



ASN Bank Living Wage Methodology Upgrade Method 2020

Method Upgrade

Why?

In 2020 ASN Bank, part of De Volksbank, introduced the term 'meaningful engagement'. What we can do as a financial institution is to use our leverage for workers' living wage. In the finance world the tool of engagement can be **effective** in approaching topics such as human rights with investee companies. And in the slipstream can have beneficial effects on financial resilience as we recently saw when so-called ESG stocks **did best** in Covid19 slump. For ASN Bank engagement is useful alongside clear divestment from the highest risk sectors for human rights abuses (e.g. weaponry).

There is also a risk around this tool - engagement can become repetitive and ineffective in cases where no clear targets are set to reach. ASN Bank's perspective to engagement is to set a long term objective, determine milestones to reach, conduct own and detailed research that supplements data from service providers and where possible engage collectively with other financial organisations. And if the investee company does not progress along the clear milestones set out, escalation measures as well as divestment can follow. In short: meaningful engagement to make the most use of our leverage as financials.

How?

Part of 'meaningful engagement' is that we conduct our own research into the status of living wage in the supply chains of investee companies. We have been assessing garment companies **since 2017**. The experts at accountancy firm **Mazars** have been supporting us with drafting the method by which we assess and by providing assurance to our work. From the start we made clear to investee companies and stakeholders that the method would change over time. Not drastically, as we still follow the **UNGP Reporting Framework**

precisely, but in the way that challenges companies to improve over time. So the first two years we applied a weighting system that gave room to receive a better score at the beginning of the questioning, 'the easier questions to answer'. This year we evened out the weighting – the 8 questions each now weigh 12,5%. We consider this a key part of our engagement strategy, to nudge investees further. We also changed the wording here and there to make the questions more aligned with feedback we received over the past three years.

A last change from previous years is that we added a new category in communicating the results. Instead of max 40 point divided into 4 categories we now have 5 categories whereby we reserve the last 36-40 points for companies that truly lead – meaning do everything in their sphere of influence to enable living wage to be paid in their supply chains. It is not enough to score 31 – 35 points – we need to see a minimum of 36 points here to be gained by being transparent about pricing, costing, purchasing and progress.

When?

Over the course of 4 months we, a team of researchers at ASN Bank, assess 14-15 investee garment companies based on annual reports and websites. Each assessment takes about 2 weeks to fully conclude. There is a 'four eye' principle which means each assessment is read by a second reader. Then the assurance process with Mazars starts. Their team challenges us further on answers given and evidence found. After a few rounds of discussions and going back and forth to investees under assessment for additional information, the assessment cycle is concluded and assurance is given with approval of the Board of De Volksbank.

C1

Does the company have any specific policies that address its salient human rights issues and, if so, what are they?

C1.1 How does the company make clear the relevance and significance of such policies to those who need to implement them?

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
Policy	Is there a specific living wage policy or statement including a clear definition of living wage?	C1	12,5%	1	5 Points	It is clear that those who are implementing the policy or statement operationally understand the importance of a living wage and the business rationale. <i>E.g. through training, creation of an implementation infrastructure, reporting of relevant KPIs etc.</i>
					4 Points	The company ensures that living wage is addressed at Board level. This can be evidenced by reference to a board member having responsibility over human rights / living wage or a dedicated committee (possibly sustainability or procurement) which includes having jurisdiction over human rights / living wages in the supply chain.
					3 Points	The company identifies living wage as a salient / paramount issue and has formulated a definition that meets the fundamental elements of widely recognized living wage definitions ie Basic Needs for a person and his/ her family and discretionary income.
					2 Points	The company has a formal policy, or expanded statement addressing living wage in their own manufacturing operations (where applicable) and/or a living wage definition and it is clear that they are addressing manufacturing operations in their supply chain.
					1 Point	The company refers to living wage in their documentation but there is no formal policy, statement or definition.
					0 points	The company makes no reference to living wage in their documentation.

C2

STAKEHOLDER ENGAGEMENT

What is the company’s approach to engagement with stakeholders in relation to each salient human rights issue?

C2.1 How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?

C2.2 During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?

C2.3 During the reporting period, how have the views of stakeholders influenced the company’s understanding of each salient issue and/or its approach to addressing it?

