

ENTWURF

To:
Company name
Name of Chairman
Name of CEO

XX April, 2020

Investor statement in support of living income and living wages in agricultural supply chains

We are a group of global investors, who collectively represent some USD 2,4 trillion in assets under management, and who recognise that the good management of environmental, social and governance (ESG) issues can positively affect the financial performance of companies in our investment portfolios.

As a part of our broader commitment to progress ESG issues among companies and investors, with this statement we wish to express our commitment and expectations towards our investee companies with regards to living income and living wages.

Living income and living wages – the importance to people, companies and investors

Millions of small-scale food producers and workers contribute to global food supply chains and to a large extent are the ones feeding the world. At the same time, small-scale food producers and agricultural workers are overrepresented among the world's poor. Poverty often results in the use of child labour and the destruction of natural resources, among other devastating consequences. This is not sustainable from a human perspective, compromising the basic human right to a decent standard of living. Negligence from companies and investors on such a salient human right is contrary to internationally recognised principles such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The fulfilment of living income and living wages would also substantially contribute to several of the Sustainable Development Goals (SDGs). Moreover, companies systematically managing root causes to adverse human rights impacts are much better prepared for a growing number of national supply chain and human rights due diligence requirements.

From a financial point of view, a failure to enable living income and living wages may have implications on a secure long-term supply of agricultural raw materials – the backbone of global value chains. A lack of opportunities for a rural population to sustain themselves and to invest in viable businesses is likely to add to the already ongoing urbanisation, which may put serious constraints on future supply and eventually cause food scarcities. It is in this context the importance of making sure small-scale food producers earn a living income¹ and workers receive a living wage² should be understood.

¹ Living income as defined by the Living Income Community of Practice: *“The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include food, water housing, education, transport, clothing, and other essential needs including provision for unexpected events.”* The Living Income Community of Practice

² Living wage as defined by the Global Living Wage Coalition: *“The remuneration received for a standard workweek 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, transportation, clothing, and other essential needs including provision for unexpected events.”*

Investor commitment

Investor signatories to this letter are committed to driving change towards the fulfilment of living income and living wages in our investee companies and their supply chains. We understand this will, at least in the short term, imply costs but also a more stable supply and thus long-term human, societal and economic benefits. Not managing the matter is also likely to entail a potentially costly reputational risk.

With this statement we also wish to express our commitment to support companies working towards living income and living wages by, for example:

- Recognising leading companies' efforts in living income and living wages
- Pointing to good practice examples and resources
- Inviting companies to expert briefings and events
- Connecting and showcasing like-minded companies with each other and with area experts, in order to catalyse collective action

Investor expectations on investee companies

Investors expect companies, upstream and downstream agricultural supply chains, to identify the most critical parts thereof from a living wage and living income perspective (i.e. where labour rights risks are the highest and where incomes and wages are known to be particularly low). Companies should subsequently develop an understanding of the ethical cost of production and make targeted efforts towards living income and living wages for small-scale food producers and workers in their supply chains. Such efforts should also be measurable and aligned with an objective and timeline to reach living income and living wages in high risk supply chains.

Opportunity to sign the *Corporate statement to living income and living wages*

As a way to fulfil our investor commitment to living income and living wages, and give exposure to leading companies in this area, we invite your company to sign the attached *Corporate statement on living income and living wages*. When we achieve a critical mass of corporate signatories, we will make the commitment publicly available and will circulate it in a wider investor community to allow for exposure and credit to companies working towards our common goals.

Benefits for companies from adopting a living income/living wage strategy

As we pointed to at the outset of this statement, there are many incentives for companies to adopt a living income/living wage commitment and strategy:

- It signals to investors and other stakeholders an advanced and proactive level of respect for human rights and contribution to the SDGs.
- Systematically managing root causes to adverse human rights impacts gives the company a competitive advantage by preparing it for a growing number of national supply chain and human rights due diligence requirements.

- It interlinks with and complements other corporate sustainability goals, integrating the social dimension to environmental and economic sustainability.
- A thriving rural community would attract producers and workforce, vital to secure a long-term supply of agricultural raw materials.
- Pride within the company – being a part of something bigger than a profit-making business, including a strong ethical stance, builds an attractive company culture.
- Provides a marketing opportunity towards customers, either B2B or B2C.
- It gives better insights into the company's supply chains and a chance to engage with business partners.

