



# ASN Bank

Introduction to the new Living Wage Methodology

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# Introduction to the new Living Wage Methodology

ASN Bank first introduced its living wage methodology and rating system in 2016. Its objective is to encourage those garment companies in whom ASN Bank invests to strive to pay living wages both in the manufacturing arms of their own organisations and in the whole of their manufacturing supply chain.

Since the introduction of our methodology it has become clear that the UN Guiding Principles and the related Reporting Framework ([www.UNGPreporting.org](http://www.UNGPreporting.org), co-authored by Mazars and Shift) have become the authoritative guidance and best practice for companies to address their respect for human rights on the most salient issues (see the definition at [www.UNGPreporting.org](http://www.UNGPreporting.org)).

Given that, as an investment bank, we believe there is a rebuttable presumption that the living wage should be a salient issue for all garment companies, we have taken this opportunity to align our methodology more closely with that of the UNGP Reporting Framework. Parts C1 to C6 of the UNGP Reporting Framework set out a logical process for garment companies to follow in order to best address and positively impact the payment of a living wage<sup>1</sup>.

As a bank, we recognise that it is a journey for garment companies to put into practice the full implementation of a living wage. It is unlikely that companies will be able to move from current wage levels to that of a living wage in the short to medium term. However, we aim to influence the speed and momentum of the move to the implementation of a living wage. Accordingly, the questions we use to rate garment companies, at least for the next two years, should act as a guide as to what good performance looks like. We anticipate that, over a period of time, these questions may become more detailed as best practices continue to evolve.

<sup>1</sup> ASN Bank is not prescribing only one living wage estimate as being the correct benchmark, but expects companies to disclose their own definition.

We do not seek to increase the workload of garment companies by asking them to provide information that should not already be available to them. Given that the living wage should be a salient issue, the information we require, as set out in the questions, should already be publicly reported. However, we recognise that meaningful reporting on human rights is in its infancy. Accordingly, as part of the process of obtaining relevant information to rate these companies, we contact them on an individual basis to request information that we were unable to find in the public domain. This will help us to gain a better understanding of where these companies stand on their journey to a more widespread payment of a living wage.

As with our earlier ratings, we are looking to rate the garment companies for performance within the manufacturing arms of their own organisations and then separately on their manufacturing supply chains. We intend to separate our rating conclusions for both areas to increase the levels of transparency on how we perceive companies.

Lastly, we are implementing two further changes compared to previous years:

1. In order to recognise that most companies are only at the beginning of their living wage journey, we weight the questions as follows:

Questions (1) to (3) = 60%

Questions (4) to (7) = 28%

Question (8) = 12%

We anticipate that, as we see improvements, we will progress the weightings to increase the significance of certain questions. We will also update the questions as best practices evolve and based on company feedback.

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2. Rather than concentrating on the specific score, we group companies into four categories based on where we perceive them to be on their journey to implementing a living wage. These four categories are: embryonic, developing, maturing and leading. Definitions for each of these categories can be found below.

**Embryonic:** The company has barely recognised the importance of a living wage and has not articulated the benefits for itself or more widely.

**Developing:** The company recognises that the payment of a living wage is an issue but there is no formal process to tackle it within its own manufacturing arms or those within its supply chain and there is little evidence of improvement.

**Maturing:** The company recognises that the payment of a living wage is a salient issue and has formal processes in place to address it. There is evidence of improvement in high-risk areas.

**Leading:** The company believes that payment of a living wage is a salient issue and is important for its wider strategic intent. It has effective processes in place to ensure progress to widespread payment of a living wage in its own manufacturing arms or those within its supply chains. The company is seen as a leader and acts as a catalyst for other organisations to strive to pay a living wage.

# Ratings

Overarching position	Questions	UNGRF ref	Weighting	Question Number	Indicators	
Policy	Is there a specific living wage policy or statement?	C1	20%	1	5 Points	1. The company has a formal policy, or detailed statement, that addresses the living wage issue in its own manufacturing operations (where applicable) and it is clearly addressing manufacturing operations in its supply chain. 2. The company identifies a living wage as a salient/paramount issue. 3. The company ensures that the living wage is addressed at Board level and that there is Board level commitment to implementing a living wage. 4. The company states that it adheres to relevant international human rights standards to address this issue. 5. It is clear that those who are implementing the policy or statement operationally understand the importance of a living wage and the business rationale, e.g. through training.
					4 Points	1. The company has a formal policy, or detailed statement, that addresses the living wage issue in its own manufacturing operations (where applicable) and it is clearly addressing manufacturing operations in its supply chain. 2. The company identifies a living wage as a salient/paramount issue. 3. The company ensures that the living wage is addressed at Board level and that there is Board level commitment to implementing a living wage.
					3 Points	1. The company has a formal policy, or detailed statement, that addresses the living wage issue in its own manufacturing operations (where applicable) and it is clearly addressing manufacturing operations in its supply chain. 2. The company has identified a living wage as a salient/paramount issue.
					2 Points	1. The company has a formal policy, or detailed statement, that addresses the living wage issue in its own manufacturing operations (where applicable) and it is clearly addressing manufacturing operations in its supply chain.
					1 Point	The company refers to a living wage in its documentation but there is no formal policy or statement.
					0 points	The company makes no reference to a living wage in its documentation.
Policy	Does the company formulate a definition for a living wage?	C1	20%	2	5 Points	The company has formulated a definition that includes all the elements of widely recognised definitions (Basic Needs for a person and his/her family, food and non-food costs, discretionary income) and articulates which elements it believes are included within Non-Food Costs as identified in the 2-point indicator. It also includes a vision on the relationship between excessive overtime and wages.

