Master's Thesis Internship –
Sustainable Business and Innovation

Strengthening Socially Responsible Investment engagement for living wage implementation in the food retail sector

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Financials for living wage

achmea

Inhoud

Abstract

In-work poverty is an important issue in food retail outlets and their suppliers. Increasing workers' compensation towards a living wage that covers workers' basic needs is essential for reducing working poverty. The purpose of this paper is to investigate how financial institutions can most effectively shape their Socially Responsible Investment engagement to encourage food retail chains to implement living wages. This research employs a cross sectional design of five European retail chains in Achmea IM's living wage engagement. A sequential explanatory design was employed in which i) retailers' living wage implementation was quantified through the development of a rating methodology and an analysis of the retailers' reported information ii) a qualitative analysis was conducted on engagement dialogues and follow-up interviews with the retailers to assess two potential strategies to increase engagement effectiveness. The first strategy concerns alignment of beliefs and attitudes between the shareholder and investees. The second strategy concerns the use of salience strategies. Their influence on engagement effectiveness was analysed at the individual- and organisational level of corporate social performance.

The findings demonstrate that corporate social performance and engagement effectiveness differs between the individual-, and organisational level. This research identified three ways in which shareholders can increase the effectiveness of their engagement. First, shareholders can point to differences in corporate social performance between different levels. Second, for companies with a defensive response to shareholder requests, shareholders can increase the effectiveness of their engagement by employing more salience strategies. Third, for companies with reactive postures organizational level effectiveness might be increased in two ways. First, by adjusting its requests towards the beliefs and attitudes of the company in case the company's reactive response undermines salience strategies. Second, in case the low shareholder salience causes the reactive response, the shareholder can increase effectiveness by increasing their shareholder salience strategies e.g. through voting.

Executive Summary

In-work poverty is an important issue in the food retail sector, both in producing countries and in food retail outlets. The strong concentration in food supply chains results in a buying power of large food retail chains that can drive down the price payed to their suppliers. When fulltime workers receive insufficient compensation to cover their basic needs, workers are unable to work their way out of poverty and poverty is perpetuated over generations. Increasing worker compensation towards a living wage is essential for reducing working poverty.

Financial institutions are increasingly addressing social issues through the use of Socially Responsible Investment strategies. More and more shareholders use the *engagement strategy* to improve companies' social behaviour, by using their ownership position in engagement dialogue with companies. This research defines three levels of engagement effectiveness: i) retailers' acceptance of responsibility in engagement dialogue, ii) retailers' living wage implementation in reported approaches to reduce living wage issues, iii) improved living wage payments in retailers' own operations and supply chains.

The Platform Living Wage Financials (PLWF) is a group of 10 Dutch and 1 French financial institutions such as banks and investment managers, holding together over €2,1 trillion in Assets Under Management (AUM). Previously, the PLWF engaged collaboratively with companies to address the non-payment of living wages in the garment sector and developed a methodology to rate how well garment companies are implementing living wages in their supply chains.

Platform member Achmea IM Investment Management (Achmea IM), has commissioned this research to analyse how they can most effectively engage retail chains on living wages. Achmea IM is one of the five largest Dutch asset managers with 132 billion AUM. Achmea IM manages assets for pension- and insurance funds as well as funds from private shareholders. Achmea IM started engagements with five European food retail chains on living wages in 2018. This research aims to answer how financial institutions can most effectively shape their Engagement to encourage food retail chains to implement living wages in their own operations and supply chains.

This research resulted in two important contributions for Achmea IM, that can be used to enhance the effectiveness of their living wage engagement.

Firstly, this research enhanced Achmea IM's knowledge on living wage implementation by retailers. The methodology developed for the retail sector assists Achmea IM in monitoring the level of living wage implementation by retailers, and it can also guide retailers in their living wage implementation. The scores for the level of implementation supported Achmea IM in formulating requests to further improve retailers' living wage implementation. It was found that retailers often accept a higher responsibility in engagement dialogue than is reflected in their reported approaches to reduce living wage issues. It is therefore relevant to consider both retailers' responses in the engagement dialogue and their reported approaches to evaluate the effectiveness of engagement on living wage issues.

Secondly, this research identified three ways in which Achmea IM can increase the effectiveness of their engagement.

1. Achmea IM can point to differences between accepted responsibility during engagement dialogue and reported approaches.

2. Achmea IM can increase the effectiveness of their engagement with companies that accept responsibility for living wage implementation, by strengthening their power, legitimacy and urgency. It was observed that these strategies can effectively encourage retailers to improve living wage implementation despite possible disagreements with regards to i) the way their current approaches are recognised, ii) the prevalence of living wage issues in or linked to their operations or iii) their ability to reduce living wage issues.

   Achmea IM can enhance their power over retailers by voting and divesting. The retail methodology increases power through reputational damage or incentives, under the condition that the accurateness of the rating is guaranteed and retailers are engaged in the rating. Achmea IM can increase their legitimacy by increasing the amount of shareholders that collaborate in the PLWF and by strengthening the business case for living wage with data. Achmea IM can strengthen urgency by conducting long term engagement and by using an assertive tone.

3. Achmea IM can adjust their current use of power, legitimacy and urgency in engagement with retailers that do not accept responsibility for living wage implementation, because i) they disagree that workers should earn living wages, ii) they consider that retailers are not responsible for implementing living wages, or iii) they argue that the approach to implement living wages has more negative than positive effects.

   In such cases, Achmea IM can increase the effectiveness of their engagement by adjusting their requests towards issues emphasised by these retailers as first priorities, such as transparency and legal minimum wage. In addition, when confronted with retailers with a low perception of their responsibilities and the legitimacy and urgency of Achmea IM's requests Achmea IM can use strategies to increase the power, legitimacy and urgency of their requests as described above.

List of abbreviations

=	Aligned belief or attitude between shareholder and investee company
≠	Non-aligned belief or attitude between shareholder and investee company
≈	Neither fully aligned, nor fully nonaligned belief or attitude between shareholder and Investee
?	The influence of the salience attribute on the shareholder's request could not be determined / The investee company's belief or attitude could not be determined
A	Attitude: Goals, aspirations, preferences, or evaluations.
A_1	Norm definition: Defines a certain conditions as an issue that needs be resolved or mitigated.
A_2	Attribution of responsibility
A_{2norm}	Normative dimension of the attribution of responsibility: Divides the responsibility to resolve an issue between actors apart from ability.
A_{2rv}	Relative viability dimension of the attribution of responsibility: Absolute viable approaches that an actor has the relative ability to implement whilst balancing its time and resources with other issues.
A_3	Approach attitude: Defines preferred approaches to resolve or mitigate an issue.
ASN Bank	Algemene Spaarbank voor Nederland
Achmea IM	Achmea Investment Management
AGM	Annual General Meeting
AUM	Assets Under Management
B	Belief: Verifiable factual claims
B_1	Currnet implementation: Approaches implemented by an actor aimed at reducing its exposure to issues.
B_2	Exposure: The prevalence of an undesired condition in or linked to an actor's operations, despite its current implementation.
B_3	Absolute viability
$B_{3effect}$	Effectiveness dimension of absolute viability: Approaches that reduce or eliminate an actor's exposure to the norm definition.
B_{3aa}	Absolute ability dimension of absolute viability: The approaches that an actor has the absolute ability to implement if it invests all its time and resources to one issue.
Amfori BSCI	Amfori Business Social Compliance Initiative
CSR	Corporate Social Responsibility
ESG	Environmental Social Governance
ICS	Initiative Clause Sociale
IIED	International Institute for Environment and Development
KPI	Key Performance Indicator
Meta-A	Meta-attitude
Meta-B	Meta-belief
NGOs	Non-Governmental Organizations
OECD	Organisation for Economic Co-operation and Development
PLWF	Platform Living Wage Financials
RA	Rainforest Alliance
RDAP scale	Reactive, Defensive, Accommodative Proactive scale
SDG	Sustainable Development Goals
SRI	Socially Responsible Investment
UNGP	United Nations Guiding Principles for Business and Human Rights

1. Introduction

"*Worldwide, 280 million people are working, but in poverty. Progress in reducing working poverty rates is slowing globally and seems set to worsen in the poorest countries"* (Willoughby & Gore, 2018, p. 18). Whereas global income has been growing since 1980, working people 'have received a smaller and smaller slice of the economic pie'. In contrast capital owners are profiting from growing shares of global income growth (Alvaredo, Chancel, Piketty, Saez, & Zuchman, 2018; Wilshaw, Hamilton, Théroux-Séguin, & Gardener, 2015). When fulltime workers receive insufficient compensation to cover their basic needs, workers are unable to work their way out of poverty and poverty is perpetuated over generations in the so-called poverty trap (Wilshaw et al., 2015). Increasing worker compensation towards a living wage is essential for reducing working poverty. A living wage is *"remuneration received for a standard working week by a worker in a particular place sufficient to afford a decent standard of living for the worker and his or her family*" (van de Veen, 2017, p. 6). The right to just and favourable remuneration is supported in article 23 of the Universal Declaration of Human Rights (United Nations, 2015).

The non-payment of living wages is an important issue in the food sector, as almost two thirds of the world's extreme poor working adults are depending on agriculture for their livelihoods (Castañeda et al.,2016). In-work poverty is also significant in food retail outlet stores where many workers depend on low-paid employment (Marx & Nolan, 2012). Inequality of power is the root cause of labour exploitation in food supply chains worldwide (Willoughby & Gore, 2018). On the one hand, concentrating retail chains use their buying power to drive down the price payed to their suppliers. On the other hand, trade liberalisation and deregulation of agricultural and labour markets decrease the power of small-scale farmers and workers (Willoughby & Gore, 2018). Moreover, regulation inadequately protects living wages, as there is an significant gap between legal minimum wages and living wage estimates (Oxfam, 2014).

The issue of living wages has mostly been addressed by Non-Governmental Organizations (NGOs), labour unions and governmental bodies. However, recently the role of the financial sector in addressing social and sustainability issues is increasing, as Socially Responsible Investment (SRI) grew with 34% from 2016 to 2018 when it reached $30.7 trillion in 2018 (GSIA, 2018). Recent events demonstrate an increased attention to sustainability and living wages in the financial sector. On December 20th 2018, 70 pension funds holding almost 90% of the Dutch AUM in the sector signed a Responsible Business Conduct Agreement on responsible investment (SER, 2019). Moreover, on May 7th, 2019, the Clean Clothes Campaign (CCC) had filed a resolution at the Annual General Meeting of H&M. In this resolution shareholders could vote to disburse the company's earnings to a living wage fund instead of dividends. The argumentation of CCC followed *"As responsible investors, it is our firm conviction that financial returns shall never be based on exploitation of labour. Paying poverty wages to those who create the value added in the products sold by the H&M group is unacceptable"* (Clean Clothes Campaign, 2019).

To address sustainability issues, shareholders increasingly make use of the engagement strategy in SRI (GSIA, 2018). In engagement, the shareholder engages in a communicative process with companies and makes use of the shareholder's ownership position to improve a company's social behaviour (Sjöström, 2008). Prior research termed engagement as effective when dialogue "results in changes in corporate behaviour in line with shareholders' request, or commitments by the company to that effect" (Gössling & Buiter, 2017, p. 116). This research operationalised engagement effectiveness to distinguish between individual, organizational and institutional level effectiveness based on Clarkson's

(1995) levels of corporate social performance. A growing body of evidence confirms that engagement can play an important role in encouraging companies to improve their social performance (Gössling & Buiter, 2017; Sullivan & Mackenzie, 2008; Sullivan & Mackenzie, 2006).

The Platform Living Wage Financials (PLWF) is a group of 10 Dutch and 1 French financial institutions such as banks and investment managers, holding together over €2,1 trillion in Assets Under Management (AUM). Previously, the PLWF engaged collaboratively with companies to address the non-payment of living wages in the garment sector and developed a methodology to rate how well garment companies are implementing living wages in their supply chains.

Platform member Achmea IM Investment Management (Achmea IM), has commissioned this research to analyse how the PLWF can most effectively engage retail chains on living wage. Achmea IM is one of the five largest Dutch asset managers with 132 billion AUM. Achmea IM manages assets for pension- and insurance funds as well as funds from private shareholders. Achmea IM manages their own funds and also offers their clients multiple services such as: strategic advice on their investment portfolio, recommendations on services of external asset managers as well as SRI services. As a SRI service Achmea IM collaborates with the PLWF on living wages and started engagements with five European retail chains on living wages last year. This research aimed to answer the following research question:

‘How can financial institutions most effectively shape their engagement to encourage food retail chains to implement living wages in their own operations and supply chains?’

Figure 1 positions the three sub-questions of this research in the engagement process.

- Firstly, the way retail chains can best implement living wages in their own operations and supply chains was defined. A retail-methodology was developed to monitor the level of implementation by retail chains.
- Secondly, five retail chains have been rated on their current living wage implementation according to the retail-methodology, allowing to formulate shareholder requests to the retailers aiming at improving their current living wage implementation.
- Thirdly, the retailers’ perception of the engagement dialogue was analysed in relation to Vandekerckhove, Leys, & Braeckel's (2008) theory of aligned beliefs and attitudes and Gifford's (2010) shareholder salience theory, as explained in section 2.

Finally, this research analysed four propositions to enhance the effectiveness and the evaluation of engagement as explained in section 2. This resulted in recommendations to increase the effectiveness and evaluation of engagement in general, and for Achmea IM’s living wage engagement in particular.

This research is unique in its focus on the use of engagement by shareholders for living wage implementation. Therefore, this analysis on the use of shareholder influence to promote living wage implementation describes, analyses and expands the role that the financial sector can play in promoting the implementation of living wages. Whereas the majority of the active-SRI is conducted via confidential engagement dialogue (Goodman, 2015), prior research focussed on public voting and passive-SRI strategies, due to the difficult accessibility of engagement dialogue data. Therefore, the analysis of discrete engagement dialogue in this research contributes to increasing the effectiveness of the under-studied engagement strategy. Instead of focussing on company’s behaviour and related commitments at the organisational level, this research improved also the conceptual definition of engagement effectiveness by defining three levels of effectiveness based on Clarkson's (1995) levels of corporate social performance. Moreover, this research assessed the relationship of company’s performance between two different levels in order to gain insight on the evaluation of engagement effectiveness at different levels. Lastly, this research expands on Vandekerckhove et al.'s (2008) and Gifford's (2010) theories of engagement effectiveness, by presenting company's responses to the strategies proposed by these theories. Moreover, this research combines for the first time Vandekerckhove et al.'s (2008) alignment of beliefs and attitudes with Gifford's (2010) shareholder salience to analyse the effectiveness of engagement.

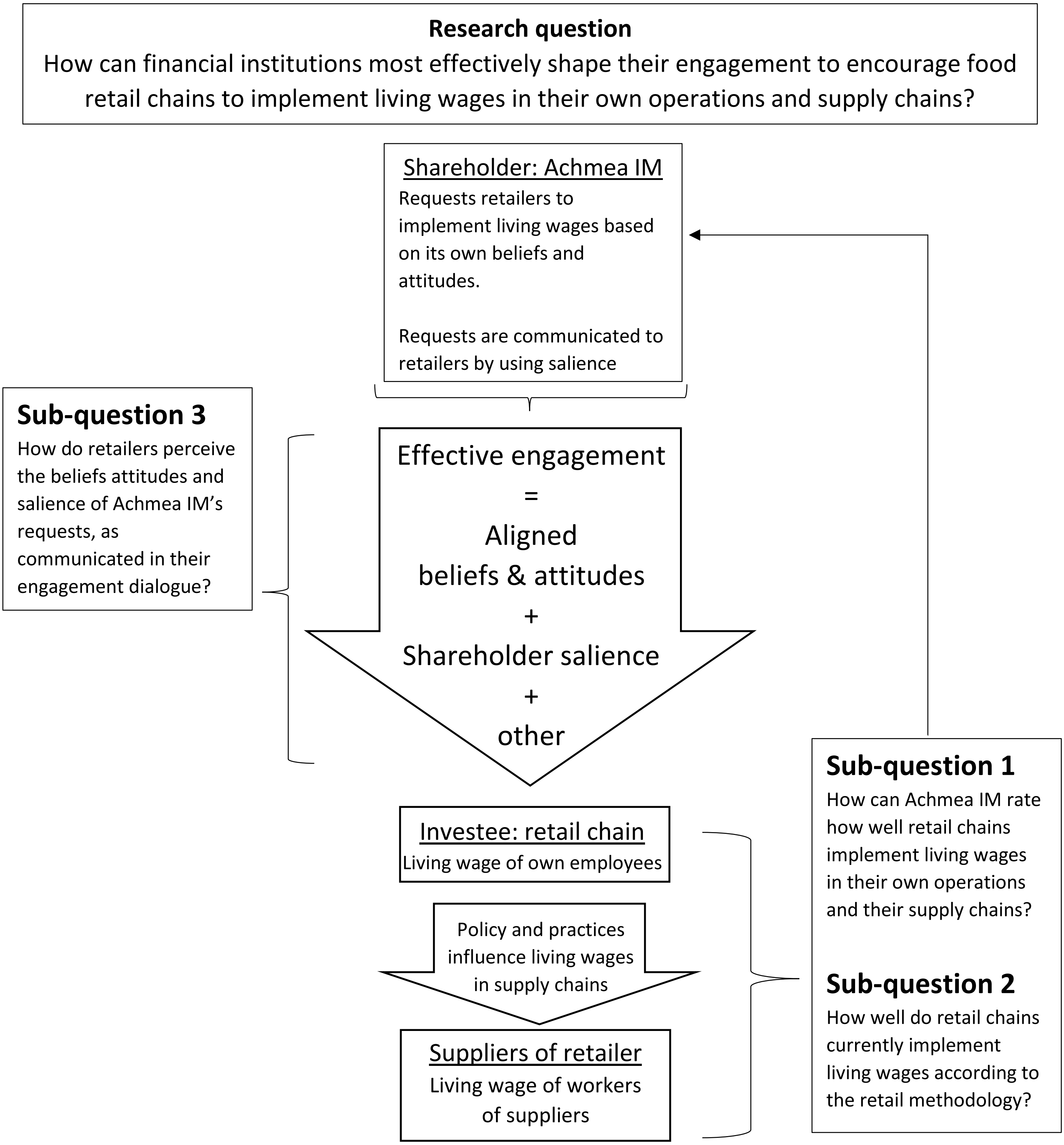


Figure 1: Research question and sub-questions positioned in the process of engagement dialogue.

2. Analytical Framework

2.1 Defining Living wage and income

The principle behind living wages is that within reasonable working hours *"workers and their families should be able to afford a basic, but decent, life style that is considered acceptable by society at its current level of economic development"*(Anker, 2011, p. 5). A net living wage covers the cost of basic but decent life for a family, divided by the amount of workers in the household. Figure 2 presents the most commonly used methodology to measure living wages referred to as the Anker methodology. The living wage is the cost of a basic quality life of a household, divided by the number of full-time equivalent workers in a household. The cost of a basic quality of life per person entails the cost of: a nutritious low-cost diet, basic acceptable housing, clothing and footwear and other costs for a decent life. These other costs include: transportation, children's education, health care household furnishings etc. Some living wage estimates include a margin to provide for unforeseen events. Whereas living wages are paid by an employer, self-employed smallholder farmers need a living income. A living income is the sum of all income generated by a household that is sufficient "*to afford a decent standard of living for the household members*" (Fairtrade, 2017, p. 1). The use of the term living wage in this report also encompasses the meaning of living income where applicable.

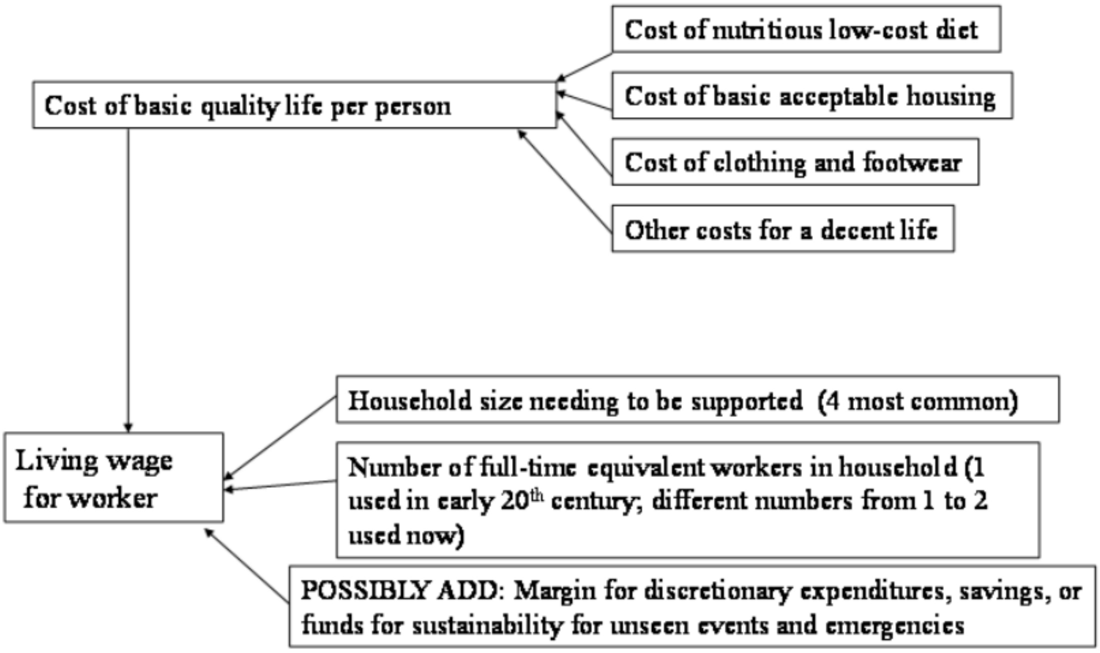


Figure 2: Flow-chart on living wage estimation (Anker, 2011).

2.2 Non-payment of living wages in own operations and supply chains of food retailers

Retailers can be linked to the non-payment of living wages in two ways: i) by paying their own employees lower than living wage estimates and ii) by purchasing products from suppliers that do not pay their workers a living wage or producers that do not earn a living income. Firstly, there is significant in-work poverty of workers employed by retail chains (Marx & Nolan, 2012). Retail industries offer typical low-paid employment around the world and follow national legal minimum requirements. However, regulation inadequately protects living wages, as there is an immense gap between legal minimum wages and living wage estimates. Figure 3 shows that this gap is even larger in European cheap labour countries than in Asia (Oxfam, 2014).

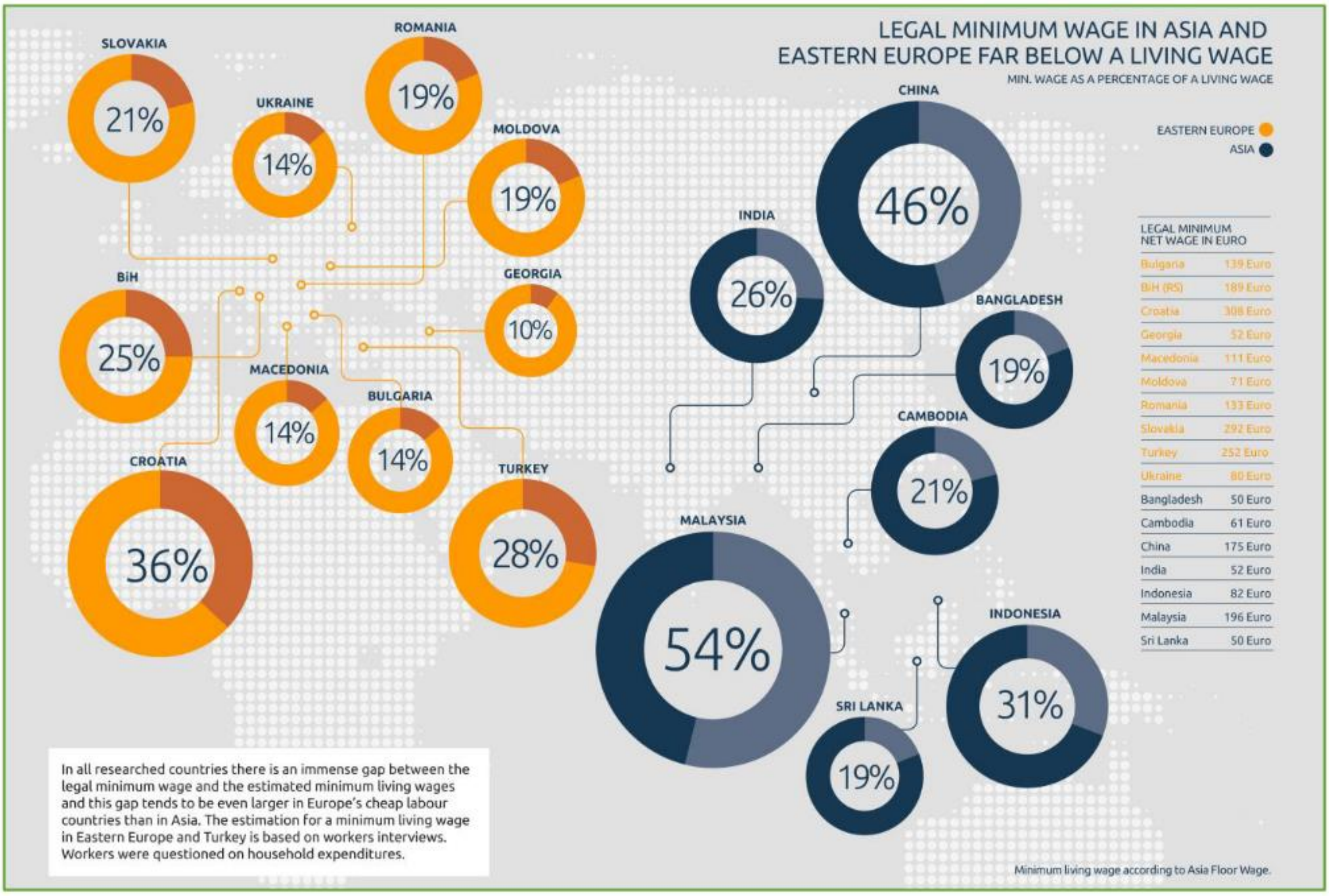


Figure 3: Minimum wages as a percentage of estimated living wages (Oxfam, 2014).

