including more brands. Following this, we will contact the target companies to present the results of the progress review and continue the dialogue on the way forward. During these conversations, we will present the companies with concrete objectives to be achieved, while keeping individual company differences and progress achieved so far in mind.

### *GAINING AN INDEPENDENT EXTERNAL ASSURANCE*

In Q2, **Mazars** will guide us through the rating process so as to gain an independent external assurance at the end of the process. **ASN Bank** will write an assurance memo setting out the steps to be taken in that process.

### *STAKEHOLDER ENGAGEMENT*

Throughout 2018, we will continue our dialogue with key stakeholders in the garment sector, such as the **Dutch Agreement on Sustainable Garment and Textile (SER)**, **Fair Labor Association**

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<sup>5</sup> Scroll down for the English version ("Garment companies and living wage: a practical implementation tool for companies): <https://www.asnbank.nl/over-asn-bank/duurzaamheid/mensenrechten/leefbaar-loon.html>.

(FLA), Sustainable Apparel Coalition (SAC), and the like. We also have the pleasure to work closely with our partner organization, the **Fair Wear Foundation**, to include their invaluable expertise in our work.

***SETTING UP AN ADMINISTRATIVE FRAMEWORK***

In 2018, the expected enlargement of the PLWF should entail:

- setting up a secretariat;
- draft a joint work plan for 2018-2020;
- coordinate the rating in Q2 (adopt the methodology and the assurance memo);
- present the results of the rating in Q3 (nationally at MN in The Hague on 27 September 2018 and internationally at the UN Business and Human Rights Forum in November);
- draft a joint engagement plan; and
- start engaging the brands in Q4.

asn  bank



Triodos   
Investment  
Management