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators
					4 Points The company has formulated a definition that includes all the elements of widely recognised living wage definitions: Basic Needs for a person and his/her family, food and non-food costs, discretionary income.
					3 Points The company has formulated a definition that includes the fundamental elements of widely recognised living wage definitions, i.e. Basic Needs for a person and his/her family and discretionary income, but does not further explain food and non-food costs.
					1 Point The company has formulated a definition that refers only to minimum wages or statutory compliance.
					0 Points The company has not formulated any definition of wages.
Engagement	What processes are in place to collaborate with others to help advance the payment of a living wage?	C2	20%	3	5 Points 1. The company has identified relevant stakeholders, in particular trade unions or any other collective employee representation groups. 2. The company has joined more than one Multi-Stakeholder Initiative (MSI) <sup>1</sup> . 3. The company has articulated how, through these collaborations, it is advancing the payment of a living wage to its supply chain. 4. The company has articulated how it knows that these collaborations are having a positive impact. 5. There is evidence that feedback from stakeholders has been fed into internal discussions and decision-making processes.
					4 Points 1. The company has identified relevant stakeholders, in particular trade unions or any other collective employee representation groups. 2. The company has joined more than one Multi-Stakeholder Initiative (MSI) <sup>1</sup> . 3. The company has articulated how, through these collaborations, it is advancing the payment of a living wage to its supply chain. 4. The company has articulated how it knows that these collaborations are having a positive impact.
					3 Points 1. The company has identified relevant stakeholders, in particular trade unions or any other collective employee representation groups. 2. The company has joined a Multi-Stakeholder Initiative (MSI) <sup>1</sup> . 3. The company has articulated how, through this collaboration, it is advancing the payment of a living wage to its supply chain (see examples at question 5).
					2 Points 1. The company has identified relevant stakeholders, in particular trade unions or any other collective employee representation groups. 2. The company has joined a Multi-Stakeholder Initiative (MSI) <sup>1</sup> .

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators
					1 Point The company has identified relevant stakeholders, in particular trade unions or any other collective employee representation groups, and their importance but has not yet collaborated with them.
					0 Points There are no processes in place to collaborate with others.
Assessing Impacts	What processes does the company use to identify the impacts of paying wages below a living wage level as included in their policy or statement	C3	7%	4	5 Points 1. There is evidence that the company has identified the nature of its involvement in paying wages below a living wage level throughout its own manufacturing operations or - if it does not have manufacturing operations of its own - through its supply chain. 2. The company is aware of any changes in wages (minimum wages, average industry wages, collective bargaining wages, etc.) that arose in the past year, through the use of government and other reliable data sources, for example, and it is monitoring the gap that exists between actual wages and living wage estimates. 3. There is evidence that either an internal audit team or an external assessor has been engaged to review the impact of paying wages below a living wage. 4. There is evidence that the company has obtained third-party information (e.g. from trade unions or any other collective employee representative group) to assess the impact of paying wages below a living wage level. 5. There is evidence that the company has assessed internal and external living wage data and is aware of the impact of the wage gap (e.g. impact of entrapment in the poverty cycle, excessive overtime, child labour).
					4 Points 1. There is evidence that the company has identified the nature of its involvement in paying wages below a living wage level throughout its own manufacturing operations or - if it does not have manufacturing operations of its own - through its supply chain. 2. The company is aware of any changes in wages (minimum wages, average industry wages, collective bargaining wages, etc.) that arose in the past year, through the use of government and other reliable data sources, for example, and it is monitoring the gap that exists between actual wages and living wage estimates. 3. There is evidence that either an internal audit team or an external assessor has been engaged to review the impact of paying wages below a living wage. 4. There is evidence that the company has obtained third-party information (e.g. from trade unions or any other collective employee representative group) to assess the impact of paying wages below a living wage level.
					3 Points 1. There is evidence that the company has identified the nature of its involvement in paying wages below a living wage level throughout its own manufacturing operations or - if it does not have manufacturing operations of its own - through its supply chain. 2. The company is aware of any changes in wages (minimum wages, average industry wages, collective bargaining wages, etc.) that arose in the past year, through the use of government and other reliable data sources, for example, and it is monitoring the gap that exists between actual wages and living wage estimates. 3. There is evidence that either an internal audit team or an external assessor has been engaged to review the impact of paying wages below a living wage.