Secondly, the need for living wages is also high for producers in the food retail supply chain, since 65% of the world's working adults living in poverty are dependent on agriculture (Castañeda et al., 2016). Figure 4 shows that average earnings of small-scale farmers and workers are far too low for a decent standard of living (Willoughby & Gore, 2018). Moreover, living wage gaps are bigger in production sectors where women prevail in the workforce (Willoughby & Gore, 2018). Securing living wages could improve livelihoods of 1.1 billion people estimated to engage in agriculture, including between 300 and 500 million waged workers (ILO, 2017).

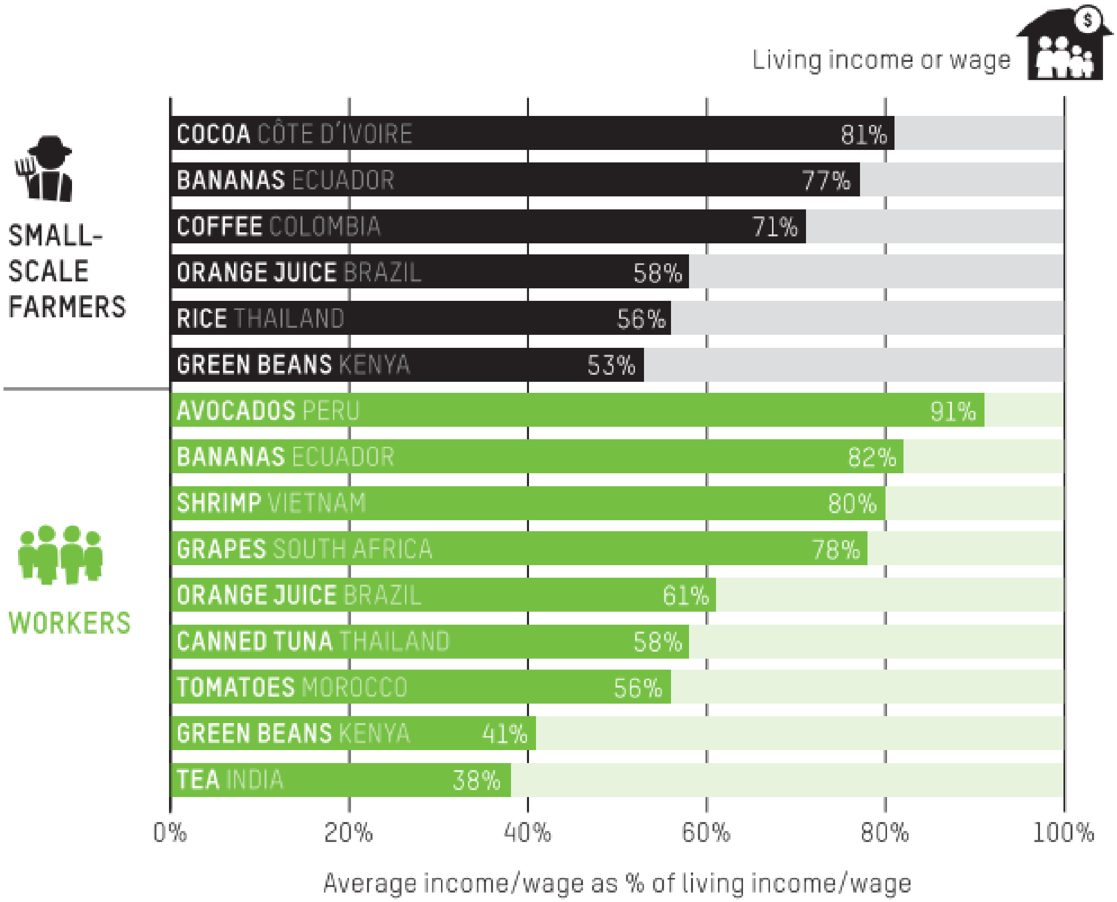


Figure 4: Average earnings in food supply chains are inadequate for a decent standard of living (Willoughby & Gore, 2018).

Food producers face several challenges to earn a living wage. First, they are subjected to declining commodity prices since the mid-70s. The price index of agricultural commodities declined by 47% between 1982 and 2001 (Vorley, 2003). Secondly, governments in industrialised countries support their food producers with subsidies leading to unfair competition. Thirdly, producers are trapped in a cycle of so-called immiserising growth where structural oversupply leads to declining prices. Producers keep increasing their production to either gain from high commodity prices or compensate for lost income when commodity prices are low (Vorley, 2003). Moreover, trade liberalisation and deregulation of agricultural and labour markets have decreased the power of small-scale farmers and workers over the last 30 years (Willoughby & Gore, 2018). Agricultural marketing boards set up by governments to regulate the supply and demand of certain commodities within a specified area are closed. Government budgets for agricultural research and development and provision of technical advice and necessary inputs have been cut down. Moreover, border-tariffs to protect domestic farming have been suspended. There has also been a decline in trade union membership and collective bargaining to protect workers' rights and interests (Willoughby & Gore, 2018).

2.3 Role of retailers in implementing living wage

While power of small-scale farmers and workers has been declining, retail power has increased. Figure 5 shows that inequality of power between retail chains and suppliers is the root cause of labour exploitation in global food supply chains (Willoughby & Gore, 2018).

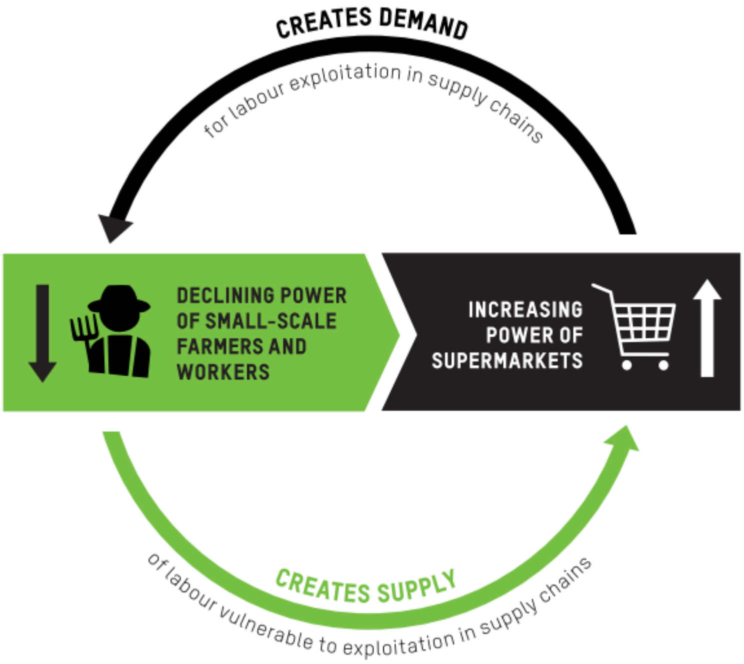


Figure 5: Inequality of power is the root cause of labour exploitation in food supply chains (Willoughby & Gore, 2018).

Food supply chains worldwide are concentrated with many producers and consumers that are dependent on relatively few food processors and retailers. Table 1 shows the largest food retailers in Europe based on turnover. Figure 6 illustrates the so-called 'bottleneck' of European food supply chains. A large number of farmers and suppliers is highly dependent on a small group of retail chains to sell their products to millions of consumers. Retail chains are continuously concentrating. In Europe this concentration is demonstrated by seven large retail chains that control more than 70% of food retail in 11 European countries (Gulyás & van der Wal, 2014).

Table 1: Largest food retailers in Europe with regards to turnover in billions of euros in 2015, e = estimate (ten Kate & van der Wal, 2017).

Rank	Retailer	Country	Turnover
1	Schwarz (Lidl and Kaufland)	Germany	80+
2	Tesco	UK	72
3	Metro	Germany	56
4	Carrefour	France	56
5	Ahold Delhaize	Netherlands	54,2
6	Aldi	Germany	52 e
7	Edeka	Germany	52
8	Rewe	Germany	51
9	Auchan	France	49 e
10	E.Leclerc	France	44

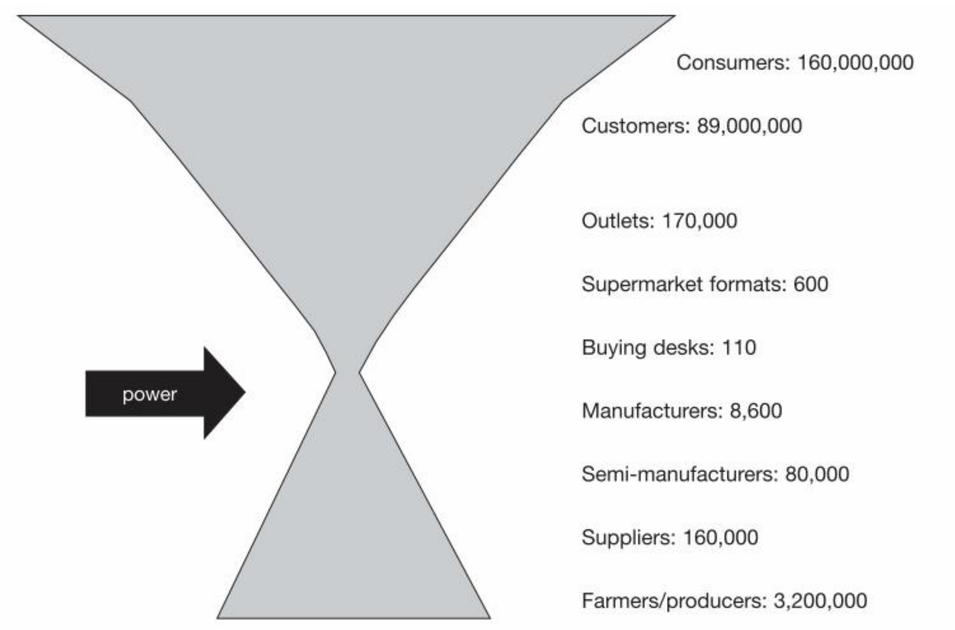


Figure 6: Concentration of food retail chains in European food supply chains creating a 'bottleneck'.

Market concentration strengthens buying power as it increases retailers' ability to: buy in bulk, play off suppliers against each other and to threaten to de-list suppliers. Through these strategies buyers with high market shares can extract lower prices from suppliers (Vorley, 2003). In turn, the ability to obtain lower prices from suppliers strongly increases a retailer's ability to gain market share and profitability as retail margins are often small (Vorley, 2003). Retailers further concentrate their buying power by collaborating in buying groups to negotiate the best deal from suppliers. This allows them to obtain the lowest possible price, reduce operational cost and achieve economies of scale (ten Kate & van der Wal, 2017). The correlation between market share and buying power is demonstrated by six of the top ten largest food retailers in Europe that are members of the six largest buying groups. Moreover, Carrefour and Tesco that were not yet participating in a buying group have signed a purchasing alliance to source their private label products collaboratively in 2018 (The Guardian, 2018). Lidl and Aldi can be considered an buying groups on their own because they operate in many European countries and centralise their procurement internationally to a large extent (ten Kate & van der Wal, 2017).

Retail chains compete fiercely amongst each other in a 'race to the bottom' (Fox & Vorley, 2004). Hence, retailers have already optimised their operational efficiencies and potential to further reduce costs inside the business is limited. Consequently, retailers pressure suppliers and farmers in aggressive price negotiations or requesting payments in order to remain preferred suppliers (Vorley, 2003). The benefits of economies of scale are sometimes passed down to consumers to further increase market share (Vorley, 2003).

The buying power of retailers affects producing countries like a double-edged sword. On the one hand it creates export markets, employment opportunities and improved quality in local markets. But concentrated retailers use their huge buying power to pressure suppliers to cut costs, to incur more of the risks of agricultural production and carry the burden of exact quality requirements (Willoughby & Gore, 2018). Retail power has been documented to be engaged in a range of unfair trading practices, part of which are described in figure 7. The costs of implementing standards and quality requirements disproportionally burdens small-scale suppliers and creates entry barriers for them (Vorley, 2003).

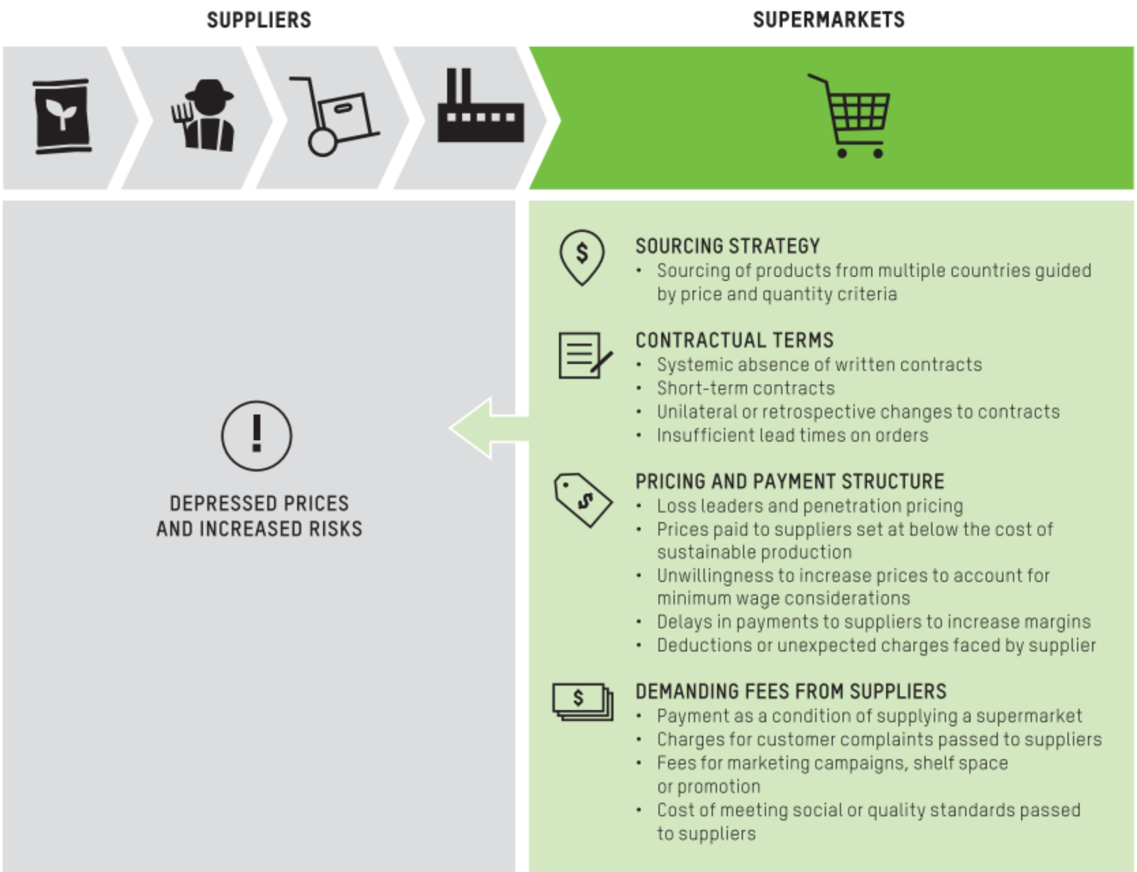


Figure 7: Unfair trading practices depress prices paid to- and increase risks incurred by retail chain suppliers (Willoughby & Gore, 2018)

Retailer's buying power allows them to capture the biggest share of the end-consumer-price compared to other actors in the supply chain. As shown in figure 8, the global aggregate of the retailers' share has increased from 27% to 30%, whereas the farmers' share declined from 16% to less than 14% on average between 1995 and 2011. Farmers in some countries only received 7% of the end-consumer-price (Willoughby & Gore, 2018). The income of farmers and workers is further squeezed by the increased costs of production they have to incur (Willoughby & Gore, 2018).

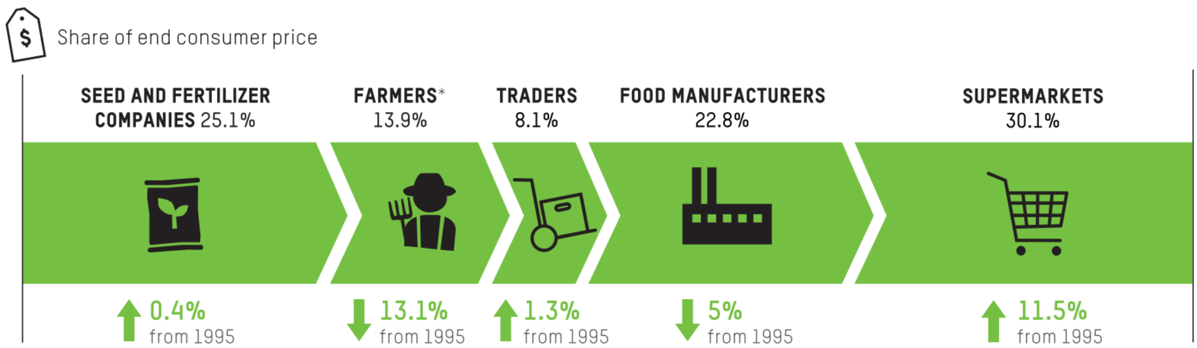


Figure 8: The share of end-consumer-price captured by different stakeholders in the retail supply chain on global aggregate levels between 1995 and 2011 (Willoughby & Gore, 2018)

The cost of closing the gap between current wages and living wages is marginal–no more than 5% and often less than 1% in comparison to the end-consumer-price (figure 9). In order to close the gap, consumer prices do not necessarily need to rise. The extra investment could also come from retailers and other supply chain actors. Willoughby & Gore (2018, p. 19) conclude that for the twelve products under analysis *"The extra investment needed by supply chain actors* [to close the living wage gap] *is far less than the amount by which retail chains have increased their share of the end-consumer-price in the last 10-15 years"*. However, rather than reinvesting the revenues made in their suppliers, retailers pass them on to CEOs, shareholders and owners of the retail company (Willoughby & Gore, 2018).

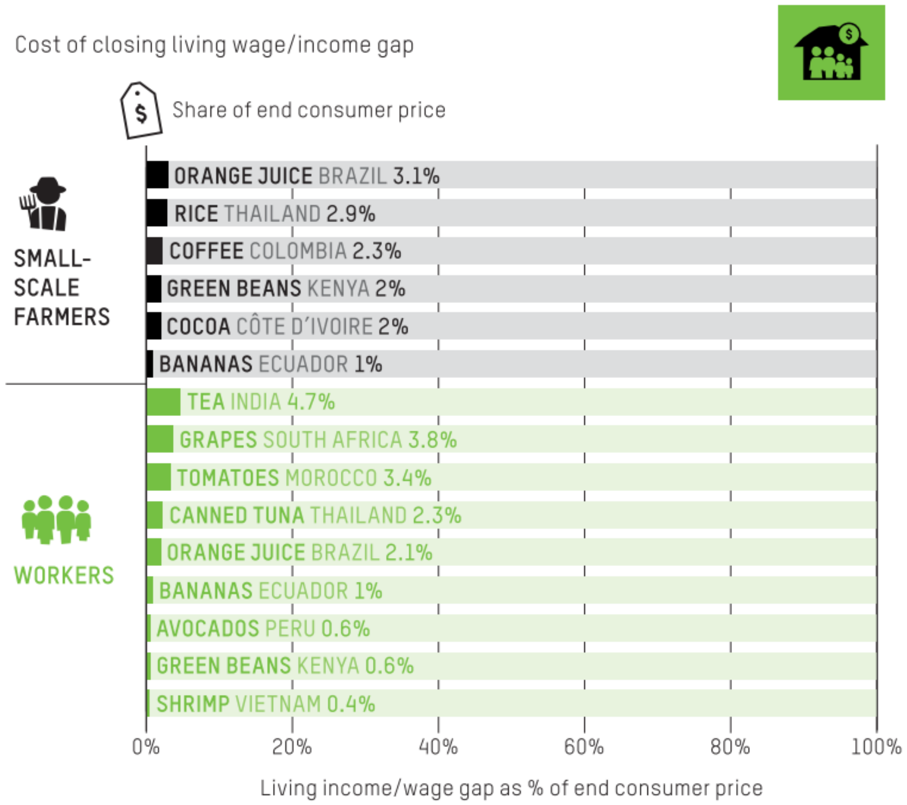


Figure 9: The cost of closing the living wage gap as a share of the end-consumer-price (Willoughby & Gore, 2018)

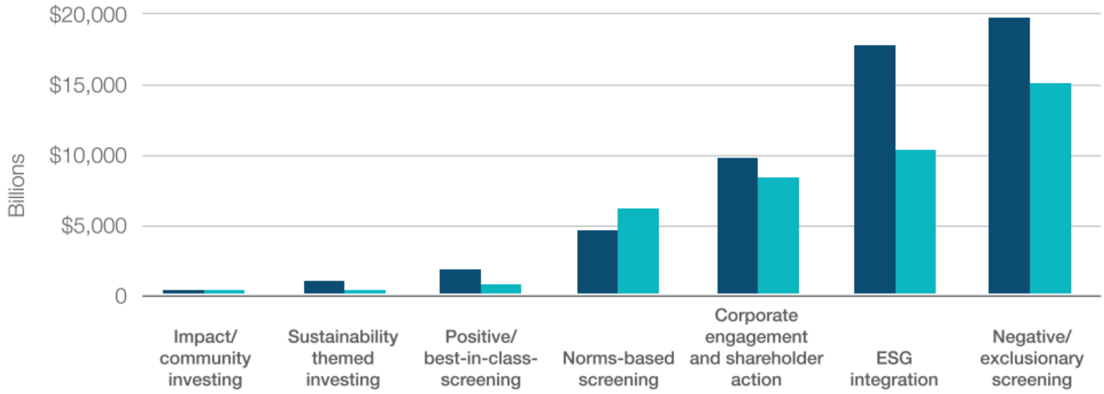
2.4 Engagement

Shareholders can address living wage issues through Socially Responsible Investment (SRI): *"an investment approach that considers environmental, social and governance (ESG) factors in portfolio selection and management"* (GSIA, 2016). This research focuses on Achmea IM's active engagement with their investee retail chains to improve their implementation of living wages. Table 2 shows different active- and passive SRI-strategies (GSIA, 2016). In passive-SRI shareholders decide to buy, buy more or sell assets without communicating the reasons for these investment decisions (Gössling & Buiter, 2017). This differs from active-SRI strategies in which shareholders use their ownership position to actively *influence* company policy and practice (Sjöström, 2008). Figure 10 shows the growth of active-SRI strategies worldwide and identifies active-SRI strategies as the third most common SRI-strategy worldwide. Active-SRI includes the engagement and voting strategy. In the engagement strategy shareholders use informal and discrete dialogue with investee companies to improve their Environmental Social and Governance (ESG) practices and disclosure (Goodman, 2015; PRI Association, 2017). In the voting strategy, shareholders collaborate in filing resolutions at Annual General Meetings (AGMs). When a minimum percentage of the total shares of the company supports a resolution, the shareholders are allowed to vote on the resolution at the AGM to voice their concerns to investee companies. The engagement strategy allows shareholders to communicate ethical concerns through discrete communication without negative effects on share prices. However, due to the confidential nature of engagement, much more is known on voting, even-though engagement represents the vast majority of active-SRI (Goodman, 2015).

Table 2: Classification of SRI strategies: adapted from GSIA (2016).

SRI-strategy		Definition
Passive	Negative/exclusionary screening	Exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria
	Positive/best-in-class screening	investment in sectors, companies or projects selected for positive ESG performance relative to industry peers
	Norms-based screening	screening of investments against minimum standards of business practice based on international norms
	ESG integration	the systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis
	Sustainability themed investing	investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture
	Impact/community investing	targeted investments, typically made in private markets, aimed at solving social or environmental problems, and including community investing, where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose
Active	Voting	the use of shareholder power to influence corporate behaviour through filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines

	Engagement	the use of shareholder power to influence corporate behaviour through direct corporate engagement (i.e., communicating with senior management and/or boards of companies)



	Impact/ community investing	Sustainability themed investing	Positive/ best-in-class-screening	Norms-based screening	Corporate engagement and shareholder action	ESG integration	Negative/ exclusionary screening
2018	$444.26	$1,017.66	$1,841.87	$4,679.44	$9,834.59	$17,543.81	$19,770.96
2016	$248.47	$276.16	$818.01	$6,195.40	$8,385.17	$10,353.20	$15,063.57
Growth 2016–18	79%	269%	125%	-24%	17%	69%	31%
CAGR	33.7%	92.0%	50.1%	-13.1%	8.3%	30.2%	14.6%

Figure 10: Global growth of sustainable investment strategies 2016–2018 in billions (GSIA, 2018).