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
Engagement	What processes are in place to collaborate externally with Multi-Stakeholder Initiatives (MSIs) to help advance the payment of a living wage? (See question 3 for trade union / employee collaboration)	C2	12,5%	2	5 Points	There is evidence that feedback from stakeholders has been fed into internal discussions and decision-making processes.
					4 Points	The company has a clear process to engage with MSIs and has articulated how it knows that these collaborations are having a positive impact. Evidence of positive impact needs to extend beyond stand-alone pilot projects.
					3 Points	The company has articulated how, through this collaboration, it is advancing the payment of a living wage in their supply chain (see examples at question 4).
					2 Points	The company has joined a MSI?
					1 Point	The company has identified relevant MSIs but has not yet collaborated with them.
					0 Points	There are no processes in place to collaborate with MSIs.

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
Engagement	What processes are in place to engage with trade unions / employee collectives	C2	12,5%		5 Points	There is evidence that the outcomes of the company's relationship with collective employee / trade union groups has led to a large-scale positive impact in at-risk geographies either in (if relevant) own manufacturing operations or their supply chain.
				3	4 Points	The company has articulated how its relationship with collective employee / trade union groupings leads to positive outcomes either in (if relevant) own manufacturing operations or their supply chain. This can be evidenced by changes in the company's purchasing practices or the conclusion of a collective bargaining agreement that includes living wage.
					3 Points	The company has articulated how through its relationship with collective employee / trade union groupings it is advancing the payment of a living wage either in (if relevant) own manufacturing operations or their supply chain.
					2 Points	The company / supplier has engaged with collective employee groupings / trade unions.
					1 Point	The company indicates that it upholds freedom of association and collective bargaining, but there is no evidence that it has collaborated with collective employee/trade union groups.
					0 Points	There are no processes in place to promote engagement with trade unions / employee collectives nor recognition of the importance of collective bargaining.

C3

ASSESSING IMPACTS

How does the company identify any changes in the nature of each salient human rights issue over time?

C3.1 During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?

C3.2 During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators
Assessing Impacts	What processes does the company use to identify adverse human rights impacts of a living wage not being paid in their own organization or in their supply chain?	C3	12,5%	4	<p>5 Points</p> <p>There is evidence arising from internal and external data that the company has achieved positive change on human rights as a result of their actions to mitigate the wage gap.</p> <p><i>E.g. there is evidence of a positive impact on excessive overtime, child labor or entrapment in the poverty cycle.</i></p>
					<p>4 Points</p> <p>There is evidence that the company obtained third party information to assess the impact of non-payment of a living wage on human rights, including worker livelihoods.</p> <p><i>E.g. there is evidence from a third party proving that the payment of a living wage and decreasing the wage gap has a positive impact on, e.g., excessive overtime, child labor or entrapment in the poverty cycle.</i></p> <p>If the company only operates in low risk jurisdictions, proof of sufficient due diligence is sufficient. <i>E.g. third party information that proves that the jurisdictions the company operates are low risk jurisdictions.</i></p>
					<p>3 Points</p> <p>There is evidence that the company monitors its actual impact on human rights, including worker livelihoods, as a result of the non-payment of living wages in (where relevant) its own manufacturing operations and supply chain. There is evidence that the company has taken effective action to reduce negative impacts of the non-payment of living wages.</p> <p><i>Some companies only operate in areas where there is a low risk of paying wages below living wage (or there is < 10% difference between the legal minimum wage and the living wage), the so called low risk jurisdictions. 3 points can be awarded if the company has mitigated the risk within a supply chain (or manufacturing operations) by only sourcing from low risk jurisdictions.</i></p>

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators
		C3	12,5%		2 Points There is evidence that the company identifies its potential or actual impact on human rights, including worker livelihoods, as a result of the non-payment of living wages in (where relevant) its own manufacturing operations and supply chain. This may be evidenced by the identification of at-risk geographies where living wage is a salient issue and / or processes to monitor the wages paid.
					1 Point There is limited evidence that the company identifies its potential or actual impact on human rights, including workers livelihoods, as a result of the non-payment of living wages (can be in either own organization or supply chain).
					0 Points The company does not have any formal processes in place for identifying impacts of living wages not being paid in their supply chains or own manufacturing companies.

C4

INTEGRATING FINDINGS AND TAKING ACTION

How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?

C4.1 How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?

C4.2 When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?