Building the living income and living wage roadmap

There is a growing number of resources providing guidance on how to build a roadmap towards a living income and living wage. Some high-level steps are listed below, and companies can also draw from, and join, country level initiatives on living income and living wages, such as the Dutch one on bananas, the Belgium and German ones on cocoa, and the German retailer commitment on living income and living wages³. More are likely to emerge. For a deeper level of understanding of how to develop a living income and living wage road-map, we encourage companies to use [Align](#), which provides a detailed step-by-step guide to companies, based on several organisations' expertise in the area.

POLICY COMMITMENT

1. Build internal understanding and buy-in to embed the relevance of living income and living wages within all company levels.
2. Consider adopting a policy commitment on living income and living wages. See, for example, [Mars' income position statement](#), [H&M's living wage strategy](#) or [Olam's living income commitment](#).

STRATEGY

3. Conduct a risk assessment to identify where in your operations and supply chains risks are the highest for small-scale food producers and workers not to earn a living income or living wage. The following resources might be useful: [Global MPI 2019](#), [Human Development Index](#), [World Bank](#).
4. Based on the risk assessment and commercial relevance and leverage, prioritise key regions for living income and/or living wage efforts/initiatives (emphasising smallholder inclusion rather than exiting regions with low income and wages).
5. Research if any existing initiatives are in place, or if industry peers or other relevant parties are interested in collaboration.
 - a. [The Global Living Wage Coalition](#) brings together standard-setting organisations and experts with the long-term goal for workers to be paid a living wage. The coalition has carried out more than 20 publicly available living wage benchmarks.
 - b. [The Living Income Community of Practice](#) is an open learning and partnership platform to support work on living income for small-scale food producers, and is co-hosted by

³ Dutch commitment on living wage in banana supply chains:

<https://www.theonlywayisupconference.org/news/bananas-breakthrough-commitment-in-dutch-retail/>;

German retailer commitment on living income: <https://www.nachhaltige-agrarlieferketten.org/aktuelles/living-income-arbeitsgruppe-gemeinsame-erklaerung/>;

Belgium living income commitment in cocoa supply chains: <https://www.befair.be/en/content/tcds-commitment-beyond-chocolate-partnership>;

German commitment on living income etc. in cocoa supply chain: <https://www.confectionerynews.com/Article/2019/10/21/Germany-at-forefront-as-a-Driver-of-Change-in-cocoa-sector-as-host-of-the-WCF-Partnership-Meeting>

ISEAL, GIZ and the Sustainable Food Lab. Guidance and resources are on the community's website.

ACTION PLAN

6. If not already publicly available or in place, consider investing in living income or living wage benchmarks for high-risk regions. Seek information on actual income and wage levels from your suppliers to determine income and wage gaps, as well as the root causes to such gaps.
7. Analyse your company's business model and ways to increase value distribution to agricultural workers and farmers. Business operations with great potential leverage include procurement practices. In order to work towards responsible sourcing, you should seek answers to questions such as: How can sustainability departments and procurement departments better align their goals and collaborate towards responsible sourcing? What would be a minimum ethical price for high risk commodities in high risk regions? How can the company make sure it reaches small-scale food producers and/or workers in its supply chain? Which changes/adjustments are necessary in the selection and management of suppliers to support these goals?
8. Besides potential price adjustments, consider what other action would support the goal of living income and living wages in your supply chains. This could include, for example, long-term contracts with joint development plans, trainings for sustainable production practices, provide/support access to (new) market access to support income diversification, finance solutions, access to inputs, aligning with public social services and broader rural development policies with the goal to improve rural livelihoods and develop resilient communities.
9. Based on the risk assessment and root cause analysis, consider the extent of your company's leverage to drive change, including through research of any existing initiatives, or through identifying if industry peers or other relevant parties are interested in collaboration, in order to prioritise key regions for living income and/or living wage efforts/initiatives.

MEASURE AND REPORT

10. Develop KPIs to measure effectiveness of the actions and to ensure progress.
11. Publicly and regularly report on progress based on the KPIs.

What next?

The undersigned investors would strongly encourage your company to consider the above. Your company will also be invited to upcoming online events on the topic. On that note, we would encourage you to attend the [Living Income Community of Practice's online event on 7 April](#), to get a head start into the topic of living income.

Please do not hesitate to contact the coordinators of this letter, Stina Nilsson and Henry Pallister-Dixon at Sustainalytics (stina.nilsson@sustainalytics.com; henry.pallister-dixon@sustainalytics.com), should there be any questions.

Yours sincerely,

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