A growing body of evidence confirms that engagement can play an important role in encouraging companies to improve their corporate responsibility performance (Gössling & Buiter, 2017; Sullivan & Mackenzie, 2008; Sullivan & Mackenzie, 2006). When engagement is not effective, the shareholder can choose to escalate to public voting (Wagemans, Van Koppen, & Mol, 2013). Below an operationalisation of the effectiveness of engagement is presented, in relation to Clarkson's (1995) theory on levels of corporate social performance. Moreover two theories influencing the effectiveness of engagement are presented: Vandekerckhove et al.'s (2008) alignment of beliefs and attitudes and Gifford's (2010) shareholder salience. Based on these three theories propositions are developed to analyse the effectiveness of engagement.

2.4.1. Effectiveness of Engagement

Previous literature identified engagement as effective when dialogue with investees *"results in changes in corporate behaviour in line with shareholders' request, or commitments by the company to that effect"*(Gössling & Buiter, 2017, p. 116). However, this research argues that engagement can be effective at the individual-, organizational and the institutional level in relation to Clarkson's (1995) three levels of corporate social performance.

At the individual level, a company's social performance is determined by the *posture* of a company's representative towards the an engagement practitioner. A posture represents *"the level of responsibility that a company demonstrates in its management of stakeholder relationships and issues."* (Clarkson, 1995, p. 109). The demonstrated level of responsibility and posture of a company's representative can be categorized according to Clarkson's (1995) Reactive-Defensive-Accommodative-Proactive (RDAP) scale. Section 2.4.2 presents Vandekerckhove et al.'s (2008) theory categorises companies' responses to engagement dialogue on the RDAP scale. This research argues that engagement is effective at the individual level when it results in a *change in posture* of the company representative towards the proactive side of the RDAP scale. Table 3 presents a characterisation and operationalisation of social performance at the individual, organizational and institutional level on the RDAP scale.

At the organizational level, a company's social performance is based on the fulfilment of its stakeholder groups' requirements through approaches that resolve and mitigate stakeholder issues. Approaches entail processes and interventions. Processes involve the systematic collection of information to understand an issue and the effectiveness of interventions. Interventions are actions by the company that are aimed to resolve and mitigate issues. Clarkson (1995) states that the implementation of approaches can be evaluated from a company's reported information. Clarkson (1995) argues that an issue is not being managed if a company does not report on implemented approaches to mitigate the issue. This research argues that engagement is effective at the organizational level when it results in a company changing or committing to change its approaches with regards to an issue in line with the shareholder's requests. Hence, an indicator of the effectiveness of Achmea IM's engagement at the organizational level is the change in scores on the retail methodology.

According to Clarkson (1995) corporate social performance at the institutional level is reflected by the *Corporate Social Responsibility* of business in society. Instead of only considering a company's intensions and policies, corporate social responsibility at the institutional level entails an evaluation of a company's ultimate impact on society. This research argues that engagement is effective at the institutional level when it results in a change in company's behaviour that has the shareholder's requested impact on society. In the case of Achmea IM, its living wage engagement is effective when it results in increased wages of workers (up to a living wage) due to effective implementation of living wages by retailers.

Table 3: Characterisation operationalisation of the social performance and according to Clarkson's (1995) institutional, organizational and individual level along the RDAP scale.

Rating	Individual level posture	Organizational level performance	Institutional level responsibility
Reactive	Deny responsibility	Doing less than required	Worse than required impact on society
Defensive	Admit responsibility but fight it	Doing the least that is required	Minimal required impact on society
Accommodative	Accept responsibility	Doing all that is required	Full required impact on society
Proactive	Anticipate responsibility	Doing more than is required	More than required impact on society
Operationalisation	Retailers' response to the shareholder requests on RDAP scale	Retailers' scores on the retail methodology	Comparison prevailing wage with living wage estimates

Changed social performance of companies at each level shows the respective effectiveness of the shareholder's engagement. Ultimately shareholders aim to be effective at improving a company's social responsibility at the institutional level to create their desired impact on society. However, the shareholder's influence on the company is on the individual level through engagement. Therefore, to gain insight in the engagement effectiveness at different levels, it is relevant to explore the relationship between a company's posture, as well as a company's performance and responsibility at the other levels.

This research expects that companies with a posture that accepts responsibility for an issue at the individual level, are more likely to have implemented approaches to address the issue. Hence, these companies are expected to have a higher performance at the organizational level. Similarly, this research expects that companies with a high social performance in addressing an issue at the organizational level have a higher positive societal impacts at the institutional level. This research does not explore the relationship of institutional level responsibility with the other levels, as data on retailers' institutional level performance on living wage impact is lacking. Instead, this research explores the following proposition:

- Proposition 1: A company's posture at the individual level is an indication of a company's performance at the organizational level.

2.4.2 Beliefs and attitudes

Vandekerckhove et al. (2008) states that two types of information are communicated through engagement dialogue: beliefs and attitudes defined below. Vandekerckhove et al. (2008, p. 82) defines a *belief* (B) as a statement regarding "*verifiable factual claims"* and is an answer to the question 'what is?' e.g. you pay your workers 20 cents an hour. An 'attitude' (A) regards *"goals, aspirations, preferences, or evaluations,"* (Vandekerckhove et al., 2008, p. 82) and is an answer to the question 'what should?' e.g. you should pay your workers a living wage.

According to Vandekerckhove et al. (2008) *an attitude* consists of:

1. A *normative aspect* which classifies a certain condition as bad e.g. the non-payment of living wages. This research refers to this as the norm definition.
2. An *attribution of responsibility* (e.g. you ought to do something about it). Within the attribution of responsibility, Vandekerckhove et al. (2008) distinguishes between a descriptive and a normative dimension.
    a) The descriptive dimension refers to a causal relationship between the company's actions and an outcome (e.g. you caused this/you have the ability to change this).
    b) The normative dimension ascribes the duty to do something about it to the company.

In response to the shareholder, the company communicates alignment or non-alignment with the shareholder's *beliefs* and *attitudes* as defined above. Alignment and non-alignment are indicated by (=) and (≠) respectively. Engagement is less effective when beliefs and attitudes are not aligned, as investee companies are unlikely to strengthen their implementation of living wages when they deny that the non-payment of living wages occurs in their operations or supply chains (belief). Neither are they likely to change their behaviour if they do not agree that it is their responsibility to implement living wages (attitude). Thus, the effectiveness of engagement requires shareholders to understand the investees' perspective and formulate appropriate requests that are aligned with the investee's ability and responsibility.

Nevertheless, sometimes it occurs that no agreement on beliefs and attitudes can be achieved. Vandekerckhove et al. (2008) argues that in case it is difficult to verify the factual claims in a disagreement on beliefs, the discussion should switch to meta-belief (meta-B), meaning a factual claim about a belief (Vandekerckhove et al., 2008). For instance, to avoid a disagreement on whether the non-payment of living wages occurs in the investees operations, the discussion should switch to (meta-B) the fact that a number of information sources (NGOs, Labour Unions, screening agencies) are reporting the occurrence of non-payment of living wages in the investees operations. Agreement on the actual occurrence of the non-payment of living wages is no longer needed to achieve agreement on the fact that these sources are stating its occurrence. In a disagreement on attitudes, Vandekerckhove et al. (2008) propose to use an external consensus on attitudes as a meta-attitude (meta-A). Hence, to avoid a discussion on the responsibility of investees to pay their workers living wages, shareholders can refer to internationally recognised labour standards. Thereby, the shareholder can achieve effective engagement at the organisational level without the need to convince the company of its beliefs and attitudes at the individual level.

Vandekerckhove et al. (2008) developed a framework that allows categorization of the company's (dis)agreements with the shareholder' concerns into Clarkson's (1995) Reactive-Defensive-Accommodative-Proactive (RDAP) Scale. Table 4 shows where different combinations of (dis)-agreements in beliefs and attitudes belong on the RDAP scale (Vandekerckhove et al., 2008). These categories are described below. Vandekerckhove et al. (2008) argue that companies with postures positioned closer to the proactive side of the RDAP scale, are more prone to make commitments in line with the shareholder's argument. Gaining knowledge on the conditions in which a company makes commitments in line with the shareholder's request is relevant to analyse the effectiveness of engagement. Therefore this research tests the following proposition:

- Proposition 2: Companies with postures positioned closer to the proactive side of the RDAP scale, are more prone to make commitments in line with the shareholder's argument.

Table 4: (dis)agreements in beliefs and attitudes and suggestions to deal with disagreements (Vandekerckhove et al., 2008)

Type of answer	Signaling–response relation	Line of argument	Next step
No response	Not responding	None	Send a reminder, then contact the President
Non-answer	A?, B?	Avoiding the questions relating to the signaled concern: "This is our corporation, these are our values"	Repeat questions, then contact the President
Non-sense	A ≠ , B ≠	"You make no sense. Here is how we see/measure/monitor the situation (B), toward this end/goal (A)"	Recheck research, repeat question, point at external consensus on A. Then contact the President
Reaction 1 (RN)	A ≠ , B=	Institutional (discretionary) denial: "I don't deny the facts, but It is not my duty because there is no consensus that it is my duty"	Point at external consensus on A. Then contact the President
Reaction 2 (RN)	A ≠ , B=	Institutional (economic) denial: "I don't deny the fact, but It is not my duty. My only duty is to make profit"	Point at external consensus on A. Then contact the President
		Institutional (legal) denial: "It is not my duty. My only duty is to abide the law"	Point at external consensus on A. Then contact the President
Reaction 3 (RN)	A ≠ , B=	Appropriateness denial: "It would be irresponsible to do so. The situation would be worse"	Point at external consensus on A. Then contact the President
Reaction 4 Externalizing locus of control (RD)	A ≠ , B=	"I did not cause this"	Point at external consensus on A. Then contact the President
		"I cannot change this"	Point at external consensus on A. Then contact the President
Defense	A=, B ≠	"We understand your concern, but your account of what is happening is not true"	Go for meta-B
Accommodation based on B=	A=, B=	"You are right and this is what we are going to do about it"	Congratulate and follow up on policy and reporting
Accommodation Based on B ≠	A=, B ≠ , Meta-B=	"We don't agree with the way you represent the facts but to avoid problems, this is what we are going to do about it"	Congratulate and follow up on policy and reporting
Pro-active	A=, B=	"You are right but we have already corrected the situation in this way"	Congratulate and follow up on policy and reporting

A *reactive response* characteristically denies responsibility (Clarkson, 1995). This category entails companies that disagree with the attitudes presented by the shareholder [B=, A≠]. Rejection of attitudes presented by Vandekerckhove et al. (2008) are: denial of the descriptive dimension or by denying the normative dimension. Categories to deny the normative dimension of the attribution of responsibility presented by Vandekerckhove et al. (2008) are: denying appropriateness or using an institutional argument. When a company denies appropriateness, it is argued that changing the company's behaviour would result in an even worse situation. Therefore, acting upon the responsibility attributed by the shareholder would be irresponsible.

In the institutional argument companies restrict their normative responsibility to other duties that conflict with the normative responsibility attributed by the shareholder. Vandekerckhove et al. (2008) identifies three types of institutional denial: economic, legal and discretionary. In economic institutional denial companies restrict their responsibility to their economic duty to make profit. With legal institutional denial companies restrict their duty to purely abiding the law. In discretionary institutional denial, a company minimises the ethical weight attributed to the normative responsibility by stating that there is no societal consensus that the company ought to take responsibility.

Companies with a *defensive response* on the RDAP scale admit responsibility but fights it [B≠, A=]. In other words this can be defined as *"management denying factual claims whilst acknowledging that in case the factual claims would be correct, it would indeed be responsible for what had happened"* (Vandekerckhove et al., 2008, p. 87).

Companies with an *accommodative response* accept both the attitude and the belief, but still need to resolve the signalled concern by the shareholder [B=, A=]. Companies that disagree with the belief, but agree on an meta-belief and agree to commit to the signalled concern are also included in the accommodative category. Finally companies that both agree with belief and attitude [B=, A=] and also claim that the concern has already been dealt with belong to the *proactive response* category. *(Clarkson, 1995).*".

Knowledge on (dis)-agreements in beliefs and attitudes according to the framework of Vandekerckhove et al. (2008) can strengthen the effectiveness of engagement in two ways:

i) By identifying which shareholder statements require external consensus (meta-B & meta-A) to evade the company's disagreement
ii) By identifying how shareholder statements can be adjusted to better align with the beliefs and attitudes of the company

2.4.3 Shareholder salience

Vandekerckhove et al. (2008) proposes the reference to meta-A and meta-B as a strategy to encourage a company to make a commitment in line with the shareholder's request. Gifford's (2010) shareholder salience theory outlines a more elaborate list of techniques that shareholders can use to encourage companies to commit to their requests. Stakeholder salience is "the degree to which managers give priority to competing stakeholder claims" (Mitchell, Agle, & Wood, 1997, p. 854). Mitchell et al.(1997) identify that stakeholder salience consists of a combination of power, legitimacy and urgency operationalised in table 5 and shown in figure 11. For simplicity Mitchell et al. (1997) treat each attribute as 'present or absent', whereas each of these attributes operates on a continuum. This research considers the possible negative, positive and more nuanced influences of shareholder attributes.

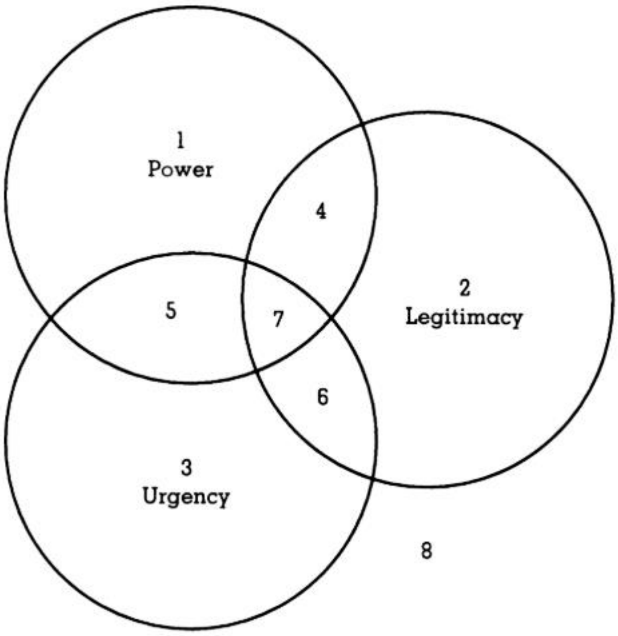


Figure 11: Stakeholder salience (Mitchell et al., 1997)

Shareholders are one of many stakeholders competing for attention of the investee company. To identify the degree to which managers give priority to shareholder claims James & Gifford (2010) linked the use of specific active-SRI strategies to obtaining shareholder power, legitimacy and urgency as shown in table 6. Engagement is more effective when shareholder claims are perceived as salient by the investee company, since investee companies are more likely to make commitments to change their behaviour according to the shareholder's claim when they prioritize this claim over other claims. Therefore this research tests the following proposition based on Gifford's (2010) shareholder salience:

- Proposition 3: Companies make commitments in line with the shareholder's requests when the request is perceived to have power legitimacy and urgency.

James & Gifford (2010) also recognise a number of moderating factors influencing shareholder salience: i) the extent of coalition-building activities by the shareholder, ii) the relative size of the shareholder and the company and iii) values of the managers of the company. These factors can either have a positive or a negative effect on shareholder salience. Gössling & Buiter (2017) suggest to correct for proximity in the shareholder salience theory.

Knowledge on the perception of investee companies on the power, legitimacy and urgency of the shareholder request can be used to strategically strengthen weaker salience attributes. This can increase the prioritisation of the shareholder's request by investee companies and make the engagement more effective.

This research is the first to combine Vandekerckhove et al.'s (2008) alignment of beliefs and attitudes with Gifford's (2010) shareholder salience. This research analyses the relationship between Gifford's (2010) salience strategies and Vandekerckhove et al.'s (2008) alignment of beliefs and attitudes as stated in proposition 4.

- Proposition 4: When the use of meta-B and meta-A proposed by Vandekerckhove et al. (2008) does not lead to agreement in beliefs and attitudes, the effectiveness of the engagement can be improved by using Gifford's (2010) salience strategies.

Table 5: Operationalisation of power, legitimacy and urgency (Mitchell et al., 1997, p. 869).

Power A relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done	
Coercive power	The use of force or threat
Utilitarian	Material incentives or punishments
Normative	Symbolic and reputational influences
Legitimacy A generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, definitions.	
Individual legitimacy	The credibility of the engagement practitioners meeting with the target companies on behalf of the shareholder
Organizational legitimacy	The credibility ofthe shareholder organization in the market
Pragrmatic legitimacy	Legitimacy of the shareholder's argument from the perspective of the company, i.e. the business case
Societal legitimacy	Legitimacy of the issue in the eyes of the community
Urgency The degree to which stakeholder claims call for immediate attention	
Time sensitivity	The degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder
Criticality	The importance of the claim or the relationship to the stakeholder

Table 6: Sources of shareholder power, legitimacy and urgency in active-SRI strategies: adapted from James & Gifford (2010).

Salience attributes	**Sources of shareholder power**
Coercive	Use of formal shareholder rights through resolutions Replacement of directors or CEOs Legal proceedings to enforce shareholder rights Successful lobbying for regulatioon
Utilitarian	Provision or withdrawal of capital or other resources from companies (investment, divestment)
Normative	Public or private statements, shareholder resolutions or other activities that affect the company's or individual manager's reputation
	Sources of shareholder legitimacy
Individual	Credibility, expertise, experience and status of the individuals engaging witht the company
Organizational	Legitimate claim on the company (e.g. large shareholding, high-risk stake) Alignment between shareholders interests and those of the company (shareholder has the best interests of the company at heart) Preception that the shareholder organization is a credible and respected member of the investment community Consistency of messaging from different parts of the shareholder organization
Pragmatic	The shareholder has a strong argument for why the proposed action is in the interests of the company The shareholder provides new infomration to the company
Societal	The shareholder embodies or reflects a position widely accepted in society Existence of norms or codes of conduct Supportive political and policy environment
	Sources of shareholder urgency
Time-sensitivity	Shareholder resolutions at AGMs Benchmarks with deadlines for response Use of other forms of deadline to create time pressure
Criticality	Assertiveness of tone Persistence Willingness to apply resources

3. Methodology

3.1 Research design

This research aimed to answer how financial institutions can most effectively shape their engagement to encourage retail chains to implement living wages in their own operations and their supply chains. Therefore, this research employs a cross sectional design (Ivankova, Creswell, & Stick, 2006) meaning that data is collected on more than one case at a single point in time (Bell, Bryman, & Harley, 2018, p. 59). The cross sectional design was selected to fit the aim of creating general findings on engagement based on a sample of five retail chains, rather than emphasising the unique contexts of engagement with each individual investee in a multiple case study design (Bell et al., 2018).

This research also employed a sequential explanatory design. This entails that first quantitative data on the retailers' living wage implementation was gathered, followed by a qualitative assessments of retailer's response to the shareholder's engagement. Both quantitative and qualitative data are needed to enhance the effectiveness of living wage engagement. The quantitative and qualitative data complement each other, as *static* quantitative ratings is contextualised with qualitative data exploring the *processes* that lie behind the observed difference in living wage implementation (Bryman, 2016).

Table 7 shows the data collection, data sources and method of analysis for each sub-question. Based on these sub-questions, the four propositions of section 2 were tested through pattern-matching to form recommendations on the effectiveness and evaluation of engagement (Baškarada, 2014).

Table 7: data collection, data sources and method of analysis for each sub-question.

Nr.	Sub-question	Data collection method	Data sources	Method of analysis
1	How can Achmea IM rate how well retail chains implement living wages in their own operations and their supply chains?	Desktop research Stakeholder consultations	UN Guiding Principles for Business and Human Rights Garment methodology Literature on retail sector living wage/income issues Expert stakeholder advice	Comparison of content between data sources Thematic analysis of interviews through coding with hybrid approach
2	How well do retail chains currently implement living wages according to the retail methodology?	Desktop research	Company websites Sustainability reports News articles Press releases	Quantitative rating according to retail methodology
3	How do the retailers perceive the beliefs attitudes and salience of Achmea IM's requests, as communicated in their engagement dialogue?	Engagement dialogue between shareholder and retailer Semi-structured interviews with retailers	Shareholder's beliefs, attitudes and salience strategies Retailers' beliefs, attitudes and view of the salience of the shareholder's request	Thematic analysis of engagement dialogue and interviews through coding with hybrid approach.

3.2 Sampling strategy

The focus on Achmea IM as financial institution is based on critical case purposive sampling. Critical case sampling involves the selection of a case in which the theoretical construct will be present and of central importance (Auerbach & Silverstein, 2003). Achmea IM is a critical case to yield information about financial institutions' living wage engagement with retail chains, as it is one of the first financial institutions that is involved with this theoretical construct. By using critical case sampling this research is able to concentrate on generating in-depth knowledge and insight on Achmea IM's living wage engagement with retail chains, rather than collecting limited insights from many cases (Emmel, 2013).

The selection of retail chains for living wage engagement by Achmea IM was based on criterion purposive sampling using predetermined criteria of importance (Bryman, 2016). These criteria comprise:

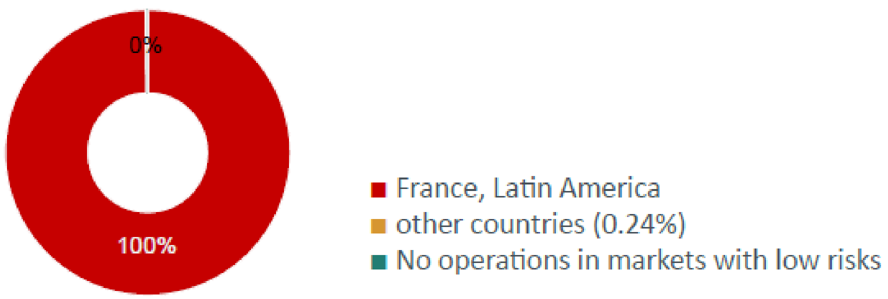
i) The selection of the food retail sector based on high living wage risks in the sector
ii) The share of the retailer in Achmea IM's investment portfolio
iii) The proximity of the retail to Achmea IM, as proximity contributes to successful engagement (Gössling & Buiter, 2017).

Based on these criteria, Achmea IM selected the following five retail chains for their engagement on living wages:

1. Casino guichard-perrachon S.A.
2. Carrefour S.A.
3. Koninklijk Ahold Delhaize N.V.
4. Metro A.G.
5. Tesco PLC.

Table 8 shows the different market capitalisation of the retailers in the sample. Market capitalisation represents the value of a company that is traded on the stock market, calculated by multiplying the total number of shares by the present share price. Table 8 also shows the countries in which these retail chains predominantly operate in relation to the likelihood of labour unrest in these countries. Ahold's large share of operations in the US is the result of it's merger with Delhaize in 2016. Casino is exposed to a financial controversy after a report published by Muddy Waters in 2015 (MSCI Inc, 2018a; Muddy Waters Capital, 2015). Moreover, some of the retailers were exposed to labour-related controversies in the past and some have taken measures to address these issues. Metro has not faced supply chain labour-related controversies since 2012. Casino was exposed to a lawsuit by two store managers fighting for their unfair dismissal in 2017. Tesco and Carrefour have been exposed to a series of labour-related controversies in the seafood and garment supply chains. Tesco and Carrefour were also exposed to the controversy of the building collapse of a Bangladeshi garment factory in 2013 (MSCI Inc, 2018b, 2018c; The Guardian, 2014). In November 2017, Ahold was alleged of poor working conditions in its distribution centres in the Netherlands (MSCI Inc, 2018b, 2018c).

Table 8: Characteristics of five retail chains in sample with regards market capitalisation size and countries in which they operate in relation to the likelihood of labour unrest based on historic precedent. (MSCI Inc, 2018d, 2018c, 2018a, 2018b, 2018e)

Retailers	Market cap. Billions	Percentage of operations in countries with likelihood of labour unrest
Ahold	24.130	
Tesco	23.34	
Metro	5,78	
Casino	3,61	

Carrefour	14,24	

Red = high likelihood of labour unrest
Yellow = moderate likelihood of labour unrest
Green = low likelihood of labour unrest

3.3 Operationalisation of beliefs and attitudes

This section first defines the three levels of beliefs and attitudes observed and analysed in this research. Second, this section provides the operationalisation of the shareholder's and the retailers' beliefs and attitudes on each level.