C4.3 During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators
Integrating Findings	What action does the company take to progress the payment of a living wage?	C4	12,5%	5	5 Points There is comprehensive evidence of responsible purchasing practices. <i>E.g. the company has developed pricing models that account for the cost of providing a living wage, help set up wage management systems or help calculate labor minute costing for a living wage.</i> There is a clear link between these measures and the company’s promotion of living wages. These measures are implemented at scale.
					4 Points There is evidence of responsible purchasing practices, such as taking into account procurement measures that enable suppliers to uphold working conditions that support a living wage. <i>E.g. providing enough lead time to orders, or changes to orders, so that work rosters can be rearranged without infringing other human rights.</i> If an organization predominantly produces their own garments, similar evidence should be sought in its own manufacturing companies.
					3 Points There is limited evidence of responsible purchasing practices. <i>E.g. the company has introduced capacity building training.</i>
					2 Points There is evidence that the company communicates within (when relevant) its own manufacturing operation and its supply chain the importance of paying a living wage. <i>E.g. through a code of conduct or a human rights policy.</i>
					1 Point There is evidence that the company communicates within its own company 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.

C5

TRACKING PERFORMANCE

How does the company know if its efforts to address each salient human rights issue are effective in practice?

C5.1 What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
Tracking Performance	What qualitative and quantitative indicators are used to monitor the effective implementation of processes to close the wage gap?			6	5 Points	There is evidence of the effective implementation of processes to close the wage gap in a material part of the supply chain (and, where relevant, own manufacturing operations). There is evidence that implementation is more widespread than a few pilots.
					4 Points	There is evidence that the qualitative and quantitative indicators have impacted the effectiveness of processes to close the wage gap. There is evidence that the use of this data is leading to positive changes. <i>E.g. wage-related pilot projects in-country run with suppliers and/or unions to close the gap.</i>
		C5	12,5%		3 Points	As well as the MSI?- provided indicators, the company also has its own reasonable processes to collect and track qualitative and quantitative indicators. <i>E.g.: 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. The company is monitoring the gap that exists between actual wages and a living wage estimates.</i>
					2 Points	There is some evidence the company uses indicators provided by an MSI to track the effectiveness of its efforts. Refer examples of indicators included below for 1 point.
					1 Point	An MSI? provides the company with appropriate qualitative and quantitative indicators to effectively address living wage issues. There is no evidence the company uses indicators to track the effectiveness of its efforts.

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
		C5	12,5%			<p><i>Quantitative indicators could be: the number of minutes to manufacture a garment, the wage cost per minute, the % of that suppliers business the company has (clue to leverage), wage ladders, rate of staff turnover, overtime levels, average industry wage rates.</i></p> <p><i>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?, improvement in quality of garments etc).</i></p>
					0 Points	The company has no data-collection processes or indicators.

C6

REMEDIATION

How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?

C6.1 Through what means can the company receive complaints or concerns related to each salient issue?

C6.2 How does the company know if people feel able and empowered to raise complaints or concerns?

C6.3 How does the company process complaints and assess the effectiveness of outcomes?

C6.4 During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?

C6.5 During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
Remedy	Through what means does the company receive complaints about non-payment of a living wage and how does it assess the effectiveness of its remedy?	C6	12,5%	7	5 Points	There is evidence that the company responds appropriately to all complaints and that effective remedy is provided.
					4 Points	There is evidence that such mechanisms are being used (e.g. there is evidence of human rights related complaints).
					3 Points	There is evidence that such mechanisms are being monitored.
					2 Points	This mechanism can be accessed by both internal and external stakeholders and the grievances are independently assessed.
					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.

Overarching position	Questions	UNGP RF ref	Weighting	Question Number	Indicators	
Transparency	How transparent is the company both publicly and to further information requests?		12,5%	8	5 Points	The company provides all information listed in point 4 publicly.
					4 Points	The company provides the following information, either publicly or on information request: I. Data about indicators surrounding living wage in (where relevant) own manufacturing operations and manufacturing operations in supply chain (excessive overtime, types of contracts, freedom of association, collective bargaining mechanisms) II. Information about the length of relationships with key suppliers III. Examples of wage data in (where relevant) own manufacturing operations and manufacturing operations in the supply chain. <i>Eg national minimum wages, average industry wages, reliable living wage estimates, collective bargaining wages. Evidence that the company works with wage ladders.</i>
					3 Points	The company publicly discloses the following information: I. Number of geographic areas of own manufacturing operations and manufacturing operations in supply chain II. (At least) some examples of geographic areas deemed high risk for the non-payment of living wages
					2 Points	The company discloses information on relevant initiatives that are driving the payment of a living wage throughout (where relevant) its own manufacturing operations and its supply chain, but does not provide further details about the entire supply chain / organization.
					1 Point	The company has a public living wage policy and addresses information requests meaningfully.
					0 Points	The company discloses minimal living wage information publicly and fails to respond to information requests meaningfully.