Overarching position	Questions	UNGRF ref	Weighting	Question Number	Indicators
					2 Points 1. There is evidence that the company has identified the nature of its involvement in paying wages below a living wage level throughout its own manufacturing operations or - if it does not have manufacturing operations of its own - through its supply chain. 2. The company is aware of any changes in wages (minimum wages, average industry wages, collective bargaining wages, etc.) that arose in the past year, through the use of government and other reliable data sources, for example, and it is monitoring the gap that exists between actual wages and living wage estimates.
					1 Point There is limited evidence that the company has identified the nature of its involvement in paying wages below a living wage level.
					0 Points The company does not have any formal processes in place for identifying the impact of paying wages below a living wage level.
Integrating Findings	What action does the company take to progress the payment of a living wage?	C4	7%	5	5 Points 1. There is evidence that the company communicates within its own organisation the importance of paying a living wage. 2. There is evidence that the company communicates within its supply chain the importance of paying a living wage, e.g. through a code of conduct. 3. There is evidence of responsible purchasing practices, e.g. of the company having introduced capacity building training on social dialogue/collective bargaining. 4. There is further evidence of responsible purchasing practices, such as taking into account procurement measures enabling suppliers to uphold working conditions that support a living wage, e.g. providing enough lead time to orders (or changes to orders) so that work rosters can be rearranged without infringing other human rights. 5. There is comprehensive evidence of responsible purchasing practices, e.g. of the company having developed pricing models that account for the cost of providing a living wage, help set up wage management systems or help calculate labour minute costing for a living wage.
					4 Points 1. There is evidence that the company communicates within its own organisation the importance of paying a living wage. 2. There is evidence that the company communicates within its supply chain the importance of paying a living wage, e.g. through a code of conduct. 3. There is evidence of responsible purchasing practices, e.g. of the company having introduced capacity building training on social dialogue/collective bargaining. 4. There is further evidence of responsible purchasing practices, such as taking into account procurement measures enabling suppliers to uphold working conditions that support a living wage, e.g. providing enough lead time to orders (or changes to orders) so that work rosters can be rearranged without infringing other human rights.

Overarching position	Questions	UNGRF ref	Weighting	Question Number	Indicators
					3 Points 1. There is evidence that the company communicates within its own organisation the importance of paying a living wage. 2. There is evidence that the company communicates within its supply chain the importance of paying a living wage, e.g. through a code of conduct. 3. There is evidence of responsible purchasing practices, e.g. of the company having introduced capacity building training on social dialogue/collective bargaining.
					2 Points 1. There is evidence that the company communicates within its own organisation the importance of paying a living wage. 2. There is evidence that the company communicates within its supply chain the importance of paying a living wage, e.g. through a code of conduct.
					1 Point There is evidence that the company communicates within its own organisation the importance of paying a living wage.
					0 Points There are no formal processes to ensure a living wage is paid and there is no evidence that this risk is being addressed.
Tracking Performance	What qualitative and quantitative indicators are used to monitor the effective implementation of the living wage policy or statement?	C5	7%	6	5 Points 1. An MSI <sup>1</sup> provides the company with appropriate qualitative and quantitative indicators to address living wage issues. 2. There is some evidence that the company uses indicators to track the effectiveness of its efforts. 3. As well as the MSI <sup>1</sup> -provided indicators, the company also has reasonable data-collection processes for qualitative and quantitative indicators. 4. There is evidence that the views of external stakeholders have informed the effectiveness of the implementation of the living wage policy/statement. 5. There is evidence that the use of this data is leading to positive changes, e.g. in-country pilot projects to work with suppliers and unions on raising wage levels or providing capacity building training.
					4 Points 1. An MSI <sup>1</sup> provides the company with appropriate qualitative and quantitative indicators to address living wage issues. 2. There is some evidence that the company uses indicators to track the effectiveness of its efforts. 3. As well as the MSI <sup>1</sup> - provided indicators, the company also has reasonable data-collection processes for qualitative and quantitative indicators. 4. There is evidence that the views of external stakeholders have informed the effectiveness of the implementation of the living wage policy/statement.
					3 Points 1. An MSI <sup>1</sup> provides the company with appropriate qualitative and quantitative indicators to address living wage issues. 2. There is some evidence that the company uses indicators to track the effectiveness of its efforts. 3. As well as the MSI <sup>1</sup> - provided indicators, the company also has reasonable data-collection processes for qualitative and quantitative indicators.