3.3.1 Defining beliefs and attitudes

Beliefs entail factual information which can be right or wrong. On the other hand, attitudes are based on personal norms, evaluations and preferences which have equal right to exist. The factual character of beliefs does not entail that belief statements are necessarily true or can easily be verified. It means that the statement is based on facts instead of personal norms, evaluations and preferences.

This research extends the definition of beliefs as well as attitudes to three distinct levels. Table 9 shows an operationalisation of the three levels of beliefs and attitudes and their relation to the previously defined dimensions by Vandekerckhove et al. (2008). As explained in section 2.4.2 Vandekerckhove et al. (2008) defines all forms of factual information in the engagement dialogue as beliefs without further distinction in the types of facts communicated. In relation to the non-factual attitudes Vandekerckhove et al. (2008) distinguishes between a normative aspect and an attribution of responsibility which in turn contains a descriptive dimension and a normative dimension. The descriptive dimension refers to a causal relationship between the company's actions and an outcome (e.g. you caused this/you have the ability to change this).

Table 9: Operationalisation of three levels of beliefs and attitudes linked to Vandekerckhove et al.'s (2008) concepts.

Belief or attitude code	Belief or attitude level	Description	Link to Vandekerckhove et al. (2008)
B_1	Current implementation	Approaches implemented by an actor aimed at reducing its exposure to issues.	New
B_2	Exposure	The prevalence of an undesired condition in or linked to an actor's operations, despite its current implementation.	New
B_3	Absolute viability	Effectiveness dimension ($B_{3effect}$): Approaches that reduce or eliminate an actor's exposure to the norm definition.	Attribution of responsibility: descriptive dimension
		Absolute ability dimension (B_{3aa}): The approaches that an actor has the absolute ability to implement if it invests all its time and resources to one issue.	
A_1	Norm definition	Defines a certain condition as an issue that needs to be resolved or mitigated.	Normative aspect of attitude
A_2	Attribution of responsibility	Normative responsibility (A_{2norm}): Divides the responsibility to resolve an issue between actors apart from ability.	Attribution of responsibility: normative dimension
		Relative viability (A_{2rv}): Absolute viable approaches that an actor has the relative ability to implement whilst balancing its time and resources with other issues.	Attribution of responsibility: descriptive dimension
A_3	Approach	Defines preferred approaches to resolve or mitigate an issue.	New

Figure 12 shows the *norm definition* (A_1) with a blue circle which defines a certain condition as an issue that needs to be resolved and mitigated, e.g. the presence of moths and their eggs in a house is an issue that should be eradicated. A yellow circle shows all the conditions in or linked to an actor's operations (C_{new}). The green overlap shows the prevalence of the undesired condition in or linked to an actor's operations and is referred to as an actor's *exposure* (B_2) to an issue e.g. the number of moths and moth eggs present in an actor's house. An actor's *current implementation* (B_1) consists of the approaches an actor has implemented with the aim to reduce its exposure (B_2) to an issue, e.g. spraying anti-moth spray. Effective implementation is represented in figure 12 with an arrow that has moved the conditions previous to implementation (C_{old}) away from the norm definition (A_1) and thereby reduced the exposure of the actor (B_2) to the issue.

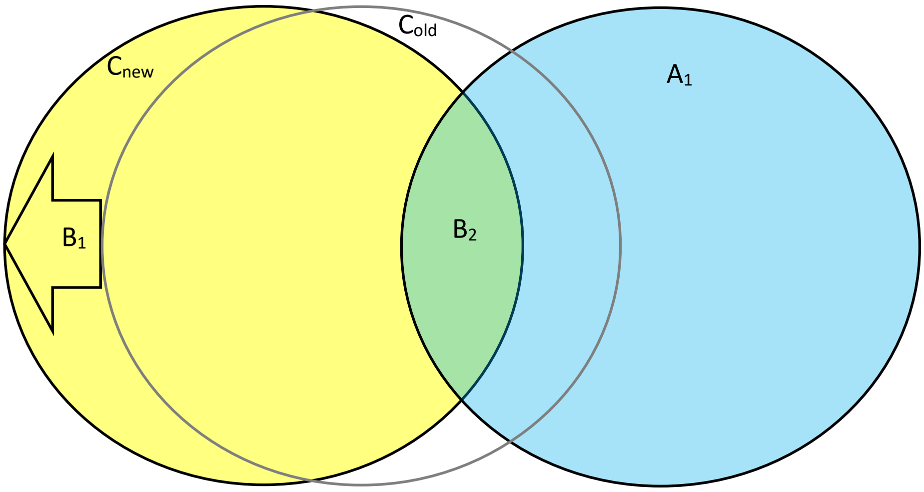


Figure 12: relationship between norm definition, exposure and current implementation.
A_1 = Norm definition defines a certain condition as an issue that needs to be resolved and mitigated
B_1 = Current implementation: approaches implemented by an actor to reduce its exposure to an issue
C_{old} & C_{new} = All the conditions in or linked to an actor's operations before and after the implementation B_1
B_2 = Exposure: the prevalence of the undesired condition in or linked to an actor's operations.

Despite the existence of a factual truth, actors can have and communicate different views of the truth for various reasons. For instance, in relation to exposure (B_2) : a child can argue a moth infestation has been cleared, whereas the mother claims there are still eggs that will come out. This disagreement can be caused by information asymmetry where the child is unaware of the lack of effectiveness of the spray or misinformed when the spray marketed that it was effective. A disagreement in absolute viability (B_3) can be with regards to i) the effectiveness of the spray in eradicating moths as well as ii) the ability to implement an effective approach e.g. whether the child can afford an intervention. Moreover, despite the existence of a factual truth, it can be difficult for actors to verify this. For instance, it can be difficult to verify the current exposure to moth infestation as the eggs cannot be seen by the eye.

Different from Vandekerckhove et al. (2008) who separates the attribution of responsbility attitude into a i) descriptive dimension and ii) a normative dimension, this research argues that the descriptive dimension should be separated into a factual belief of *absolute viability* (B_3) and an attitude of *relative viability* (A_{2rv}). This insight is derived from the analysis of the statements and responses during the engagement dialogue and the follow-up interviews. In practice, some of the descriptive descriptive dimensions are based on factual information as well as personal evaluations and preferences. Descriptive dimension statements based on factual information are therefore categorised as beliefs of *absolute viability* (B_3). Instead, descriptive dimension statements based on personal evaluations and preferences, are categorised as attitude of *relative viability* (A_{2rv}) as explained below.

This research defines *absolute viability* (B_3) as approaches that both i) reduce or eliminate an actors exposure to the norm definition and ii) lie in the absolute ability of an actor to implement. This belief of absolute viability is distinct from whether- (attribution of responsibility A_2) and how (approach A_3) an actor should implement living wages. Absolute viability contains an *effectiveness* dimension and a *absolute ability* dimension:

1. The *effectiveness* dimension defines what approaches reduce or eliminate an actor's exposure to a norm definition. The effectiveness dimension excludes *counter-active* and *ineffective* approaches and includes *mitigating* and *resolving approaches* as shown in figure 13.
   a. *Counter-active* approaches increase an actor's exposure (B_2) to an undesirebale condition.
   b. *Ineffective* approaches do neither in- or decrease an actor's exposure (B_2) to an undesirebale condition
   c. *Mitigation* approaches reduce an actor's exposure (B_2) to an undesirebale condition.
   d. *Resolving* approaches eliminate an actor's exposure (B_2) to an undesirable condition.

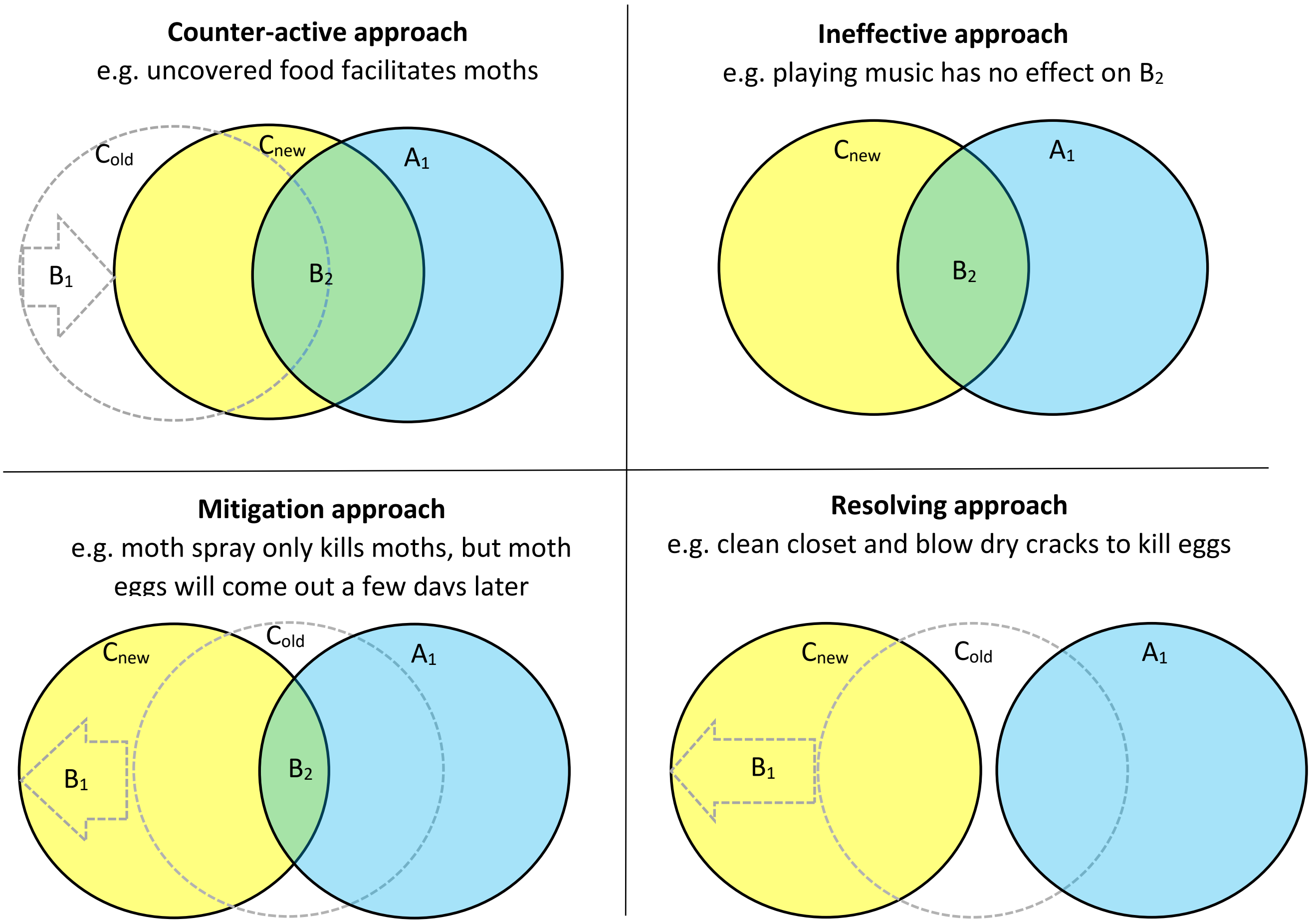


Figure 13: Relationship between ineffective, counter-active, mitigation and resolving approaches and exposure illustrated with different approaches to eradicate a moth infestation.
A_1 = Norm definition: defines a certain condition as an issue that needs to be resolved and mitigated
B_1 = Current implementation: approaches implemented by an actor to reduce its exposure to an issue
C_{old} & C_{new} = All the conditions in or linked to an actor's operations before and after the implementation B_1
B_2 = Exposure: the prevalence of the undesired condition in or linked to an actor's operations.

2. The *absolute ability* dimension of the *absolute viability* defines all the approaches that an actor has the ability to implement if it allocates all its time and resources to one issue. Therefore the absolute ability of an actor depends on its factually available time and resources. For instance, a child does not have enough money to hire external pest control, but buying a moth spray might be in its absolute ability.

Figure 14 shows the relationship between all approaches in the absolute ability of an actor in the red circle. The large and small blue circle respectively represent all mitigation and resolving approaches that reduce and resolve an actor's exposure to an issue. Viable approaches can be subdivided into i) viable resolutions that are in the absolute ability of an actor to implement and resolve the issue ii) viable mitigations that are in the absolute ability of an actor to implement and mitigate an issue.

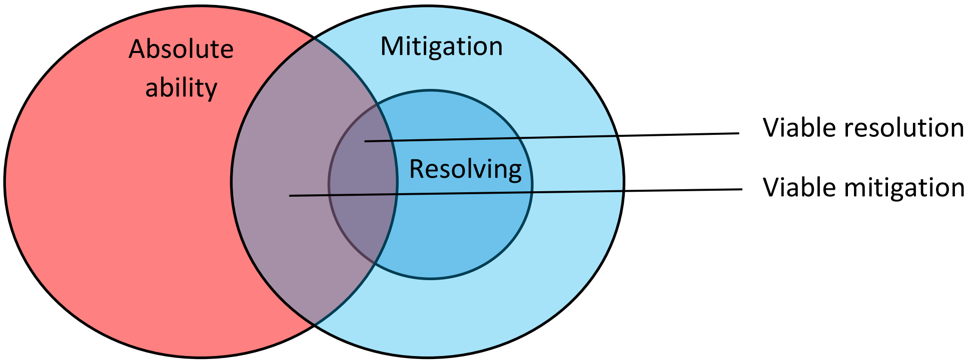


Figure 14: relationship between effectiveness and ability in absolute viability.

Similar to Vandekerckhove et al. (2008), the attribution of responsibility entails (A_2) i) a normative dimension called *normative responsibility* and ii) a descriptive dimension referred to as the *relative viability*. The *attribution of responsibility* defines the level of responsibility of an actor to resolve an issue based on its normative responsibility and relative viability.

1. The *normative responsibility* defines the responsibility between actors to resolve an issue apart from their ability.

Figure 15 shows how the normative responsibility divides the responsibility to resolve car damage from an accident by defining that both actors have an equal responsibility to repair half of the car damage. The normative responsibility can allocate responsibility to one or more actors and allocate different levels of responsibility to each actor.

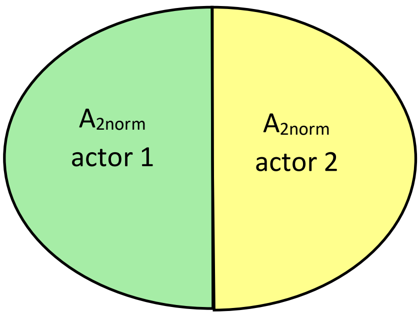


Figure 15: distribution of normative responsibility A_{2norm} to resolve an issue between actors apart from ability.

2. *Relative viability* defines absolute viable approaches that an actor has the *relative ability* to implement whilst balancing its time and resources with other issues. Within the bounds of the absolute available resources, an actor's *relative ability* is dependent on its allocation of resources between different issues. The allocation of available resources is based on personal evaluations and preferences.

Figure 16 illustrates how an actor's allocation of resources within its absolute ability to different issues influences its relative ability to resolve each issue. The squares in represent an actor's exposure to an issue. The circle represents the approaches within an actor's absolute ability to resolve issues. An actor's allocation of resources between different issues is represented by the positioning of the circle in relation to different issues. The arrows show that the allocation of time and resources can differ between different actors. An actor's relative ability is shown by the areas where the approaches of its absolute ability cover its exposure to an issue. On the left side of figure 16 an actor has prioritised issue 2 over the other issues which enabled the relative ability of the actor to resolve issue 2. However this has negative consequences for the relative ability of the actor to mitigate the other issues. The right side of figure 16 shows that when an actor divides its resources over more issues, also its relative ability to mitigate each issue is lower.

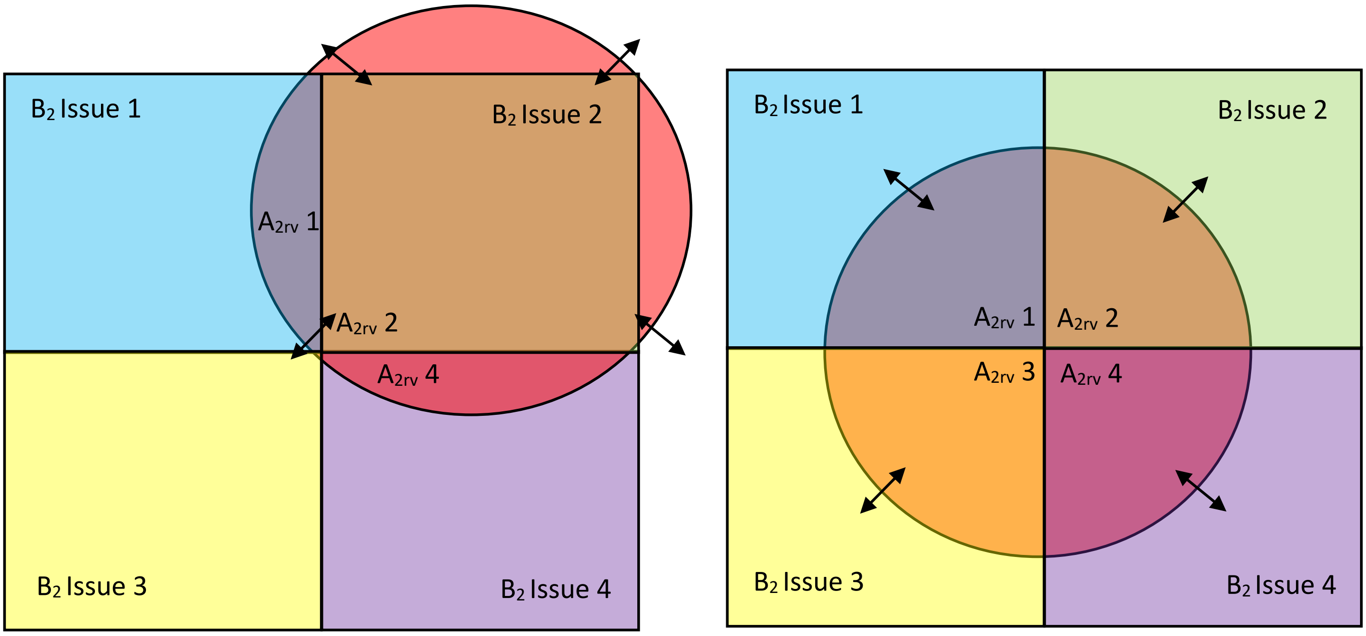


Figure 16: Relationship between an actor's absolute ability, allocation of resources between different issues and relative ability to resolve each issue

Circle = approaches within an actor's absolute ability to resolve issues

B_2 issue 1-4 = actor's exposure to issue 1-4, meaning prevalence of an undesired condition in or linked to an actor's operations

A_{2rv} 1-4 = actor's relative ability to implement absolute viable approaches for issue 1-4 whilst balancing its time and resources with other issues.

Figure 17 shows the relationship between absolute and relative ability and the influence of different allocation of resources on relative viability. The large and small red circles respectively represent absolute and relative ability. The large and small blue circle respectively represent mitigation approaches and resolving approaches. The allocation of resources to an issue relative to other issues, expands or decreases the relative ability circle, and thus the capacity to resolve or mitigate that issue. To illustrate, a higher priority to allocate resources to paying back debt compared to repairing the car, limits the amount of resources allocated to car repairing and vice versa. Approaches can be categorised along the following categories based on effectiveness as well as available and allocated resources:

- An *unviable* approach is an approach that is not in the absolute ability of an actor, nor has a positive effect on its exposure to an issue.
- A *relative viable resolution* is an approach that both resolves the issue, and lies in the relative ability of an actor to implement.
  - An *absolute viable resolution* is an approach that resolves an issue and lies in the absolute ability of the actor. However, the actor has not allocated enough resources to the issue compared to other issues for its relative ability to implement the resolving approach.
- A *relative mitigation approach* lies in the relative ability of an actor and reduces the acotor's exposure to an issue.
  - When an actor has resources available, but has not allocated enough to the issue for its relative ability to implement the mitigation approach, then it is an *absolute mitigation approach*.

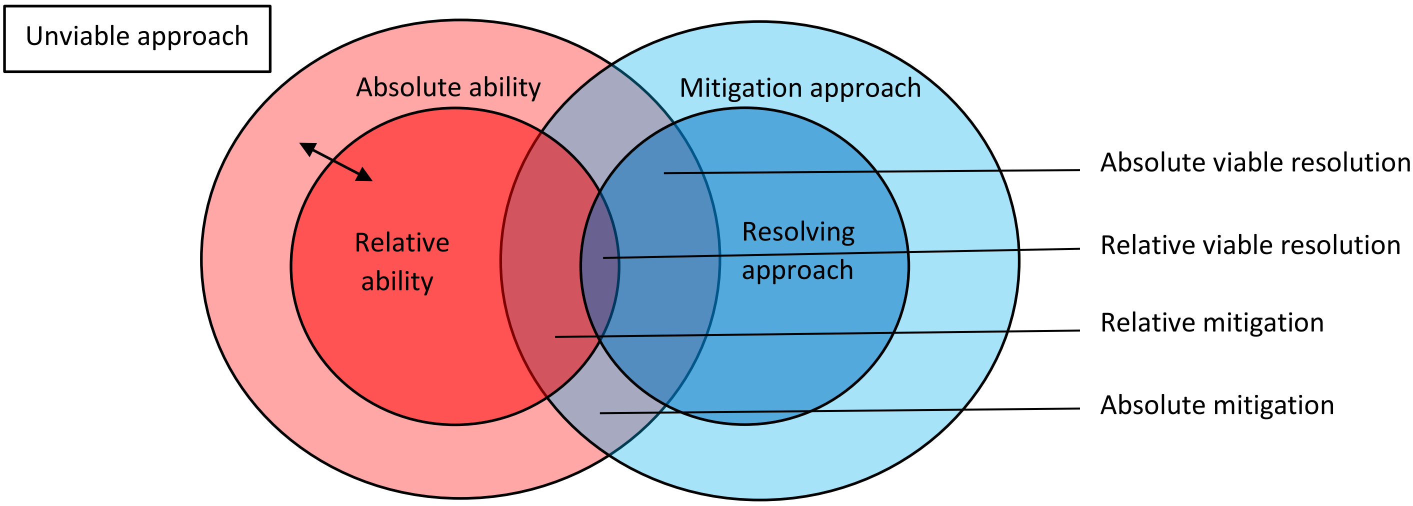


Figure 17: Relationship between effectiveness, absolute- and relative ability and viability

Figure 18 shows how an actor's attributed responsibility to resolve or mitigate an issue up to a certain level is determined by its normative responsibility and its relative viability. For instance, in the normative responsibility half of the responsibility to repair the car is allocated to actor 1 and half to actor 2. However, an actor's relative viability can be smaller than its normative responsibility to repair the car. When the relative viability of an actor is perceived as equal to- or bigger than its normative responsibility, its attribution of responsibility is equal to the normative responsibility. This is illustrated by the brown area (A_2 actor 1) in figure 18 where the normative responsibility and the relative viability of actor 1 overlap. However, when the relative viability of an actor is perceived to be lower than its normative responsibility, then the attributed responsibility of an issue can be lower than the responsibility defined in the normative responsibility. This is shown by the orange area in Figure 18 in which the attributed responsibility to actor 2 to repair the car only covers the part of its normative responsibility that overlaps with its relative viability. This lower attribution of responsibility to actor 2 can be due to i) low amount of available resources to repair the car combined with ii) the allocation of available resources between repairing the car and other issues.

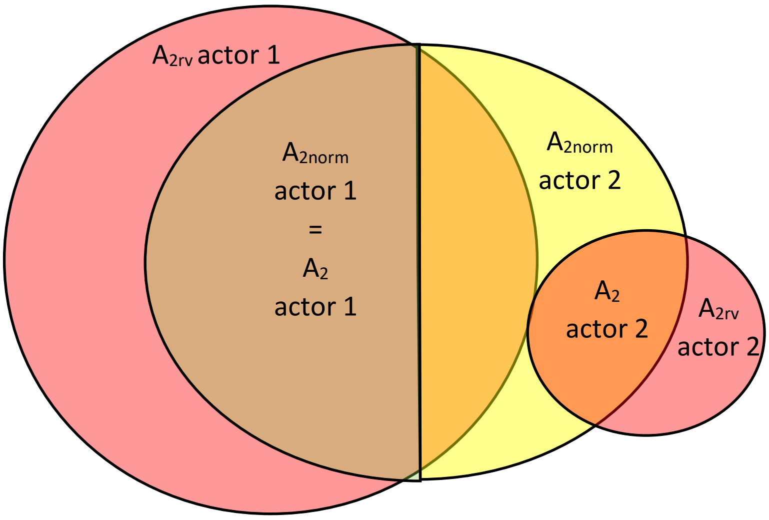


Figure 18: Attribution of responsibility (A_2) as a combination of the normative responsibility (A_{2norm}) and the relative viability (A_{2rv}).

A_2 = attributed responsibility: defines the level of responsibility of an actor to resolve an issue based on its normative responsibility and relative viability..

A_{2norm} = normative responsibility of A_2: divides the responsibility to resolve an issue between actors apart from ability.

A_{2rv} = relative viability: defines the effective approaches that an actor has the ability to implement whilst balancing its time and resources with other issues.

Lastly, the *approach* (A_3) attitude defines preferred approaches to resolve or mitigate an issue. Preferred approaches exclude other approaches based on negative effects on other issues. The number of approaches excluded can range from one to all possible approaches. The left side of figure 19 shows how an approach attitude can define certain approaches as inappropriate due to negative effects on other issues. For instance, the approach attitude (A_{3D}) defines negative health impacts of chemical use as an issue. The approach to use chemical external pest management is therefore considered inappropriate. The right side of figure 19 shows an example of an appropriate approach: blow drying the closet is a viable mitigation approach that also avoids exposure to the other issues to prevent negative health impacts of chemical use (A_{3D}).

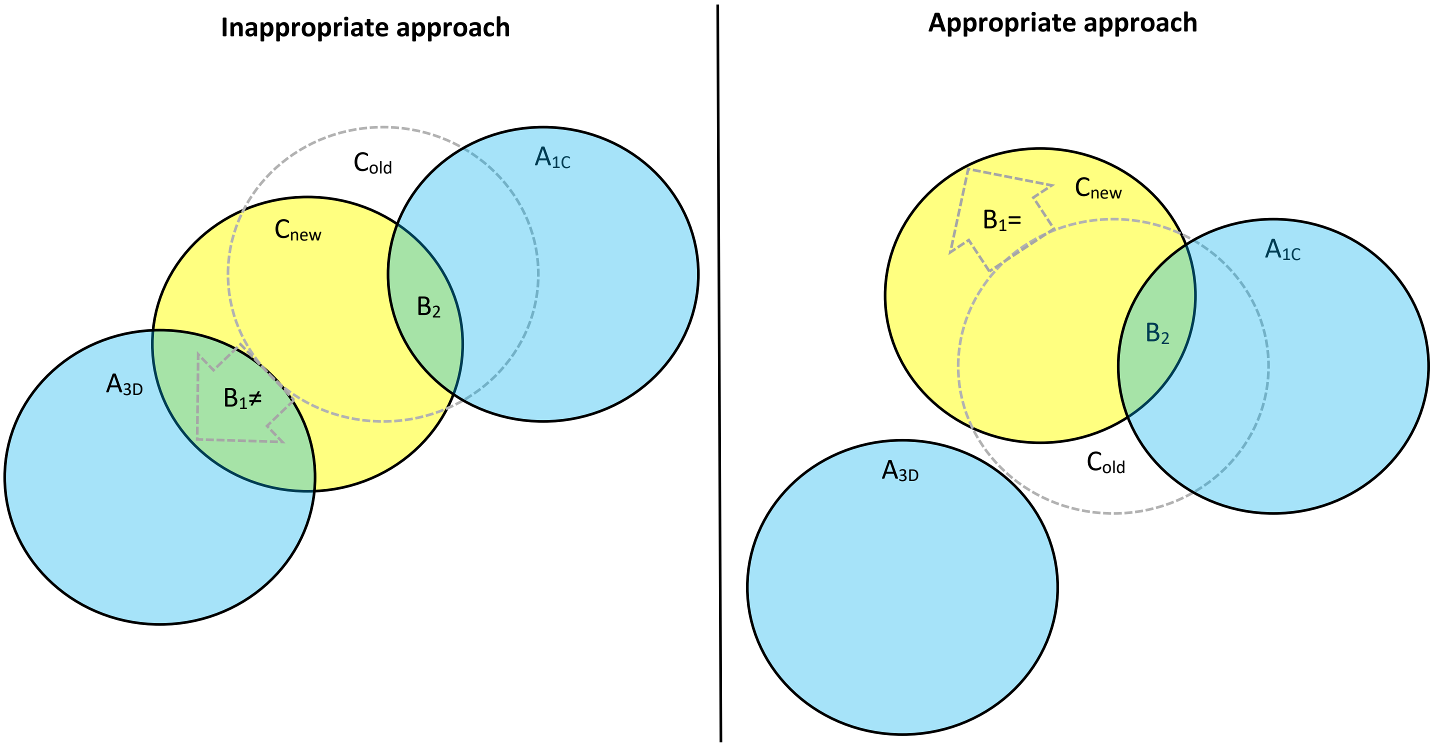


Figure 19: Difference between appropriate and inappropriate approaches: illustrated with different approaches to eradicate a moth infestation.

A_{1C} = Norm definition defines moth infestation as an issue that needs to be resolved and mitigated
A_{1D} = Norm definition defines negative health impacts of chemical use as an issue that needs to be resolved and mitigated
C = All the conditions in or linked to an actor's operations
B_2 = Exposure defined as the prevalence of the undesired condition in or linked to an actor's operations.
B_1 = Current implementation: approaches implemented by an actor to reduce its exposure to an issue

An approach attitude is based on a *belief of absolute viability*, as one will not consciously encourage an actor to implement an approach without trusting that it is effective or that an actor has the relative ability to implement it. Therefore, approach attitudes can be rejected with arguments against the effectiveness and the relative ability dimension of the approach. For instance, the approach of moth spray is ineffective in killing moth eggs and hiring external pest control is not in the relative ability of a child. An approach attitude is also based on an attitude of attribution of responsibility, as one will not consciously encourage an actor to implement an approach without trusting that an actor is responsible for mitigating an issue and has the relative ability to do so. Therefore, approach attitudes can be rejected with attitudes rejecting the normative as well as the relative viability dimension of the attribution of responsibility.

3.3.2 Operationalisation beliefs and attitudes of shareholder and retailers

Table 10 shows what information was collected from the shareholder and the retailers to analyse their beliefs and attitudes at the levels described above. In practice, shareholders do not request retailers to allocate all their time and resources to living wages over other issues. This belief is not relevant because all retailers have to address other issues next to living wages. Therefore, the shareholder's full belief of absolute viability cannot be collected from the engagement dialogue. However, the shareholder's requests imply the absolute viability of retailers to implement their requests. Therefore, to get an indication of the shareholder's belief of absolute viability, this research collects the implied absolute viability of the shareholder's requests. In contrast, retailers do present their belief of absolute viability in their argumentation.

Table 10: Collection of beliefs and attitudes of shareholder and retailers

Belief or attitude code	Belief or attitude level	Shareholder's belief or attitude	Retailers' belief or attitude
B_1	Current implementation	Score on retail methodology	i) Retailers' response to the shareholder's presentation of their current implementation of living wages in the engagement dialogue and follow up interviews ii) retailers' belief of ability of retail methodology to capture current implementation
B_2	Exposure	Based on retailer's score on retail methodology, communicated in engagement dialogue	Retailers' response to shareholder's belief of exposure in engagement dialogue and follow up interview
B_3	Absolute viability.	Not communicated in engagement dialogue , therefore use of shareholder's requests in engagement dialogue as an indication	Retailers' response to shareholder's requests in engagement dialogue and follow up interview
A_1	Norm definition	Living wage definition in retail methodology and engagement dialogue	Retailers' response to living wage definition in engagement dialogue and follow up interview
A_2	Attribution of responsibility	Normative responsibility: retail methodology	Normative responsibility: Retailers' response to retail methodology in engagement dialogue and follow up interview.
		Relative viability: Shareholder's requests in engagement dialogue	Relative viability: Retailers' response to shareholder's requests in engagement dialogue and follow up interview
A_3	Approach	The approach advocated in the shareholder requests in the engagement dialogue	Retailers' response to shareholder's requests in engagement dialogue and follow up interview

3.4 Data collection

3.4.1 Retail methodology development

To answer the first sub-question on how to monitor retailers' living wage implementation, data were collected from three main sources. Firstly, the United Nations Guiding Principles on Business and Human Rights (UNGPs) was consulted. The UNGPs represent the first authoritative guidance on states and companies to prevent, address and remedy human rights abuses committed in business operations. It consists of 31 principles was endorsed by the UN human Rights Council in 2011, after which it has received wide support from states, civil society organizations and the private sector.

Secondly, the PLWF garment methodology used to monitor living wage implementation by garment companies. The PLWF wanted to ensure comparability of company ratings between the garment and the retail sector. The garment methodology was developed by, tax and consulting firm Mazars. Mazars also helped the creation of the UNGP Reporting Framework.

Thirdly, stakeholder consultations about the retail methodology were conducted with sector experts as shown in table 11. A draft retail methodology was developed from the UNGPs, the garment methodology. The draft methodology was shared with the stakeholders well in advance of the stakeholder consultation. The methodology was sent to the stakeholder in combination with a question guide that introduced the aim of the methodology shown in Appendix A. The stakeholders provided feedback on the draft methodology through an interview, written feedback and by sending relevant literature.

Table 11: Stakeholders consulted for the development of the retail methodology.

Organization abbreviation	Relevance to retail methodology	Type of feedback received	Date
ASN	ASN Bank is a sustainable bank that has taken the lead in highlighting the importance of a living wage for textile workers since 2016. It is one of the founding members of the Platform Living Wage Financials.	Interview	15/02/2019 27/03/2019
Oxfam	Oxfam International is an extensive non-profit group focusing on the alleviation of global poverty. In 2018 Oxfam launched their 'Behind the Barcodes' campaign for which they analysed major retailers' in different countries policies and practices with respect to human rights.	Interview	28/02/2019 08/04/2019
RA	Rainforest Alliance is a social standards organization. Retailers can require the RA certification of their suppliers to ensure social compliance of their products. They are a member of the Global Living Wage Coalition and invest in the calculation of living wage benchmarks.	Interview	11/03/2019
Fairfood	Fairfood is an Amsterdam-based, technology-driven non-profit organization that advocates a sustainable and fair global food system. While using innovative technologies such as blockchain, the organization strives for a transparent food system that enables living wages. Fairfood is co-founder of the Living Wage Lab which brings together Netherlands-based producers, retailers and other stakeholders in the agri-food sector to	Interview	13/03/2019

	develop and experiment with innovative ways to realize a living wage for the workers in their supply chains.		
IIED	The International Institute for Environment and Development is an independent research organization that aims to deliver positive change on a global scale. From 2002 – 2003 IIED conducted the Race to the Top project in which they aimed to create a multi issue (including worker's wages) benchmark to annually track retail chain progress towards a greener and fairer food system. The project ended prematurely due to lack of participation from retailers.	Interview Shared relevant articles	01/04/2019
GIZ	The Deutsche Gesellshaft Für Internaionale Zusammenarbeit is a German federal enterprise and service provider in the field of international cooperation for sustainable development. GIZ started a German retailer working group on living incomes in 2019.	Written feedback	03/04/2019
Hivos	Hivos is a Dutch Humanist Organization for Social Change (NGO). Hivos has projects to improve living wages in the horticultural sector. Hivos is co-founder of the Living Wage Lab which is explained under Fairfood.	Interview	03/04/2019
Fairtrade	Fair trade is an NGO and social standards organization aims to help producers in developing countries achieve better trading conditions, wages and incomes. Retailers can require the Fairtrade certification of their suppliers to ensure social compliance of their products	Written feedback	05/04/2019
Mazars	Mazars is tax and consulting firm. Mazars helped create the UNGP Reporting Framework. Mazars also developed the PLWF garment methodology and provides assurance for their ratings.	Interview	09/04/2019
Amfori BSCI	Amfori BSCI is a leading global business association for open and sustainable trade. They bring together over 2,400 retailers, importers, brands and associations from more than 40 countries. Retailers can require the BSCI certification of their suppliers to ensure social compliance of their products	Interview Shared relevant report	08/04/2019
FNV & CWC	The Netherlands Trade Union Confederation (FNV) is the largest trade union in the Netherlands with 1.1 million members. FNV stands up for workers and campaigns for a just and egalitarian distribution of work, prosperity and power, and well-being for all. The Committee on Workers' Capital is an international labour union network for dialogue and action on the responsible investment of workers capital	Interview	08/04/2019
FLA	The Fair Labour Association combines the efforts of business, civil society organizations, and colleges and universities to promote and protect workers' rights and to improve working conditions globally through adherence to international standards. FLA has experience in the garment- as well as in the food retail sector.	Interview	17/04/2019

3.4.2 Current living wage implementation by retailers

To enable the assessment of retailers' living wage implementation according to the retail methodology, desk research was conducted. Through desk research data was collected from retailers' own reported information, as well as from company websites, sustainability reports, news articles, press releases.

3.4.3 Beliefs, attitudes and salience

To collect information on the beliefs, attitudes and salience of both the shareholder and the retailers, this research collected data in two phases. First, data was collected from engagement dialogues between the shareholder and retail representatives. Table 12 shows that company representatives were positioned in the Investor Relations and Corporate Social Responsibility (CSR) team of the companies. One week before the engagement dialogue, the retailers received their score on the retail methodology in summarised version. Second, semi-structured follow-up interviews were held with retail representatives shown in table 13. The retailer representatives received their full assessment on the retail methodology well ahead of the follow-up interviews. At the start of the follow-up interviews was announced that the content of the follow-up interview would be presented to the shareholder without referring to the name of the company. In the follow-up interviews company representatives could openly reflect on the beliefs, attitudes and salience of the engagement dialogue without the need to impress the shareholder

Table 10 in section 3.3.2 describes which data is collected from the shareholder and the retailers on beliefs and attitudes. Collected data on the salience of the shareholder requests consists of the shareholder's salience strategies in the engagement dialogue and the retailers' responses to these strategies. The retailers' postures and perceived salience of the shareholder's requests was verified in follow-up interviews with retailers. Appendix F includes a question guide of the semi-structured follow-up interviews.

Table 12: Location and company representatives in the engagement dialogue.

Retailer	Company representatives	Function	Location
Ahold	Henk Jan ten Brinke	Senior Vice President Investor Relations	Ahold Delhaize headquarters
	Hellen de Leeuw	Program Director Benefits	
	Harm-Jan Pietersen	Director Sustainable Retailing Communications	
	Alvin Concepcion	Director Investor Relations	
	Leon Mol	Director Product Safety & Social Compliance	
Tesco	Laura Kent	Responsible sourcing manager	Skype
	Andy Hickman	Head of human rights	
Metro	Michael Goebbels	Director Corporate Responsibility Strategy & Reporting	Metro AG headquarters
	Nina Radowitz	Head of Sustainability and Environment	
	Verena Werth	IR Manager	

Casino	Matthieu Riche	CSR Director Casino Group	Skype
	Jeremy Primpier	CSR Manager Casino Group	
Carrefour	Selma Bekhechi	Head of Financial Communication and Investor Relations	Skype
	Bertrand Swiderski	ESG Group Director	
	Agathe Grossmith	ESG Projects Director	
	Elise Bouffiès	ESG manager	

Table 13: Location and company representatives in the follow-up interviews

Retailer	Company representatives	Function	Location
Ahold	Leon Mol	Director Product Safety & Social Compliance	Ahold Delhaize headquarters
Tesco	Laura Kent	Responsible sourcing manager	Skype
	Andy Hickman	Head of human rights	
Metro	Michael Goebbels	Director Corporate Responsibility Strategy & Reporting	Skype
	Nina Radowitz	Head of Sustainability and Environment	
Casino	Matthieu Riche	CSR Director Casino Group	Skype
Carrefour	-	-	-

3.5 Methods of data analysis

3.5.1 Retail methodology development

The stakeholder consultations were done through a hybrid coding approach to thematic analysis (Fereday & Eimear Muir-Cochrane, 2006). After each stakeholder consultation the draft methodology was adjusted according to the stakeholder's feedback and additional reports shared with the researcher. In the hybrid coding approach a coding framework emerges from an iterative process. The initial coding framework for the stakeholder consultations was based on the structure of the questions of the draft retail methodology. Through an inductive and iterative coding process, observed concepts communicated by the stakeholders, that were not captured by the initial framework have been added and revised into a final coding framework shown in appendix A.

The semi-structured interviews were coded in three stages i) open coding ii) axial coding and iii) selective coding. Firstly, in the open-coding process the key points of each interview are highlighted and linked to a code along the initial coding framework. Additional concepts may be created to complement the framework. Secondly, interconnections between concepts are made during axial coding. Observed concepts are compared and contrasted between interviews and common patterns are grouped in categories and sub-categories. Thirdly, core categories were selected in the selective coding process. These core categories were central, appear frequently in the data, fit the data comfortably and logically, enable variations to be explained and have the greatest explanatory power (Strauss & Corbin, 1994).

3.5.2 Current living wage implementation by retailers

The current living wage implementation of the retailers was quantified according to the retail methodology. In the retail methodology, retailers were scored based on their reported information. The methodology contains a set of questions with indicators that define what information retailers need to report to receive a number of points. The maximum score of the retail methodology is 100, this facilitates intuitive interpretation of the scores and working with percentages. Each quartile of the maximum achievable score represents a different level of living wage implementation by the retailers. These levels originate from the garment methodology and correspond with Clarkson's (1995) RDAP scale. Table 14 defines the four levels of retailers' living wage implementation and their relation to the RDAP scale.

Table 14: Four levels of living wage implementation by retail companies

Score	RDAP scale	Phase	Definition
0-25	Reactive	Embryonic	The company has barely recognised the importance of living wage and has not articulated the benefits for itself or more widely.
26-50	Defensive	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 operations or those within its supply chain, and there is little evidence of improvement.
51-75	Accommodative	Maturing	The company recognises that the payment of a living wage is a salient issue and has in place formal processes to address it. There is evidence of improvement in high risk areas.

76-100	Proactive	Leading	The company believes that payment of a living wage is a salient issue and is important for its wider strategic intent. There are effective processes in place to ensure progress to a widespread payment of a living wage in its own operations or those within its supply chains. The company is seen as a leader and acts as a catalyst for other organizations to strive to pay a living wage.

3.5.3 Beliefs, attitudes and salience

The hybrid coding approach to thematic analysis was also used to analyse beliefs, attitudes and salience from the engagement dialogue and follow up interviews (Fereday & Eimear Muir-Cochrane, 2006). Appendix E presents the coding framework of beliefs and attitudes based on Vandekerckhove et al. (2008). Appendix F presents the and final coding framework for Gifford's (2010) salience attributes. In both coding frameworks, additional categories that evolved through an inductive and iterative coding process from the collected data are indicated in orange. The use of the hybrid approach to thematic analysis enabled this research to build on Vandekerckhove et al.'s (2008) theory of aligned beliefs and attitudes and Gifford's (2010) shareholder salience theory, while preserving the explorative and interpretative nature of grounded theory.

This research made a methodological contribution to the analysis of alignment in beliefs and attitudes by distinguishing three levels of beliefs and attitudes in as explained in section 3.3. Through the coding process each belief or attitude level was categorised as: i) aligned, ii) non-aligned, or iii) not fully aligned nor fully non-aligned between the shareholder and the retailer. Not each level of beliefs and attitudes weighs equally to the total belief or attitude. Therefore the total belief or attitude are categorised as follows:

1. Aligned total belief: alignment in second and third level of beliefs.
    - Non-aligned total belief: no alignment in second and third level of beliefs..
2. Aligned total attitude: alignment in first and second level of attitudes.
    - Non-aligned total attitude: no alignment in first and second level of attitudes.

This research made a methodological contribution to the analysis of salience attributes by expanding the measurement of salience attributes in binary categories: present or absent. This research identified factors that show three different contributions of salience attributes to the over-all salience of the shareholder's request: i) positive, ii) negative, iii) both a positive and negative.

3.5.4 Propositions on effectiveness and evaluation of engagement

This research made use of the pattern matching technique to analyse possible strategies to increase the effectiveness of engagement (Baškarada, 2014). In this technique the predicted patterns of proposition 1-4 were compared with empirically observed patterns and variances were identified. Alternative explanations for unpredicted findings were studied and rival explanations were considered. For instance, to test proposition 1: the predicted pattern that retailers' individual level postures would be similar to their organisational level performance was compared with the observed posture and performance. When the observed posture and performance were similar to each other according to the prediction, rival explanations were considered and excluded by substantiation. When the observed postures and performances deviated from the predicted pattern, alternative explanations were analysed.

3.6 Research quality indicators

The reliability and construct validity of the retailers' scores is ensured by i) basing the retail methodology on the internationally recognised UNGPs, ii) verifying the methodology by sector experts and retailer representatives, and iii) relying on data triangulation of assured sustainability reports and private data. As beliefs attitudes and salience were observed in real engagement dialogue between Achmea IM and their investee retail chains, their ecological validity is high. The construct validity of beliefs, attitudes and salience was ensured by verifying observations from the engagement dialogue in follow-up interviews. Internal and external validity of the strategies to increase engagement effectiveness was ensured by applying pattern matching. Interpretive validity is strengthened by illustrating the retailers' perspectives through quotes. The replicability of this research is secured through: i) a clear and verifiable retail methodology to monitor retailers' living wage implementation, and ii) a question guide for the semi-structured interviews (Bell et al., 2018). By focussing on Achmea IM as a financial institution through critical case sampling does not allow for broad generalisations, but logical generalisation is possible from the rich investigation of a single case (Emmel, 2013, p. 39).

4. Results

4.1 Question 1: Monitoring living wage implementation by retailers

This section presents the resulting retail methodology based on the garment methodology, the UNGPs and stakeholder consultations. First an overview of the retail methodology is presented. This is followed by the stakeholders' perspectives on the barriers of living wage implementation in the retail sector and the stringency of the retail methodology. Finally, eight main differences between the garment and retail methodology are presented.

4.1.1 Overview retail methodology

Table 15 shows the questions of the retail methodology. The final retail methodology including the assessments of the retailers' living wage implementation are attached in Excel scoresheets. Appendix B presents an elaborate description of how the retail methodology aims to integrate sometimes contrasting perspectives between the UNGPS, the garment methodology and the stakeholder consultations.

Table 16 shows that points for each question are divided over several indicators. It is important to recognise that the way retailers' living wage implementation is monitored, inherently includes attitudes about how retailers should implement living wages. The creation of the retail methodology indicators define a desired living wage implementation against which retailers will be monitored.

Table 15: Overview retail methodology questions

Nr.	Question	Question
1	Identification of salient risks	Has the company identified its most salient living wage risks caused, contributed or linked to its own operations or business relationships based on scale scope and remediability?
2	Policy	Is there a specific living wage/income policy or statement and how is it implemented?
3	Definition	What is the wage/income level defined by the company's policy?
4	Engagement	How have the views of (negatively) affected stakeholders influenced the company's understanding of the issue of living wage/income and are these perspectives integrated in their decision making and actions?
5	Assessing Impacts	What qualitative and quantitative indicators are used to assess the wage/income level of the company's own operations and supply chains?
6	Integrating Findings	What interventions does the company take to progress the payment of a living wages/incomes?
6a		Purchasing practices
6b		Government
6c		Buying groups
6d		Consumers
6e		Multi Stakeholder Initiatives
6f		Own employees
6g		Salient living wage risks
6h		Private label suppliers
6i		Other brand suppliers

7	Tracking Performance	What qualitative and quantitative indicators are used to monitor the effectiveness of the living wage/income policy or statement in improving living wage/income conditions?
8	Remedy	Through what means does the company receive complaints about non-payment of a living wage/income?

Table 16: Simplified excerpt from retail-methodology.

Overarching position	Question	Weighting question	Max. # of points per indicator	Weighting indicator	Indicators
Engagement	**How have the views of negatively affected stakeholders influenced the company's understanding of the issue of living wage/income and are these perspectiveses integrated in their decision making and actions?**	3%	0,7	20%	The company reports how its enhanced understanding of the issue of living wages/income through engagement has led to changes in its practices (e.g. policy, procedures).
			0,7	20%	The company reports how it has aimed to mitigate unfair/unequal representation in their engagement process (e.g. by taking into account language, number of adequate representatives, speaking time and otherpotential barriers to effective engagement).
			0,7	20%	The company presents how it has integrated the concerns of relevant stakeholders in its decision making.
			0,7	20%	The company reports the living wage/income concerns from relevant stakeholders communicated in these engagements.
			0,7	20%	The company reports which engagements with relevant stakeholders on living wage/incomes have occured.
			0	0%	The company does not report on engagement to seek to understand the concerns of relevant stakeholders on the subject of living wages/incomes.

4.1.2 Retail sector barriers in implementing living wages

RA and other stakeholders identified the following retail specific barriers that should be taken into account in defining the stringency of the retail methodology. Firstly, the retail sector is at an earlier stage with regards to living wage implementation than garment companies. Secondly, all stakeholders indicated that it is difficult for retailers to focus time resources and leverage on managing living wage risks in the large product portfolio including thousands of different products. Thirdly, retailers have many different sustainability issues to deal with and living wage is only one human right among many issues for all different products. Fourthly, retailers are relatively far away from the sourcing of raw materials, as they sell ready made products. Fifth, living wages in the retail supply chain is especially challenging because production relies on a large informal sector for which little data is attainable and seventh because commodity markets are subject to many price fluctuations. Sixth, RA explained that the reliance on low-skilled labour weakens the business case for living wage, as the benefits of retaining trained workers by providing better wages is less relevant for low-skilled work. Seventh, RA stressed that protecting living wages is a different thinking than the international free market.

4.1.3 Stringency of retail methodology

The stakeholders in the stakeholder consultation have different attitudes with regards to the level of stringency in living wage implementation that should be included in the retail methodology. The key tension with regards to defining an appropriate level of ambition is: the trade-off between the stringency of the required reporting of living wage implementation on the one hand and the acceptance by retailers on the other hand.