Overarching position	Questions	UNGRF ref	Weighting	Question Number	Indicators
					2 Points 1. An MSI <sup>1</sup> provides the company with appropriate qualitative and quantitative indicators to address living wage issues. 2. There is some evidence that the company uses indicators to track the effectiveness of its efforts.
					1 Point 1. An MSI <sup>1</sup> provides the company with appropriate qualitative and quantitative indicators to effectively address living wage issues. There is no evidence that the company uses indicators to track the effectiveness of its efforts. (Quantitative indicators could be: the number of minutes to manufacture a garment, the wage cost per minute, the % of a supplier's business the company has (clue to leverage), wage ladders, rate of staff turnover, overtime levels, average industry wage rates. Qualitative indicators could be: identification of the stakeholder groups engaged with, articulation of the business rationale for a living wage, identification of the challenges of implementation, feedback from MSIs <sup>1</sup> , improvement in quality of garments, etc.)
					0 Points The company has no data-collection processes or indicators.
Remedy	Through what means does the company receive complaints about non-payment of a living wage?	C6	7%	7	5 Points 1. There is a formal mechanism by which the company can receive complaints (e.g. a telephone line/email operated by a third party or by an MSI <sup>1</sup> ). 2. This mechanism can be accessed by both internal and external stakeholders and the grievances are independently assessed. 3. There is evidence that such mechanisms are being monitored. 4. There is evidence that such mechanisms are being promoted and used (e.g. there is evidence of human rights-related complaints). 5. There is evidence that the company responds appropriately to all complaints and that effective remedy is provided.
					4 Points 1. There is a formal mechanism by which the company can receive complaints (e.g. a telephone line/email operated by a third party or by an MSI <sup>1</sup> ). 2. This mechanism can be accessed by both internal and external stakeholders and the grievances are independently assessed. 3. There is evidence that such mechanisms are being monitored. 4. There is evidence that such mechanisms are being promoted and used (e.g. there is evidence of human rights-related complaints).
					3 Points 1. There is a formal mechanism by which the company can receive complaints (e.g. a telephone line/email operated by a third party or by an MSI <sup>1</sup> ). 2. This mechanism can be accessed by both internal and external stakeholders and the grievances are independently assessed. 3. There is evidence that such mechanisms are being monitored.
					2 Points 1. There is a formal mechanism by which the company can receive complaints (e.g. a telephone line/email operated by a third party or by an MSI <sup>1</sup> ). 2. This mechanism can be accessed by both internal and external stakeholders and the grievances are independently assessed.

Overarching position	Questions	UNGPRF ref	Weighting	Question Number	Indicators
					1 Point There is a formal mechanism by which the company can receive complaints (e.g. a telephone line/email operated by a third party or by an MSI), but it is only internal and the grievances are not independently assessed.
					0 Points There are no formal processes for receiving complaints and no evidence that complaints have been received.
Transparency	How transparent is the company both publically and further to information requests?		12%	8	5 Points <i>The company provides all elements on publicly available sources.</i>
					4 Points The company discloses > 7 of the elements below in publicly available sources and all other relevant information is supplied upon request.
					3 Points The company discloses 6 to 7 of the elements below in publicly available sources and some additional, relevant information is supplied upon request.
					2 Points The company discloses 4 to 5 of the elements below in publicly available sources and little additional, relevant information is supplied upon request.
					1 Point The company discloses 1 to 3 of the elements below publicly but does not supply any information upon request.
					0 Points The company discloses minimal living wage information publicly and fails to address information requests in a meaningful way.

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*Nine Elements to Question 8 above*

Number and geographic areas of the company's own manufacturing operations and manufacturing operations in the supply chain

Wage data in the company's own manufacturing operations and manufacturing operations in the supply chain:

- '- National minimum wages
- '- Average industry wages
- '- Reliable living wage estimates
- '- Collectively bargained wages

Data about wage-related aspects in the company's own manufacturing operations and manufacturing operations in the supply chain:

- '- (Excessive) overtime
- '- Types of contracts
- '- Freedom of Association
- '- Collective bargaining mechanisms

Information about responsible purchasing practices that enables management of manufacturing operations in the supply chain to pay a living wage (procurement, lead times, wage management systems, etc.)

Information about capacity building and training provided in the area of social dialogue/collective bargaining at the company's own manufacturing operations and manufacturing operations in the supply chain

Information about length of relationship with key suppliers

Number of living wage grievances raised and plans to remedy

Name of Board member accountable for human rights/living wage implementation

The company has reported on other relevant initiatives and information that are driving the payment of a living wage throughout its own manufacturing base and supply chain.

<sup>1</sup> The reference to multi-stakeholder initiative (MSI) also includes industry initiatives and standard-setting organisations. Examples are Fair Labour Association (FLA), ACT, Ethical Trading Initiative (ETI) and Amfori.