On one side of the debate, stakeholders expressed the need for an extensive methodology with stringent indicators despite the retail specific challenges. Fairtrade (written feedback, April 5, 2019) stated *"We should keep the fact that Dutch government signed the Organisation for Economic Co-operation and Development (OECD) guidelines about 20 years ago as referral point. They already expect companies live up to OECD guidelines so not reward companies with points too easy".* Fairfood stressed the power retailers have, as shown in many product requirements passed on to suppliers. Fairfood argued that retailers should use that power to advance payments of living wages. Hivos argued that it is important to assess retailers on a detailed set of questions and indicators that cover many avenues of influence that retailers have to address living wages.

On the other side of the debate, IIED warned that the use of a rating system can put retailers on the defensive. This can especially hamper collaboration when the rating system includes an extensive list of stringent indicators that differ from their current practices and reporting. Therefore, stakeholders have advised to recognise current social compliance efforts only rate absolute priorities to recognise competition amongst retailers and their need to balance efforts between different sustainability issues. Moreover, IIED advised to invite retailers to help tailor the rating towards the reality of how retail chains work to increase retailer acceptance.

The retail methodology manages the tension between stringency and retailer acceptance by rewarding retailers to take the first steps in living wage implementation without limiting the indicators of the retail methodology to absolute priorities. To acknowledge the early stage of living wage implementation in the retail sector, the retail methodology applies higher weighting to the first steps in the implementation process. Besides, retailers are awarded with 20% of the total score of an indicator when it implemented related interventions with a lower stringency. Moreover, retailers initial efforts are recognised in the retail methodology by awarding points to retailers that report concrete time-bound plans to implement living wages according to the methodology.

However, the retail methodology does not limit its indicators to the absolute priorities. A good score on a methodology that only represents absolute priorities could unintentionally justify minimal living wage efforts. This might disincentive retailers to invest in adequately addressing living wages beyond the absolute minimum. Moreover, from the stakeholder consultations was concluded that there is no clear priority in the implementation of living wages that the shareholder can advocate for. Instead the implementation of living wages should be done through a combination of many different approaches.

4.1.4 Main adjustments made in retail methodology

Main adjustment made to the garment methodology are substantiated by presenting the different perspectives of: i) the garment methodology, ii) the UNGPs, and iii) the stakeholder consultations. Finally, is explained how these perspectives are reconciled and integrated in the retail methodology.

4.1.4.1 Non-gradual scoring

The first main adjustment to the garment methodology is the use of non-gradual scoring in the retail methodology. This is different from the gradual scoring used in the garment methodology where a company can only score on an indicator when it has adequately scored on the previous indicators of a respective question. Mazars argues that gradual scoring helps companies to define a focus between all the things that they can do with regards to living wages. However, gradual scoring only reflect part of companies' implemented interventions in its score when companies implement living wages in a different order. Therefore, the retail methodology applies non-gradual scoring to limit the degree to which the methodology prescribes in what order retailers should implement interventions. Differences in weighting are used to guide retailers to focus their efforts.

4.1.4.2 Salient risk identification

The second main adjustment to the garment methodology is the addition of a question to assess the retailers' identification of their most important/salient living wage risks. This question did not exist in the garment methodology.

UNGPs

The UNGPs state that "*The Guiding Principles make clear that an enterprise should not focus exclusively on the most salient human rights issues and ignore others that might arise. But the most salient rights will logically be the ones on which it concentrates its primary efforts*."(United Nations, 2011, p. 44). The UNGPs do not prescribe companies what their most salient issues are and through which intervention companies should resolve human rights issues. Instead, the UNGPs advocate for the following core processes through which companies can identify the best interventions to resolve human rights issues themselves:

a) "A policy commitment to meet their responsibility to respect human rights;
b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
c) *Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute*" (United Nations, 2011, p. 16).

Stakeholder consultations

The stakeholder consultations indicated that the vast amount of different value chains in the retail sector create necessity to focus mitigation efforts on salient living wage risks. The stakeholders argued that the shareholder should limit the extent through which it prescribes retailers how to implement living wages. For instance, IIED (personal interview, April 1, 2019) cautioned not to "*over-engineer what retailers must do to address living wages."*

Retail methodology

Following the UNGPs and the stakeholder consultations the retail methodology prevents over-prescribing by primarily assessing the retailers' own *process* of identifying adequate living wage interventions, rather than prescribing exact interventions. For instance, the retail methodology assesses whether retailers have identified their own salient living wage risks, rather than prescribing interventions to implement interventions for specific commodity groups that the shareholder views as important.

The retail methodology assesses whether retailers have identified their most salient living wage risk based on three factors: i) scale: where the living wage gap is biggest ii) scope: where most workers are exposed to the non-payment of living wages and iii) remediability: how hard it would be to put right the resulting harm. The indicators of the salient risk identification question also assess whether the retailer considers living wage risks before engaging in new business activities and if the retailer continuously monitors living wage risks.

4.1.2.3 Distinction of worker categories

Thirdly, the retail methodology assesses the retailers' living wage implementation for different worker categories.

Garment methodology

The garment methodology prioritises workers in garment producing countries and excludes other worker categories from the assessment. This choice is based on the assumption that living wage risks are higher in garment producer countries with low standards of living, compared to the living wage risks for a relatively smaller group of higher-skilled own employees of garment companies.

UNGPs

UNGP 13 argues that companies are responsible to prevent, mitigate or address adverse human rights impacts in all cases where the company causes, contributes to or is directly linked to adverse human rights impacts (United Nations, 2011). The UNGPs also warrant prioritisation by explaining that "*Where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable."* (United Nations, 2011, p. 26).

Stakeholder consultations

All stakeholders agree that retailers should aim to implement living wages in all worker categories linked to a retailer's operations. However, opinions are mixed with regards to the approach to reach this ambition. The opinions can be divided into three groups. The first group of stakeholders wants the methodology to rate retailers' living wage implementation for all worker categories. The argumentation provided by Oxfam is that retailers should bear the responsibility to ensure human rights over all the products in their assortment as they are making a revenue from selling them. This includes responsibility for workers from brands other than their own private labels, further referred to as 'other brands' .

The second group argues that living wage issues of own employees are very different from the issues in the supply chain and are difficult to address together. Mazars and Hivos in this group advise to limit the scope of the methodology and engagement to either own employees or supply chain workers. This will focus the assessment more in depth on living wages for a specified worker category and time in the engagement dialogue.

On the one hand, IIED (personal interview, April 1, 2019) argued that *"To get your own house in order you first need living wage in your own business. It makes absolutely no sense to start unpacking your supply chain, if you don't have the moral high ground as a lead"*. IIED emphasised that suppliers are continuously burdened with more and more requirements ranging from compliance to discount contribution or payment from 60 to 90 days and that the cost of these requirements is never incorporated in the price negotiations. Therefore IIED argued that before adding the issue of living wages on the responsibilities of the suppliers, retailers should first "*practice what they preach*" and ensure living wages are payed to their own employees. Moreover, gaps between legal minimum wage and living wage are sometimes higher in retail outlet countries than in the sourcing countries. For instance the **living wage gap** is higher in Europe's cheap labour countries than in Asia (Oxfam, 2014)**.** On the other hand, Hivos expressed the opinion that the methodology should focus on supply chain workers due to the lower standards of living in sourcing countries than in retailer's outlet markets leading to a higher need for living wages.

The third group recognises the need to address living wage risks in all worker categories, but proposes to do this in a phased approach by focussing on the most salient worker categories first. Rainforest Alliance (RA) supports this approach and suggests retailers map all worker categories influenced by their activities, identify wage gaps and identify low hanging fruit to tackle first. Factors facilitating the retailer's ability to tackle non-living wage payments mentioned by RA are: already existing partnerships, leverage over own brand products and leverage over directly sourced products.

Retail methodology

The retail methodology has integrated the input from the garment methodology, UNGPs and the stakeholder consultations by considering five different worker categories in the assessment. This is done by dividing the maximum points of each indicator for a question over the following worker categories:

1. Own employees
2. Workers with salient living wage risks
3. Private label waged workers
4. Private label smallholder farmers
5. Workers from other brand suppliers

The retail methodology considers these worker categories because retailers can cause, contribute to or be directly linked to the non-payment of living wages of all these worker categories. The retail methodology distinguishes between these worker categories because the different ways in which these worker categories are involved with the retailer, require different mitigation measures.

The retail methodology responds to the need to prioritise efforts in two ways. Firstly, the retail methodology includes the worker category of salient living wage risks to allow retailers to focus efforts on their particular salient living wage risks. Secondly, the retail methodology guides the prioritisation of efforts by assigning different weights to different worker categories (table 17). In this way, the retail methodology: i) informs shareholders about the retailers' living wage implementation for all the worker categories linked to its operations ii) incentivises retailers to focus attention on their salient living wage risks, but also iii) incentivises retailers not to fully neglect living wage implementation for worker categories that are not prioritised.

Table 17: weighting worker categories in retail methodology.

Category of workers		Relative Weight
Cat 1	Own employees	**20%**
Cat 2	Workers/smallholder farmers in private label supply chains with salient living wage/income risks	**40%**
Cat 3	Private label waged workers	**15%**
Cat 4	Private label smallholder farmers	**15%**
Cat 5	Workers from other brand suppliers	**10%**

4.1.4.4 Engagement

The fourth main adjustment to the garment methodology concerns the content of the engagement question.

Garment

The garment methodology assesses retailers' living wage implementation according to the processes that retailers use "*to collaborate with others to help advance the payment of a living wage?"* (ASN Bank, 2018, p. 38).

UNGPs

However, the meaning of engagement under the UNGPs is different from taking action with partners. In the UNGPs engagement is focussed on better understanding the issue by consulting negatively affected stakeholders. The UNGPs state that *"To enable business enterprises to assess their human rights impacts accurately, they should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement."* (United Nations, 2011, p. 20).

Stakeholder consultations

Not all stakeholders expressed the same perspective on how retailers should conduct stakeholder engagements. On the one hand, Oxfam and Fairtrade were in favour of meaningful, ongoing and inclusive stakeholder engagement. Oxfam stated that companies should not prescribe what is important for workers, but that this should be informed by their input. Moreover Oxfam wants retailers to report how they systematically consult stakeholders and stressed that retailers should report what has been discussed in the engagements and how the retailer responded to this.

On the other hand, Hivos and IIED stressed the difficulty of engaging the overwhelming amount of negatively affected actors. Hivos suggests to focus engagement on organizations representing groups of negatively affected stakeholders e.g. NGO's, Trade unions, representatives of farmers, farmer organizations. However trade unions FNV and CWC (written feedback, April 8, 2019) argued that *"it needs to be avoided that companies pick and choose to consult unions, academics and/or other stakeholders, according to what is easier to them. Consultation with unions should be the first priority, since these are the direct representatives of workers concerned. Consultation with experts and other stakeholders can be encouraged where relevant, but this should not be considered as an alternative to social dialogue. Unions argue that a company should score highest if they have shown to negotiate with unions to achieve wages above a living wage level."*

Retail

The retail methodology rates retailers' engagement by assessing how the company's understanding of the living wage issue was informed by the views of negatively affected stakeholders. The retail methodology also considers how these perspectives are integrated in the retailers' decision making and actions. The garment methodology's focus on collaboration with Multi Stakeholder Initiatives (MSIs) is replaced to the integrating findings question where a broad list of interventions to improve living wages are considered.

4.1.4.5 Assessing impacts

Fifthly, the retail methodology employs a different focus in the assessing impacts question compared to the garment methodology.

Garment methodology

The garment methodology assesses the *"identification of wage gaps by companies"* as well as, *"the impact that these wage gaps have on workers' lives (e.g. impact of entrapment in the poverty cycle, excessive overtime, child labour)*"(ASN Bank, 2018, p. 39)(United Nations, 2011, p. 19)**.** The garment methodology also assesses the involvement of external stakeholders in the determination of the impact on worker's lives.

UNGPs

With regards to the assessment of impacts UNGP 18 states that companies have to:

i) Project "*how the proposed activity and associated business relationships could have adverse human rights impacts on those identified."* (United Nations, 2011, p. 19).
ii) *"Understand the specific impacts on specific people, given a specific context of operations."* (United Nations, 2011, p. 19)

Stakeholder consultations

To assess the first point of the UNGPs how the retailers' activity could have adverse living wage impacts: Unions FNV and CWC, as well as Hivos stressed the importance of considering the type of contracts of suppliers and workers, freedom of association and collective bargaining mechanisms. Amfori Business Social Compliance Initiative (BSCI) proposes that retailers map out their purchasing practice against those business partners who do not meet the fair remuneration standard. This may help identify whether the retailer directly or indirectly contributes to the living wage gap in some areas of their supply chains.

To assess the second point of the UNGPs and understand the specific impact on specific people: Oxfam stated the importance of assessing the size of the living wage gap. IIED added that the main aim should be to monitor and evaluate the baseline if workers' lives have improved. IIED argues that focussing on the 'horror stories' of people below living wage will not help progress living wages. Fairtrade stated that risk assessment should be done continuously in consultation with external experts and stakeholders. GIZ mentioned that impacts should be assessed through a monitoring and traceability system for which third party assessments is most valuable robust and trustworthy. Whereas Oxfam argues that first and foremost retailers need to take their own responsibility for human rights, and warns that companies delegate their own responsibility for human rights in the supply chain to social audits and certification.

Retail methodology

The two points stated by the UNGPs are the basis of the retail methodology impact assessment question. For the first point, the methodology assesses whether retailers monitor dimensions surrounding wage e.g. excessive overtime, type of contracts, freedom of association and collective bargaining mechanisms. For the second point, the methodology assesses whether retailers:

a) Monitor any wages payed to workers (minimum wages, average industry wages, collective bargaining wages, whichever applicable) that arose in the past year.
b) Monitor the gap between actual wages/incomes received by the workers and living wage/income estimates.

The retail methodology does not consider how the retailer identifies *the impact that these wage gaps have on workers' lives, because* the stakeholder consultations advised against focussing on the tragic impact on worker's lives by earning less than a living wage. The retail methodology also does not consider the involvement of external stakeholders in assessing impacts question, as this is already assessed in the engagement question.

4.1.4.6 Integrating findings

The sixth main adjustment to the garment methodology was the expansion of possible actions retailers can take to advance the payment of living wages in the integrating findings question.

Garment methodology

The garment methodology considers two interventions: i) the purchasing practices of companies that enable the payment of living wages ii) the integration of living wages in their code of conduct.

UNGPs

The UNGP 19 identifies three ways in which companies can be involved with adverse human rights impacts and prescribes company's responsibility to mitigate the impacts accordingly.

Firstly, businesses that cause or may cause adverse impacts, should take the necessary steps to cease or prevent the impact.

Secondly, businesses that contribute or may contribute to adverse impacts, should cease or prevent its contribution and use its leverage to mitigate any remaining impact to the greatest extent possible. The UNGPs stress that even when a company lacks leverage "*there may be ways for the enterprise to increase it. Leverage may be increased by, for example, offering capacity-building or other incentives to the related entity, or collaborating with other actors."* (United Nations, 2011, p. 22)

Thirdly, businesses that are directly linked to an adverse human right impact via a business relationship with another entity, without contributing themselves, should exercise and increase their leverage over the entity concerned. If this is unsuccessful the business should consider ending the relationship with the entity depending on how crucial the relationship is to the enterprise, the severity of the abuse and possible adverse human rights consequences of terminating the relationship. According to the UNGPs "*business enterprises may be perceived as being "complicit" in the acts of another party where, for example, they are seen to benefit from an abuse committed by that party*" (United Nations, 2011, p. 18). Hence, benefitting from low commodity prices due to non-payment of living wages, without directly contributing to the low wages, still falls under complicity according to the non-legal meaning of complicity in the UNGPs.

Stakeholder consultations

The stakeholder consultations have informed what retailers can do to:

1. Prevent the non-payment of living wages
2. Prevent their contribution to the non-payment of living wages
3. Use their leverage to mitigate any remaining impact to the greatest extent possible.

Concerning the first point, stakeholders stated that retailers can prevent the non-payment of living wages by paying their own employees according to living wage estimates. In order to prevent their contribution to the non-payment of living wages retailers should change their purchasing practices and their collective purchases through buying groups. Moreover, retailers can collaborate in MSIs to advance the payment of living wages. Concerning the third point, retailers can use their leverage over governments, consumers, salient risk suppliers, private label suppliers and other brand suppliers to implement living wages to the greatest extent possible.

Retail

The retail methodology expands the consideration of interventions of the garment methodology. In order to rate retailers on an adequate collection of interventions, the indicators in the retail methodology:

i) Were informed by stakeholder consultations with relevant experts.

ii) Cover a wide range of interventions. In this way the methodology limits over-prescribing a narrow scope of interventions and forms a broad guide of interventions retailers can adopt to address living wages.

iii) Are based on questions that incentivise retailers to implement their own process of defining adequate living wage interventions e.g. assess whether retailers identified their own salient risks, rather than prescribing on which specific product categories retailers should focus.

Appendix B presents discussions on the particular views of the stakeholders how retailers should prevent-, prevent contributing to- and use their leverage to mitigate living wage issues and how the retail methodology has integrated these perspectives.

The retail methodology also recognises that in some cases retailers can use different strategies to pragmatically create impact. The retail methodology refrains from prescribing one strategy over the other and allows retailers to identify how they can best advance the payment of living wages. For instance, retailers can use the following strategies to promote consumption of products with less living wage risks:

- By increasing transparency about living wage risks of products through labelling
- By promoting products by prominent shelf positioning (nudging)
- By increasing affordability by adjusting their margin on products with low living wage risks
- By only selecting products with little living wage risks in their assortment (choice editing)

In the retail methodology scoring, it does not matter whether the retailer aims to increase the sales of ethically traded products by lowering margins. Or whether the retailer keeps a relatively high margin and uses this as an incentive to increase the sales of ethical products through other strategies.

4.1.4.7 Transparency question

The seventh main adjustment made to the garment methodology is the removal of the transparency question of the garment methodology.

Garment methodology

The garment methodology bases their company scores on company's publicly available information in order to provide assurance over the scores. Furthermore, the garment methodology stresses the importance of transparency by including a question on the transparency of the company both publicly and to information requests.

UNGPs

The UNGPs consider the importance of transparency in UNGP 21 that states *"In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally*." (United Nations, 2011, p. 23)

Stakeholder consultations

Mazars (personal interview, April 9, 2019) confirmed the strong need for transparency about human rights due diligence by stating *"It is not only about the knowing, it is the showing that is essential".* Mazars emphasized the importance to score companies based on verifiable information. Information from annual and sustainability reports is preferred as it includes independent assurance reports proving the correctness of the information provided. Mazars indicated that it is virtually impossible to provide assurance over non-reported information e.g. engagement dialogue.

On the other hand Mazars recognises the issue that companies do not report all relevant information. Fairtrade warned that an assessment based on public documents only acknowledges the living wage implementation of retailers who have strong public communication departments and money to spend on communication. In Fairtrade's experience some retailers are excellent in communicating approaches that have yet to be implemented, whereas others are acting on a relatively higher level now but lack large marketing departments to communicate this effectively. Therefore, information from engagement dialogue is essential to get a more comprehensive picture on a company's living wage efforts. However, PLWF members acknowledge that information from dialogue is behind closed doors and expect companies will no longer share important information with them if they would make this information public for the rating.

Retail methodology

Similar to the garment methodology, the retail methodology only attributes scores to retailers based on publicly available information. Information shared in the dialogue does not warrant a company points in the rating, but is acknowledged in the engagement dialogue. Different from the garment methodology, the retail methodology does not include a specific question on transparency because the reliance on publicly available information inherently scores companies on their transparency. All transparency indicators in the garment methodology are already assessed in the other questions of the methodology e.g. transparency about the number and geographic area of the company's operations and suppliers is included in the salience question. Therefore, the removal of a question specifically dedicated to transparency avoids that the transparency about these issues is rated twice .

4.1.4.8 Weighting

Lastly, the eighth main adjustment to the garment methodology is the weight that is applied to the various questions of the methodology.

Garment methodology

The Garment methodology aims to recognise that most companies are only at the beginning of their living wage journey. Therefore the methodology applies more weight to the first steps of the UNGP process (table 18). After some time, when improvements are observed the weightings will be adjusted to increase the relative importance of further steps of in the UNGP process.

Table 18: Weighting garment methodology questions.

Questions	Weighting
1. Policy	20%
2. Definition	20%
3. Engagement	20%
4. Assessing Impacts	7%
5. Integrating Findings	7%
6. Tracking Performance	7%
7. Remedy	7%
8. Transparency	12%

UNGPs

The UNGPs presents all its principles with equal weight. The three key pillars of the UNGPs: policy commitment, due diligence and remedy, are presented as indivisible, interdependent and interrelated pillars without a hierarchy. The only way in which the UNGPs apply prioritisation is when it is not possible for an enterprise to address all adverse human rights impact immediately. In that case the UNGPs propose that companies should first seek to prevent and mitigate salient human rights risks.

Stakeholder consultations

Oxfam states the methodology should focus on policy as retail chains have to start from scratch. Hivos, added that high weighting should be applied to purchasing practices as this relates to a necessary change in thinking. RA states that the methodology should focus on collaboration in creating a level playing field, to overcome the downward price pressure of competition. GIZ and Oxfam stated that the biggest lever of retailers is their private labels. Moreover, Oxfam advised to award scores for three different phases. First, the know and show phase where companies report policy commitments and conduct pilots. In the second phase, companies take action in own supply chains. In the third phase, companies take action beyond their supply chain. By applying equal weighting to all three phases, retailers will be incentivised to start on the topic of living wages as they can receive relatively many points compared to the required resources to implement the steps.

Retail methodology

The retail methodology has integrated the input from the garment methodology, UNGPs and the stakeholder consultations in the weighting shown in table 19. Because the stakeholders emphasised the very early stage of the living wage discussion for retailers, similar to the garment methodology the first steps of the living wage implementation process are assigned a higher weighting. Because collaboration and the need to make living wages a pre-competitive issue was emphasised by the stakeholders these questions have been allocated with a relatively higher weight. With regards to the integrating findings question, retailers are incentivised to implement interventions that lie at the core of their business, by applying a stronger weighting to interventions that were deemed important by the stakeholders such as purchasing practices. Similar to the garment methodology, as time progresses the weighting will have to be adjusted to focus on further steps in the living wage implementation process.

Table 19: weighting retail methodology questions.

Questions	Weighting
Policy on most salient living wage risks	**50%**
1. Salient Risks	20%
2. Policy implementation	10%
3. Policy wage level definition	10%
5. Assessing Impacts	10%
Making living wages a pre-competitive issue	**30%**
6a. Purchasing practices	10%
6b. Government	3%
6c. Buying groups	3%
6d. Consumers	3%
6e. MSI's	10%
Improvement measures per worker category	**10%**
6f. Own employees	2%
6g. Salient living wage risk chains	4%
6h. Private label suppliers (waged workers & smallholders)	3%
6i. Other brand suppliers	1%
Other Questions	**10%**
4. Engagement	3%
7. Tracking Performance	3%
8. Remedy	3%

4.2 Question 2: Current living wage implementation by retailers

4.2.1 Level of living wage implementation

Table 20 shows the retailers' scores in percentages of each question in the retail. The main findings on each question are presented below.

Table 20: Score per question for each retailer's living wage implementation (% of total)

Question	Ahold	Tesco	Metro	Casino	Carrefour
Salient risk	14	17	5	11	3
Policy	0	20	10	10	10
Definition	18	32	20	18	46
Engagement	0	3	22	2	0
Assessing impacts	18	19	24	32	32
Integrating Findings	1	46	6	14	19
Tracking performance	0	17	0	0	23
Remedy	2	44	**2**	**0**	9
Total score	**7**	**31**	**9**	**14**	**18**

Cells in red represent reactive scores on the RDAP scale / score in the embryonic phase of the retail methodology
Cells in orange represent defensive scores on the RDAP scale / score in the developing phase of the retail methodology

Identification of salient living wage risks

Metro is the only retailer that assesses social risks in its own operations. However, Metro has not presented its findings and this social risk assessment only covers market competitive wages instead of living wages (Metro AG, 2019b). With regards to supply chains, Tesco is the only retailer that conducts due diligence on smallholder farmers' income for banana, tea, cocoa and coffee producers in its human rights approach. However, Tesco's living human rights approach is currently only rolled out in its UK operations and not its operations abroad (Tesco PLC, 2019).

Policy

In the identification of material issues, none of the retailers referred to living wages, but all of them identify issues related to living wages in their own operations and in their supply chains: e.g. wages, human rights and working conditions. The Key Performance Indicators (KPIs) developed by the retailers also do not cover living wages: for own employees retailers measure worker satisfaction, brand loyalty, market competitive wage, but not living wages. Moreover, the KPIs for the supply chain are based on the percentage of suppliers with social audits.

The retailers have designed different variable compensation structures of board members to strengthen commitment for sustainability and human rights. None of the retailers has included consideration of living wages in their remuneration strategy. Casino determines 10% of its variable compensation completely on external financial and sustainability indexes (Casino Group, 2018). Ahold and Metro complement calculating variable remuneration on the external Dow Jones Sustainability Index with their own metrics (Ahold Delhaize, 2019a; Metro AG, 2019a). Carrefour and Tesco completely define their own metrics to determine the variable compensation allocated for sustainability performance. Carrefour's focus is on environmental targets (Carrefour, 2018b) and Tesco bases 20% of its annual bonus based on strategic objectives including key stakeholder measures relating to customers, suppliers and colleagues .

Definition and assessing impacts

The social standards used by the retailers to audit suppliers only verify the payment of legal minimum wages and some dimensions related to wage: forced labour, child labour, Legal minimum wage, freedom of association and working hours. The retailers' own wage definitions in their code of conduct include some elements of the widely accepted living wage definition such as covering basic needs, no excessive working hours. Metro and Carrefour show recognition of the needs of their own employees and families. Metro revers to covering living expenses and additional disposable income for its own employees (Metro AG, 2012, p. 3). Carrefour mentions employee non-financial benefits to meet the needs of employees and their family (Carrefour, 2018b, p. 74). However, the retailers do not specify how they ensure this implementation.

Engagement

Generally, Casino and Carrefour report best on their stakeholder consultation by stating through what medium they engaged with different stakeholders and report general topics that were discussed. The other retailers do not report the issues discussed with external stakeholders, nor how these have been integrated in internal decision making. None of the retailer reported about engagement with external stakeholders on living wages, but some related topics were reported.

Metro scores relatively high because they reported on anonymous discussion on the implementation of freedom of association with labour representatives/trade union members, own employees and employees of third-party suppliers (Metro AG, 2019b). An interesting example of engagement with suppliers is the Tesco's supplier survey to measure the progress of its commitment to strong and open relationships with suppliers (Tesco PLC, 2018a). Carrefour adds an interesting clause in their contracts with suppliers that they can reach an external and internal mediator that addresses any questions that they may have (Carrefour, 2018).

Integrating findings

There are many interventions that retailers can implement to advance the payment of living wages. Table 21 shows the interventions considered in the retail methodology and the percentage scores of the retailer's on each intervention.

Table 21: Retailer living wage implementation per intervention in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Purchasing practices	0	13	0	6	18
Government	0	60	0	50	50
Buying groups	0	0	0	0	0
Consumer influence	5	5	0	25	25
MSIs	0	100	0	0	0
Own employees	0	0	100	100	100
Salient living wage risks	0	100	0	0	0
Private label suppliers	5	30	10	10	40
Other brand suppliers	0	0	0	0	0

Purchasing practices and Multi-Stakeholder Initiatives

Unfortunately retailers disclose very little about their purchasing practices, as this has an important influence on suppliers' capacity to pay living wages. Tesco reports prompt payment of suppliers as their strength as a result from their supplier survey (Tesco PLC, 2018a). Carrefour includes a clause in their code of conduct that they will not impose conditions on its suppliers that would prevent them from respecting their social requirements (Carrefour, 2010). None of the retailers reports on ethical sourcing through buying groups. Tesco is the only retailer who reports about two projects on salient living wage risks for tea and bananas in collaboration with MSIs (Tesco PLC, 2019).

Government

Only Casino commits to withdraw from lobbying against human and labour rights protections (Casino Group, 2018). Instead Metro and Ahold seem to actively steer policy making to represent their interest. Metro even published a position paper against the EU unfair trading practices directive. In this position paper, Metro refers to a study conducted on behalf of the European Commission in 2015 that concluded that there is currently no need to regulate unfair trading practices at EU level (Metro AG, 2016). This research terms the argumentation used by Metro to reject the meta-attitude in the legislative environment as the *adherence to another meta-attitude*. Tesco and Carrefour do not report on actively steering policy makers nor on refraining from influencing policy makers.

Buying groups

All retailers take part in one or more buying groups. Metro and Casino take part in buying group Horizon which stated in its press release that it will *"focus on moving away from purely transactional negotiations towards a collaborative, balanced and innovative type of negotiations*" (Horizon, 2018, p. 1). However, there is no information on how the buying group is implementing this vision, nor does it refer to living wages. However, none of the retailers report on efforts in collaboration with their buying group to improve purchasing practices in order to support living wages. Instead, it seems as if the retailers use buying groups to achieve lower prices from suppliers. For instance, the press release about the purchasing alliance between Tesco and Carrefour stated *"The Alliance will enable both companies to improve the quality and choice of products available to their customers, at even lower prices thereby enhancing their competitiveness"* (The Guardian, 2018).

Consumer Influence

The retailers employ some strategies to promote the sales of more ethically traded products. Tesco and Ahold employ so-called choice-editing by ensuring that all products in a certain product category are sold along more ethical standards (Ahold Delhaize, 2019a; Tesco PLC, 2018c). Carrefour and Casino sell products from the 'C'est qui le patron' label. Products with this label are developed especially for the label following consumer choices through a questionnaire that includes options to ensure producers are properly remunerated. However, none of the retailers reported the use of prominent shelf positioning to nudge and promote the sales of products that have been produced and traded with fairer wages for its suppliers. Nor do retailers report to make ethical products more affordable by adjusting their profit margin.

Approaches to implement living wages for specific worker categories

To enhance wages of own employees Metro, Casino and Carrefour report how they ensure that freedom of association and collective bargaining are respected and used (Carrefour, 2018b; Casino Group, 2018). Ahold and Tesco state that they support open dialogue, but do not elaborate how they protect the right of their employees to unionise and of collective bargaining, nor do they present issues raised by employees and how the company responded to these issues (Ahold Delhaize, 2019a; Tesco PLC, 2018c).

As only Tesco identified its commodities with its most salient living wage risks, Tesco is the only retailer that works on mitigating the non-payment of living wages for tea and banana workers through MSIs (Tesco PLC, 2019). The other retailers do present priority commodities, but do not present how these have been selected, nor do their special sourcing practices refer to living wages.

For own brand suppliers Carrefour, Metro and Casino provide training to their suppliers to enhance their ability to comply with their social standards. These trainings cover topics related to living wage such as building socially responsible management systems and complaints mechanisms. Moreover, Carrefour has developed the 'Good Factory Standard' as a tool to talk to suppliers and raise awareness of the importance of contractual terms (Carrefour, n.d.). Tesco and Carrefour show recognition of the limited capacity of suppliers to comply with imposed social standards. With regards to other brand suppliers, Casino is the only retailer that reports on dialogue with other brand suppliers, but does not report on the content of this dialogue (Casino Group, 2018).

Tracking performance

The retailers use different indicators to track how effective their implemented approaches are in improving wages of own employees towards a living wage. Tesco compares their worker's average pay to the market median (Tesco PLC, 2018c). Carrefour uses a KPI on social protection of employees which measures the percentage of countries in which Carrefour has implemented an action plan on health, safety as well as quality of life in the workplace (Carrefour, 2018b). Ahold refers to its associate engagement score which measures how they influence employees to i) have healthier lives, ii) have a more inclusive workplace and iii) develop their careers (Ahold Delhaize, 2019a). Metro uses qualitative assessment of the practical implementation of collective bargaining within its own employees (Metro AG, 2019b).

To measure the effectiveness of retailers' living wage implementation in supply chains, all retailers rely on supplier audits that verify legal minimum wages to measure whether their approaches result in improved wages. The amount of information disclosed about social audits differs per retailer. Ahold and Casino only reports their private-label suppliers in high-risk countries that passed their social audit (Ahold Delhaize, 2019a; Casino Group, 2018). Metro presents the number of suppliers that had a social BSCI audit (1,274), as well as the percentage that passed the audit. Moreover Metro provides basic information on the nature of non-compliance by reporting what deal-breakers have been identified in its non-food producers. However these deal-breakers do not cover wage related issues but focus on forced- and child labour, discrimination and occupational health and safety (Metro AG, 2019b). Tesco reports the percentage of its UK tier 1 suppliers in high-risk countries that were audited and the percentage for which critical non-conformances have been identified. Tesco does not specify the nature of these critical non-conformances (Tesco PLC, 2018a).

Carrefour presents the number of social audits per risk country, as well as the number of suppliers that were subject to their social auditing for the first time. The best practice shown by Carrefour is their reporting on the alerts identified per category of non-compliance that also cover compensation and working hours as shown in table 22 (Carrefour, 2018b). It should be noted that the percentage of alerts in relation to working hours as well as to compensation, benefits and conditions is higher in the suppliers actively supplying Carrefour than in the suppliers audited that do not supply Carrefour.

Table 22: Breakdown of Carrefour's audit alerts by category in 2017 in percentage of total alerts issued (Carrefour, 2018, p. 93).

Breakdown of alerts by category	**Potential production site**	**Active supplier**
Factory management system	9%	0%
Child Labour	3%	0%
Forced Labour	0%	0%
Discrimination and disciplinary practices	1%	0%
Freedom of association	1%	1%
Working hours	33%	39%
Compensation, benefits and conditions	27%	30%
Health and safety	26%	30%

Remedy

All retailers have a formal mechanism by which the company can receive complaints. However, Ahold, Metro, Casino and Carrefour do not state that their grievance mechanism can be used to report the non-payment of living wages. Only Tesco states that their grievance mechanism can be used to report any violation of human rights, but does not specifically state that living wages are included in their grievance mechanism (Tesco PLC, 2019). Whereas Tesco, Metro, Casino and Carrefour have made their grievance mechanisms accessible to their own employees as well as business partners or individuals involved with their operations, Ahold only operates a grievance mechanism for its own employees (Ahold Delhaize, 2019a). Only Tesco ensures that the grievances are assessed by an independent third party. Tesco and Carrefour are the only retailers who have shown efforts in promoting their grievance mechanisms (Carrefour, 2010; Tesco PLC, 2019). Tesco and Ahold are the only retailers that present some information about their received grievances. Ahold reports the number of grievances received and the percentage of anonymous grievances. The nature of the incidents raised and the type of remediation provided is not reported (Ahold Delhaize, 2019a). Tesco only provides one example of grievance made and the remediation (Tesco PLC, 2018a).

4.2.2 Implementation potential

Table 23 shows the implementation potential which indicates the amount of points that retailers were not yet able to obtain in the retail methodology assessment. When retailers improve their living wage implementation and reporting, retailers have the potential to obtain these points. The implementation potential is determined by a combination of the retailer's performance on a step in the implementation process and the weighting of that question. Table 23 shows that retailers have missed a lot of points on the following areas: Firstly, it is essential that retailers improve their score on the integrating findings question by implementing approaches to advance the payment of living wages. Secondly, retailers can improve their score of the salient risk question by focussing on the identification of their most salient living wage risks as their current risk assessment does not cover living wages. Thirdly, retailers can improve their score on the policy question by developing living wage policies for own employees and supply chain workers.

Table 23: Retailer implementation potential per question.

Implementation potential	Max points	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour	Average
Salient risk	20	17	17	19	18	19	**17,8**
Policy	10	10	8	9	9	9	**9**
Definition	10	8	7	8	8	5	**7,2**
Engagement	3	3	3	3	3	3	**3**
Assessing impacts	10	8	8	8	7	7	**7,6**
Integrating Findings	40	40	22	38	35	33	**33,6**
Tracking performance	3	3	3	3	3	3	**3**
Remedy	3	3	2	3	3	3	**2,8**

4.2.3 Living wage implementation per worker category

Table 24 shows the retailers' of living wage implementation percentage score for all indicators that were scored per worker category. From this can be concluded that retailers do not work on implementing living wages in other brand suppliers. Metro has obtained a few points because they state that their legal minimum wage requirement in their supplier code of conduct also applies to other brand suppliers (Metro AG, 2012). However Metro does not ensure that this is implemented by auditing.

Table 24: Retailer living wage implementation per worker category in %.

Implementation per worker category	Own employees	Salient risk groups	Private label waged	Private label smallholder	Other brand suppliers
Ahold Delhaize	8	16	3	3	0
Tesco	14	34	24	24	0
Metro AG	24	10	10	10	3
Casino	7	16	13	13	0
Carrefour	9	29	28	28	0
Total	**12**	**21**	**16**	**16**	**0,6**

Cells in red represent reactive scores on the RDAP scale / score in the embryonic phase of the retail methodology
Cells in orange represent defensive scores on the RDAP scale / score in the developing phase of the retail methodology

4.3 Question 3: Perception of beliefs attitudes and salience by retailers

This section presents how retailers perceived the engagement dialogue and rating. First, the shareholder's requests and the retailer's commitments are presented. Then, the alignment of beliefs and attitudes between the shareholder and the retailers are presented. This is followed by a presentation of the salience of the shareholder's requests as perceived by the retailers.

4.3.1 Shareholder requests and retailer commitments

The shareholder's requests were based on the shareholder's desired living wage implementation defined the retail methodology (A_{2norm}) and shareholder's view of the capability of the retailer to implement living wages (A_{2rv}) informed by the retailer's current scores. Table 25 shows the shareholder's requests and whether the retailer has made commitments in line with the shareholder's request (✓) or not (✕).

Table 25 shareholder's requests and commitments made by the retailers.

Shareholder request	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5
Integrate living wages in policy for own employees and develop a suitable KPI	✕	✕	✕	✕	✓
Integrate living wages in policy for supply chain workers and develop a suitable KPI	✕	✓ proactive	✓	✕	✓
Exert influence on social standards to integrate living wages in auditing	✓ proactive	?	?	✕	?
Make a commitment to improve wages towards a living wage by going beyond auditing	✕	?	✕	?	✓ proactive
Integrate measures beyond auditing to improve wages towards a living wage in sourcing practices of buying groups	✕	✕	✕	✕	?

✓= the retailer made a commitment in line with the shareholder's request

✕= The retailer did not make a commitment in line with shareholder request

✓ proactive = The retailer already had implemented living wages in line with the shareholder request before the engagement dialogue

?= The question was not mentioned in the engagement dialogue

Retailer 3 and 5 were the only retailers that made commitments based on the shareholder requests. Retailer 3 committed to mention living incomes in their social standard for their supply chains in relation to Sustainable Development Goal (SDG) 8 reducing poverty. On June 27th Retailer 3 shared its revised social standard in which it 'declares its ambition to work towards the paramount issue of ensuring a living income'. After first disagreeing on the shareholder's belief that Retailer 5 did not have a KPI on living wages. Retailer 5 later agreed that their current KPIs do not cover living wage risks and committed to revise its policies and KPIs to integrate this. Retailer 5 suggested to call with the shareholder in the beginning of July to discuss long term actions.

Some retailers had a proactive response to the shareholder's requests. These retailers already had implemented living wages in accordance with the shareholder's request prior to the engagement dialogue. For instance, Retailer 2 already included living wages for supply chain workers in their policy. Retailer 1 referred to their active role of the BSCI steering group and their work with RA to include living wages in the standard. Retailer 5 explained that they already conduct work beyond auditing to improve social conditions in their supply chains by developing good factory standards, developing trust with suppliers and collectively building on wages and the reduction of subcontracting.

Some retailers made commitments that were unrelated to the shareholder requests (B_C=B_D, B_C?, A_C=$A_{D,}$ A_C?). For instance when asked how Retailer 4 was exerting influence on social standards to include living wages, Retailer 4 committed to share relevant contacts with the PLWF so that the PLWF could promote living wages at ICS. However, this commitment by retailer 4 does not show commitment to exert its own influence on the standard. Another example is the commitment of retailer 2 to communicate more explicitly about what they already have implemented, rather than improving their implementation of KPIs in relation to living wages.

Another interesting trend in the response of retailers is the rejection of a request by providing arguments against a more ambitious request than the one presented by the shareholder. The research terms this phenomenon an '*other level rejection' (*A_C≠A_D, A_C?*)*. For instance, when retailers are asked to include an ambition towards advancing living wages in their policy, retailers provide arguments that reject their ability to guarantee living wages. However, guaranteeing is more ambitious than taking the first steps in improving living wages.

4.3.2 Alignment of beliefs and attitudes

According to Vandekerckhove et al. (2008) the retailers' commitments or the rejections of the shareholder requests are based on agreement or disagreement in the beliefs and attitudes of to the shareholder's request. First, the alignment between the shareholder and retailers on the beliefs and attitude levels operationalised in section 3.3 is presented. This will be followed by a classification of the retailers' postures according to Clarkson's (1995) RDAP scale.

4.3.2.1 Beliefs regarding retailers' living wage implementation

Table 26 shows the alignment between the shareholder and the retailers on the main beliefs as communicated in the engagement dialogue. The shareholder's belief of the retailers' current living wage implementation (B_1) is based on the retail methodology scores. The shareholder states that all retailers are exposed to living wage issues (B_2) without specifying the severity and scope of the issues. The shareholder based its belief of effective interventions to implement living wages ($B_{3effect}$) on its stakeholder consultations with sector experts and integrated this is the retail methodology. The shareholder does not communicate a belief of absolute ability of the retailers to implement living wages (B_{3aa}) as in practice retailers always have to balance resources between several issues. However, as the shareholder makes specific requests to the retailers, it implies the absolute viability (B_3) that the retailer has the ability to implement living wages accordingly. The key positions of the two actors on each belief are elaborated below.

Table 26: Alignment of beliefs between retailers and the shareholder regarding the retailer's living wage implementation.

Belief Code	Belief level	Statement	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5
B_1	Current implementation	The shareholder's reflection of the retailer's approaches to implement living wages in the retail methodology	≠	≠	≈	≈	**First ≠** **After =**
B_2	Issue exposure	Existence living wage gaps	=	=	=	≈	**First ≠** **After =**
B_3	Absolute viability	Retailers have the ability to implement living wages	≠	=	≠	≠	≈
Total Belief		Retailers are exposed to living wage issues and have the ability to implement mitigation approaches.	≠	=	≠	≠	=

= means that the retailer's belief or attitude is aligned with the shareholder's belief or attitude
≠ means that the retailer's belief or attitude is NOT aligned with the shareholder's belief or attitude
≈ means that the retailer's belief or attitude is not fully aligned nor fully nonaligned with the shareholder's belief attitude
First ≠ means that at the start of the engagement dialogue, the shareholder and the retailer had non-aligned beliefs/attitdes
After = mans that at the end of the engagement dialogue, the shareholder and the retailer had aligned beliefs/attitudes

Current implementation

Table 26 combines two types of the retailers' alignment with the shareholder's belief of current implementation i) alignment with the shareholder's view on their current living wage implementation ii) disagreements with how the retail methodology assesses retailers' living wage implementation.

Firstly, Retailer 5 was the only retailer who initially disagreed with the shareholder's presentation of its living wage implementation. Retailer 4 argued that they did have a KPI to track the payment of living wages for own employees and supply chain workers. After failing to support this belief of current implementation with examples, Retailer 5 changed its position and agreed that they currently did not have KPI's specifically on living wages.

Secondly, the retailers responded to many aspects of the way their current implementation is measured through the retail methodology. On the one hand, the retailers agreed with the focus on salient living wage risks and the assessing their living wage implementation *process* rather than the prescription of specific interventions. On the other hand, disagreements with the retail methodology concerned: i) the measurement of the weakest brand in the group, ii) the complexity of the methodology and iii) its reliance on reported information.

First, Retailer 1 stressed that the methodology only measures the weakest brand of the whole group. Moreover, Retailer 1 emphasised that the retail methodology scores do not acknowledge the size, markets and the context of each retail chain. For instance, the larger the retail chain, the higher the effort to implement an intervention and the higher the impact of the intervention.

Second, Retailer 2 (follow-up interview, June 12, 2019) argued that the retail methodology should be simplified and that *"simplicity will drive action in the company. Instead of a company looking at the methodology and being scared away by the complexity and not do anything at all.".* Retailer 4 stated that it is not up to companies to evaluate their performance, but that this should be done through science.

Third, all the retailers emphasised in the follow up interviews that the reliance of the retail methodology on reported information does not provide an adequate reflection of the retailer's living wage implementation. Retailer 1 argues that companies deliberately report only part of their living wage implementation because of: modest reporting culture, inability of general public to evaluate efforts, confidentiality and increased effectiveness behind closed doors. Next to deliberate choices to refrain from reporting, Retailer 4 argued that reporting is also limited by availability of time and resources. Instead, Retailer 2 argues that the only way a methodology can meaningfully reflect the living wage implementation by a retailer is through engaging with the retailer to assure their living wage implementation is adequately captured. However, Retailer 2 emphasised that there are so many rating methodologies, that retailers need to prioritise on which ratings they focus their time and effort. Retailer 2 (follow-up interview, June 12, 2019) stated *"when we are not engaged in the retail methodology score, it's scores will be less accurate and meaningful. It is up to you how comfortable you are with this"*.

Issue exposure

The shareholder's living wage engagement is also based on the belief that the retailer's own employees and workers in its supply chains are still exposed to the non-payment of living wages, despite the retailers' current interventions to address living wage issues. The shareholder did not make statements with regards to the severity and the scope of the living wage gaps in the retailer's own operations and supply chains, due to lacking transparency and available information.

Retailer 5 was the only retailer who initially rejected the shareholder's belief of current exposure by arguing that they adequately managed and monitored living wage issues. Later in the engagement dialogue Retailer 5 aligned with the shareholder's belief. Only Retailer 4 (follow-up interview, June 5, 2019) weakened its exposure to living wage gaps by arguing that *"Most products such as food and vegetables, come from companies in countries where we are doing business. So our only exposure to living wage gaps is textiles and we relatively don't sell much textiles. "*. However, this statement is incongruent (B= & B≠) with other statements Retailer 4 made in relation to the shareholder request. For instance Retailer 4 stated that aiming for living wages is not feasible because even the yellow jackets in France that are payed a legal minimum wage are not able to live a normal life. This statement shows its acknowledgement of living wage gaps in countries where it is doing business, whereas its previous statement denied the existence of living wage gaps in these countries. The other retailers were aligned with the shareholder's belief of their current exposure to living wage issues. The retailers did not elaborated on the scope and severity of their living wage gaps due to lack of information or confidentiality of suppliers' data.

There were two engagement dialogues where the shareholder mentioned their belief of a heightened exposure to living wage issues due to the retailer's collaboration in buying groups. However, in both cases, the retailers avoided to provide an answer and rejected this belief. Retailer 2 (follow-up interview, June 12, 2019) responded the following to a question on the issue of joint sourcing *"What would be a buying group exactly? Not to dodge the question, but do you mind if we look into that and get back to you later?"*. Retailer 1 rejected the shareholder's belief by arguing that in their buying group all the sustainability requirements are the same as when they source themselves. Even more, Retailer 2 stated that they are likely to drive greatest possible change where there is leverage. However, Retailer 2 did not explain how it was driving positive change through sourcing through buying groups.

Absolute viability

As explained in the operationalisation 3.3.2, the absolute viability of the shareholder is implied in its requests to the retailers. These requests imply the shareholder's belief that retailers have the absolute ability to implement their requests and that this implementation reduces or eliminates the retailers' exposure to living wage gaps.

Effectiveness dimension

Retailer 3 rejected the effectiveness of the approach advocated by the shareholder by arguing against the high weighting attributed to a living wage policy. For instance, Retailer 3 stated that they can easily put words in a policy but that the difficulty lies in implementation of such a policy. In this reaction Retailer 3 redirects the shareholder's approach focussed on living wage policy to another approach to a more effective approach focussing on the implementation of living wage interventions. This is illustrated by Retailer 3 (follow-up interview, May 17, 2019) stating "*I mean asking for the right things is the one thing, but how you implement it is the other thing.*".

Absolute ability

Retailer 2 is the only retailer that agrees with the shareholder's belief that the retailer has the absolute viability to implement living wages. Moreover, Retailer 2 already has two projects that are aimed at improving living wages for banana and tea workers. Retailer 2 states that they focus their energy and resources where they have the ability to drive positive change based on current relationships with suppliers. Retailer 5, does not strongly reject their absolute viability to implement living wages, but emphasised that they don't know the best way to address the non-payment of living wages.

On the other hand, Retailer 1, 3 and 4 reject their absolute viability to implement living wages. Often it was observed that the retailer avoided to reject the shareholder's absolute viability by *redirecting the locus of control* or providing *other level rejections*. The different types of arguments used by retailers to reject their absolute viability can be grouped in the following categories described below: redirecting to underlying issues, lack of knowledge, lack of leverage, lack of available resources.

External locus of control

All retailers avoided answering their own absolute ability by *redirecting the locus of control.* In this answer, retailers argue that other actors have a stronger ability to address the non-payment of living wages compared to them. However, stating another actor's ability does not explain why implementation is or is not in one's own absolute (B_{3aa}?) or relative ability (A_{2ra}?). Redirections of the locus of control neither are rejections of the normative responsibility, as these statements concern ability rather than responsibility. Table 27 presents a summary of the arguments presented by the retailers to *redirect the locus of control* to external actors.

Table 27: Arguments presented by the retailers to redirect the locus of control to external actors.

External locus of control directed to actor:	Redirected by:	Example of argumentation by retailer:
Social Standard organizations (BSCI, ICS)	All retailers	*"We cannot work with living wages because there are no standards that have adopted living wages in their standard. It is not to an excuse to say we cannot do anything about it. It is just why it is so difficult."* Retailer 3 (engagement dialogue, April 29, 2019)
Combination of stakeholders	All retailers	*"We want to be sure that we are steering in the right direction, but also that all the purchasers in the world steer into this direction. We want to collaborate and engage in an open discussion on what we can do. It will not be easy fixes, but a combination of different topics, companies, supply chain actors as well as legislation"* Retailer 5 (engagement dialogue, May 13, 2019) *"Maybe you can grade the state, to understand also what the states are doing? I think that right now you have people that think that companies can solve all issues. I don't think that is right, each of us we have to do our work and then we have to work together*" Retailer 4 (follow-up interview, June 5, 2019)
Other brand suppliers	All retailers	*"For other brand suppliers retailers have little control. It is better to focus on these brands living wage implementation through your other benchmark for Agri & Food companies"* (Retailer 2, follow-up interview, June 12, 2019)
Commodity traders	Retailer 1	*"We buy ready made products, the real negotiation on price is done by other stakeholders in the chain who trade in the commodities"* (Retailer 1, engagement dialogue, April 17, 2019)
Value chain actors directly paying producers	Retailer 3	*"Our value chains are long and we are not directly paying producers"* Retailer 3 (engagement dialogue, April 29, 2019)
Government / state	Retailer 4	*"Living wages is not a realistic goal to achieve between the company and the factory alone, instead should be looked at governments."* Retailer 4 (engagement dialogue, April 16, 2019)
Lagging countries	Retailer 4	*"How do you involve Chinese, Indian and American companies that are leading the world? Always the same stakeholders are engaged and I am not sure that people engage these companies. However, if we want to make a change in dealing with these kind of topics, not only leaders, but all competitors should be involved too."* Retailer 4 (follow-up interview, June 5, 2019)
Global organizations (ILO, UN)	Retailer 4	*"The only way to create a move is to work at the international law and the ILO and the UN*." Retailer 4 (follow-up interview, June 5, 2019)
Labour Unions	Retailer 4	*"Living wage is more a geographic issue than a supply chain issue. Therefore governments and labour unions need to make it work"* Retailer 4 (follow-up interview, June 5, 2019)
Financial market	Retailer 4	*"The financial market has a role to play. There is a dissonance on what we all try to achieve and in the end of the day what the financial market takes into account. All the topics that we*

		are dealing with right now have an impact on price" Retailer 4 (follow-up interview, June 5, 2019)
Smaller companies	Retailer 3	Smaller companies are better equipped to address living wages. To illustrate, Retailer 3 (engagement dialogue, April 29, 2019) stated *"It would be easier to look at us, who have 100 other things on our mind, after a small company has done it. For instance, Tony's was the perfect candidate with one commodity and full commitment. If you have blueprint of how it should be done, then you can look at other commodities."*
Individual brands in group	Retailer 1	*"Each brand has different markets and stakeholders. We cannot limit one that wants to move forward with living wages, when another one feels it cannot go forward"* (Retailer 1, engagement dialogue, April 17, 2019)

Other level rejection

When retailers use *another level rejection* ($B_{3C} \neq B_{3D}$, B_{3C}?), they reject their absolute viability as presented by the shareholder (B_{3C}) through rejecting their absolute ability of more ambitious interventions (B_{3D}). Therefore, the company's view on the absolute viability as intended by the shareholder remains unclear (B_{3C}?). For instance retailers would reject their ability to take the first steps towards improving living wages, by arguing that they are unable to guarantee living wages.

Redirect to underlying issues

Retailer 1 and 4 reject their absolute viability to implement living wages by *redirecting to underlying issues.* When a company redirects to underlying issues it argues that it is unable to address the issue raised by the shareholder before first addressing another issue. In this case Retailer 1 argues that they first need to work on the transparency of their supply chains and achieve clarity in the origin of their products before they can focus on living wages. Retailer 4 argues that they first need to work on the payment of legal minimum wages, before being able to address living wages. Retailer 4 stated that one third of their audit alerts is based on non-compliance with legal minimum wage which does not even consider living wages yet. Moreover, the retailers have not necessarily ruled out forced labour and child labour, before being able to focus on living wages.

Lack of knowledge

All retailers also refer to the lack of knowledge that limits their ability to implement living wages. For instance Retailer 1 (engagement dialogue, April 17, 2019) argues *"We first need to have the context clear. Living wage is combination of physical payments and benefits and everything. We feel that we can do it when we know what it will mean. But this is a dilemma of the chicken and the egg, because it is difficult to commit to something if you don't actually know what it means".* Moreover, Retailer 4 (engagement dialogue, April 16, 2019) stated "E*ven when there is a methodology that is supported by a lot of stakeholders, this methodology needs to be confirmed and updated regularly for accurate living wages.* Retailer 3 argued that they lacked knowledge on implementing living wages due to a lack of examples of successful implementation.

Lack of leverage per worker category

The retailers argue that due to the fact that they only source percentages as small as 1% of the total turnover from their suppliers they lack the leverage to be able to implement living wages. For instance Retailer 1 (engagement dialogue, April 17, 2019) stated *"We are a Small or Medium Enterprise per individual product like peanut butter, so our leverage is not big enough to directly change the issue"*. The retailers agreed that the retail methodology tailored possible interventions to the retailers' leverage with regards to each worker category. However, the retailers disagreed with the shareholder's perspective of their leverage of different worker categories.

All retailers strongly argued that they lack the ability to influence other brand suppliers, hence rejecting their ability of the interventions tailored to these workers. The retailers also rejected their ability to implement living wages for all private label suppliers due to their vast scope. Retailer 2 is the only retailer that agrees with their absolute viability to implement living wages for workers with salient living wage risks in their private label supply chains. Retailer 3 rejects their absolute viability to implement living wages for own employees by referring to the huge costs related to increasing wages of their large workforce. With regards to the scope of the worker categories of the methodology Retailer 2 (follow-up interview, June 12, 2019) advised to focus on two worker categories and stated *"Focus on where retailers are going to have most leverage. This can be fair wages of own employees and salient risks in private labels".*

Lack of available resources

Retailer 3 rejected their absolute viability due to the availability of insufficient resources to implement living wages. Retailer 3 (engagement dialogue, April 29, 2019) argued their inability to absorb the cost of implementing living wages in relation to competition by stating *"We have not gone into living wages, exactly because of competition. The pure cost element is quite strong, although we also have our eyes on reputational risk"*. Retailer 3 argued that the living wage gap and the costs to be covered are big. Retailer 3 (follow-up interview, May 17, 2019) agreed with their responsibility to implement living wages (A_{2norm}), but stated "*It is more about how feasible and how quickly is it possible. And that very much depends on the maturity of the company, the willingness or the resources within the company etc*.". Moreover Retailer 3 (engagement dialogue, April 29, 2019) stated *"we need internal commitment to get the picture straight"* and elaborated that the CSR team first needs to get the task to assess living wage gaps before they are able to improve it. Also Retailer 4 (follow-up interview, June 5, 2019) emphasised that shareholders should take into account the absolute viability of a company and stated "*It is good also to first evaluate the capacity of a company to work on what your fundamental idea of living wage requires*". It should be noted that the *availability* of resources differs from a company's *allocation* of resources to an issue based on a company's level of priority to the issue in comparison to other issues. The allocation of resources based on priority affects a company's relative ability as explained in section 4.3.2.2.

4.3.2.2 Attitudes regarding retailers' living wage implementation

Table 28 shows the alignment between the shareholder's and the retailers' main attitudes with regards to the retailers' living wage implementation. The definition of living wages in the retail methodology represents the shareholder's norm definition (A_1). Through this definition of living wages, the shareholder argues that the non-payment of living wages is an issue that should be prevented, resolved and mitigated. The indicators of the retail methodology define the shareholder's normative dimension (A_{2norm}) of responsibility attributed to retailers to implement living wages (A_2). When making requests to the retailers the shareholder acknowledges the retailers' relative viability (A_{2rv}) to implement living wages whilst balancing its resources with other issues. Therefore, the shareholder's requests to the retailers represent the shareholder's attribution of responsibility (A_2). The shareholder advocates that retailers should implement living wages through the approach outlined in the retail methodology (A_3).

Table 28: Alignment of attitudes between retailers and the shareholder regarding the retailers' living wage implementation.

Attitude Code	Attitude level	Statement	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5
A_1	Norm definition	Living wage definition	≈	=	≈	≠	≈
A_2	Attributed responsibility	Retailers should implement living wages	≠	=	=	≠	=
A_3	Approach	Retailers should implement living wages according to the retail methodology	≠	≠	≠	≠	?
Total attitude		Retailers have the responsibility to implement mitigation approaches to living wage issues	≠	=	=	≠	=

= means that the retailer's belief or attitude is aligned with the shareholder's belief or attitude
≠ means that the retailer's belief or attitude is NOT aligned with the shareholder's belief or attitude
≈ means that the retailer's belief or attitude is not fully aligned nor fully nonaligned with the shareholder's belief attitude
? means that the retailer's belief or attitude could not be determined

Norm definition

The shareholder's norm definition (A_1) argues that the non-payment of living wages according to their methodology is an issue that should be resolved. The shareholder's living wage definition includes the following elements: it should cover Basic Needs for a person and his/her family. Basic needs consist of food as well as non-food costs (housing, clothing, education and healthcare) and some discretionary income. It also includes a vision on the relationship between excessive overtime and wages. The shareholder refers to external consensus on this attitude by referring to the Anker methodology and other stakeholders that endorse this definition.

Retailer 2 expressed support of the shareholder's recognition of elements of the living wage definition in its rating, rather than prescribing the term living wages to the retailers. Retailer 5 did not communicate a specific concern with the shareholder's living wage definition, but stated that they had not found the best way to define living wage yet.

Retailer 1, 2, 3 and 4 argued that only measuring wage is not a complete reflection of the situation and argue that the discussion should include other types of benefits next to wage itself. This response is categorised as a *redirection of the norm definition* ($A_{1C}≠A_{1D}$). For instance, with regards to own employees Retailer 1 stated that they are the only retailer that pays pensions and that pushback from unions often relate to benefits next to wages. With regards to supply chain workers, Retailer 3 argued that their role can relate to various issues aside from only paying living wages ranging from health and safety issues to building schools.

Another argument to disagree with the shareholder's norm definition used by Retailer 1, 3 and 4 is the rejection of external consensus. These retailers argued that the Anker definition of living wages is not applicable in their specific context. For instance, Retailer 1 agreed with the shareholder's living wage definition as a concept, but argued that it was not applicable in the retail sector with unskilled part time labour. Retailer 1 (engagement dialogue, April 17, 2019) stated *"We are still searching for a way to implement living wags in the retail sector. Living wage is there as a concept, but it is still undefined how it really works in retail as retail is really a different world. I am also here to listen and have a question to you: do the definitions fit the type of work?".*

Lastly, Retailer 4 (follow-up interview, June 5, 2019) distanced itself from the concept of living wages by stating "*we have the concept of living wage, but it is not used for farmers. However, in the discussion is alive* for the remuneration of French producers".

Attribution of responsibility

The attribution of responsibility has a normative responsibility and a relative viability dimension. The normative responsibility of the shareholder is represented in the retail methodology. This methodology entails the shareholder's view of retailers' responsibility to implement living wages in relation to other actors, apart from ability (e.g. government and social standards organizations). The shareholder's view of the relative viability of the retailers is reflected in its requests to the retailer (**section 4.3.1**) and was based on the retailer's score on implementation.

Acceptance of attributed responsibility

Retailer 2 and 5 both showed their agreement with their attributed responsibility to implement living wages in a different way. Retailer 2 showed this by its projects that are already aimed at implementing living wages in their supply chains. Retailer 5 did simply not state arguments that reject their responsibility to implement living wages and committed to revise their policy accordingly.

Reject normative responsibility

Whereas the retailers align on the norm definitions that living wages should be payed, Retailer 1 and 4 rejected that the normative responsibility to implement living wages lies with them as retailers. The shareholder focusses on retailers' purchasing practices and codes of conduct for the implementation of living wages. However, the retailers used three types of institutional denial (discretionary, legal, economic) as identified by Vandekerckhove et al. (2008) to reject the normative responsibility of their attributed responsibility. Moreover, the retailers were more focussed on other actors such as the state and social standards that should implement living wages as shown by their arguments redirecting to an external locus of control presented in section 4.3.2.1.

Discretionary-, legal- and economic institutional denial

Retailer 1 and 4 used discretionary institutional denial by arguing that there is no consensus in society that they should take responsibility for implementing living wages. For instance, Retailer 4 argues that ten years ago after Rana Plaza a lot of people were discussing social conditions, but now climate change is more important for a lot of stakeholders. Moreover, Retailer 1 argues that consumers don't want living wages as their data shows that consumers only focus on price, quality and food safety.

Retailer 4 strongly relied on legal institutional denial to reject their attributed responsibility to implement living wages. Retailer 4 often referred to their responsibility to follow the law and emphasised that the French debate centres around the due diligence law, where living wages are not part of according to Retailer 4. However, the shareholder does not consider recognition of living wage risks to be included in the due diligence law. Hence, because of the different interpretation of the due diligence law by Retailer 4, the shareholder's use this law as a meta-attitude is not effective.

The economic institutional denial was used by Retailer 1 to reject their attributed responsibility to implement living wages. In this regard, Retailer 1 argued that it is not their role to negotiate about living wages with their suppliers as well as bargaining for a lower total price. Moreover, Retailer 1 asked why they should have a KPI for own employees that measures their wage in relation to living wages when it is more useful for the company's performance to look at the commitment of employees to work for the company.

Rejecting relative viability dimension

Retailer 1, 3 and 4 rejected the relative viability dimension of their attributed responsibility. The main argument for this rejection was the rejection of its implied absolute viability as presented in section 4.3.2.1. Next to the rejection of absolute viability, an important argument to reject relative viability used by Retailer 1 and 4 was the *redirection of the level of priority* to implement living wages.

When a retailer redirects priority, it argues that its attributed responsibility to address the issue raised by the shareholder, is lower than their responsibility to address another issue. A redirection of priority cannot be tested factually but entails a subjective evaluation of the salience of multiple issues that a company is facing. Companies can reject their level of responsibility by redirecting the advocated level of priority without necessarily rejecting any of the other beliefs and attitudes presented by the shareholder. In this case, Retailer 1 argued that living wages were not identified as a salient issue in their UNGP due diligence analysis. Retailer 1 had a higher level of priority on promoting healthy consumption. Retailer 4 argued that they have to prioritise environmental sustainability. As mentioned in section 4.3.2.2. when a company argues that an issue has a low level of priority, this limits the time and resources it allocates to address the issue. In turn this limits the absolute viability of the company to address the issue within the boundaries of the resources allocated to it.

The rejection of relative viability does not necessarily correspond with a rejection of the normative responsibility. This is demonstrated by Retailer 3 (follow-up interview, May 17, 2019), who agreed with their normative responsibility to implement living wages whilst rejecting their relative viability to do so by stating "*It is more about how the companies will be able to live up to it. It is more on the implementation now, since there is no right or wrong about hey do we actually want to treat our employees fairly, hey do we want to pay our supply chain fairly."*. Retailer 3 (follow-up interview, May 17, 2019) perceived the attributed responsibility in the engagement dialogue as adequate by stating *"I would consider us a quite good representative in the sector and we were just fine with the challenges and discussion presented. It was good that when we played back our concerns these were taken up by you."*.

Approach

With regards to the approach on how to implement living wages, all the retailers were aligned with the shareholder's focus on salient living wage risks. However, Retailer 1 argued that current approaches to implement living wages would increase inflation and result in job losses up to 45% due to more efficient use of labor and robotization. Retailer 1 adheres to the norm definitions that define inflation and job losses as issues that should be resolved and mitigated. Therefore, Retailer 1 argues that although implementing living wages may decrease its exposure to living wage gaps, its undesirable effect on its exposure to other issues makes it irresponsible to implement living wages according to current approaches.

4.3.2.3 Response categories of retailers on the RDAP-scale

The response of the retailers to the shareholder's request presented above can be categorised as Reactive, Defensive, Accommodative and Defensive according to the RDAP-scale by Vandekerckhove et al. (2008). Retailer 1 and 4 have a reactive response [B=, A≠] to the shareholder request and disagree with the attitude that they should advance living wages. Their disagreement in attitude is based on the argument that living wages are currently not their priority or most salient issue compared to other issues. Retailer 3 had a defensive response on the RDAP scale [B≠, A=], because Retailer 3 agreed with the shareholder's attitude that living wages should be implemented by retailers, but disagreed with the belief that they had the ability to improve living wages. Retailer 5 changed from a defensive response to the shareholder's requests towards an accommodative response [A=,B=]. Retailer 5 already agreed with their attributed responsibility to implement living wages and withdrew their conviction that they already adequately managed living wage issues. Lastly, Retailer 2 had a proactive response [B=, A=], since it agreed with the beliefs and attitudes of the shareholder and already had implemented living wages in its supply chains in accordance with the shareholder's request prior to the engagement dialogue.

4.3.3 Shareholder Salience

This section presents how the retailers perceived the salience of the shareholder request with regards to each attribute: power, legitimacy and urgency.

4.3.3.1 Power

Table 29 shows an overview of the retailers' perceptions of the power of the shareholder's requests.

Table 29: Overview of the retailers' perceptions of the power of the shareholder's requests.

Attribute	**Sub-attribute**	**Retailer 1**	**Retailer 2**	**Retailer 3**	**Retailer 4**	**Retailer 5**
Power	Utilitarian	-	-	-	-	-
	Coercive	-	-	-	-	-
	Normative	+	+	+	+	?

\+ means a positive contribution to the salience of the shareholder's request
\- means a negative influence on the salience of the shareholder's request
+/- means both a positive and negative influence on the salience of the shareholder's requests
? means that the influence on the salience of the shareholder's request could not be determined

Utilitarian power

Retailers perceive no consequences for their access to finance when they do not implement living wages. In the engagement dialogue the shareholder did not threatened to divest, nor did the retailers perceive the use of utilitarian power in the shareholder's requests. This has a negative effect on the priority that retailers give to the shareholder's requests. Retailer 4 (follow-up interview, June 5, 2019) even calls upon shareholders to use utilitarian power by stating *"The financial market has a role to play. There is a dissonance on what we all try to achieve and in the end of the day what the financial market takes into account. All the topics that we are dealing with right now have an impact on price"*. Retailer 1 (follow-up interview, may 5, 2019) described it is not worried about the use of utilitarian power by shareholders by explaining that shareholders are unable to use utilitarian power *"Because it is still not known how living wages have to be reached, responsible investors do not divest based on this".*

Coercive power

The shareholder did not mention an intention to use its formal shareholder rights in any of the engagements, nor did the retailers perceive the use of coercive power in the shareholder's requests. Therefore retailers did not perceive consequences in shareholder resolutions, voting or other shareholder rights that could force them to implement living wages. This negatively influenced the shareholder's living wage requests. The retailers argue that shareholders should align their engagement with the use of coercive power, for instance Retailer 2 (follow-up interview, June 12, 2019) argues *"We generally agree that investors should back up their engagement goals with other actions e.g. resolutions, voting, divesting. However generally we see that this is not the case*".

Normative power

In the engagement dialogue, the shareholder made use of several strategies to enact normative power over the retailers and affect their reputation. Firstly, the shareholder mentioned its intention to report the retailers scores on the retail methodology. Secondly, the shareholder announced a conference after the summer at which they aim to share their findings and learnings. Thirdly the shareholder proposed to send a letter to the board in the engagement with Retailer 3. Most retailers perceived these strategies to have an influence on their reputation which contributes to the prioritisation of the shareholder's living wage requests by the retailers to prevent reputational damage. However, the shareholder did not ask questions at the AGM of the retailers, whereas another shareholder asked several questions about living wages at the AGM of Retailer 1 which affected their reputation.

Retailer 2 stated that retailers pay close attention to rankings to prevent reputational damage, moreover Retailer 1 (follow-up interview, may 5, 2019) argued that *"The publication of the ratings can help to bring attention to the topic of living wages in the sector".* Retailer 4 supported the idea that retailers are willing to invest time and resources to protect their reputation. Retailer 4 explained that there is demand for external services to help retailers improve their score on benchmarks against a fee.

4.3.3.2 Legitimacy

Table 30 shows an overview of the retailers' perceptions of the legitimacy of the shareholder's requests.

Table 30: Overview of the retailers' perceptions of the legitimacy of the shareholder's requests.

Attribute	Sub-attribute	**Retailer 1**	**Retailer 2**	**Retailer 3**	**Retailer 4**	**Retailer 5**
Legitimacy	Individual	-	-	+	-	+
	Organizational	-	+/-	+/-	+/-	+/-
	Pragmatic	-	-	-	-	+
	Societal	-	+	+	-	+

\+ means a positive contribution to the salience of the shareholder's request
\- means a negative influence on the salience of the shareholder's request
+/- means both a positive and negative influence on the salience of the shareholder's requests
? means that the influence could not be determined

Individual legitimacy

The shareholder built its credibility on living wage implementation through conducting stakeholder consultations. Moreover the shareholder has built up experience on living wages in the garment sector. Retailer 3, 4 and 5 show acknowledgement of the shareholder's expertise, whereas Retailer 1 and 2 deny the individual legitimacy of the shareholder. The shareholder rarely refers to its built up experience with regards to living wages in the retail sector to strengthen its individual legitimacy.

Retailer 3 (follow-up interview, May 17, 2019) directly confirmed the individual legitimacy in the interview, by stating "*To be honest, I think you have the credibility you are longing for as you have the feedback of other stakeholders as objective third parties, that's just fair*". Retailer 5 acknowledged the individual legitimacy of the shareholder by asking for input and feedback on the formulation of an adequate KPI for living wage performance.

Whereas Retailer 1 recognises that the shareholder's knowledge about living wages through its stakeholder consultations, Retailer 1 rejects the shareholder's individual legitimacy by arguing that the shareholder does not know enough about the specific context of the company. Retailer 4, rejected the individual legitimacy of the shareholder by *redirecting to underlying issues* and explained that the shareholder's engagement of living wages does not recognise the prevailing underlying issues with legal minimum wage. Retailer 2 (follow-up interview, June 12, 2019) rejects the individual legitimacy of the shareholder by pointing to NGOs like Oxfam as more knowledgeable actors by stating *"Maybe it should not be the role of shareholders to set and discuss the details of Retail living wage implementation, but that it is NGOs as Oxfam that have much expertise with regards to the specific issues with for example smallholders own brand suppliers."*

Organizational legitimacy

Achmea IM is a credible and respected member of the shareholder community with 130 billion AUM, making them the seventh largest asset manager in the Netherlands. In 2020 Achmea IM's AUM will increase to 160 billion. The stake of Achmea IM invested in the retailers from high to low goes from 0.47% of Retailer 1's market cap owned by Achmea IM, followed by Retailer 5, 2, 4 and finally 3 where Achmea IM owns 0,03% of the market cap. The shareholder has used consistent messaging with the respective retailers over email. However, in the engagement dialogue the shareholder does not reference its legitimate claim on the company or prove its aligned interests due to its stake in the company.

Only Retailer 1 (engagement dialogue, April 17, 2019) denied the organizational legitimacy of the shareholder by stating that *"two thirds of our shares are US shares whose owners attach much value to dividend than this living wage issue"*. The other retailers did not refer to the stake of the shareholder in their company, or its relative stance in the investment community in their response to the shareholder's requests or in the follow up interviews. For these retailers it seems that the relative stake in the company is not a highly influential factors in the effectiveness of the shareholder's engagement. This is confirmed by the commitment made by Retailer 3 made in line with the shareholder's request despite the shareholder's smallest relative stake in the company.

Pragmatic legitimacy

Achmea IM can convey pragmatic legitimacy by providing strong arguments why the proposed action is in the interest of company and by providing the company with new information. The shareholder provides the retailers with new information through sharing its assessment of their performance on the retail methodology, explaining trends in the market and providing comparative examples of sector peers. Whereas the retailers often ask for sector examples, the shareholder does not often provide sector examples to strengthen its requests.

To argue that the implementation of living wages was in the interest of the company, the shareholder referred to the company's identification of the materiality of the issue and possible efficiency and reduced strikes through living wage implementation. Moreover, the shareholder called out dissonance in a company's own statements. For instance the engagement practitioner (engagement dialogue, May 13, 2019) pointed to inconsistency of Retailer 5 by stating *"The reason why I ask: what I really think is good about Retailer 5: you explicitly state that you want wages to cover basic needs. But if I look at your KPIs I do not see KPIs for living wage."* The shareholder also motivated the retailers to communicate more clearly about their current implementation as the recognition of their efforts will be in their interest. The shareholder also links its requests to the company's current strategy to show its requests are in the company's interest. For instance the engagement practitioner (engagement dialogue, May 13, 2019) told Retailer 5 that *"the food transition can also be linked to living wage, as price setting for specific organic products and creating trusted relationships with organic producers also supports living wages."*

Retailer 5 accepted the shareholder's arguments that implementing living wages was already in line with their current strategy and it would be in their interest to communicate these efforts linked to living wage KPIs.
However, Retailer 2 argued that the retail methodology scoring is a burden of time and resources whereas it does not entail new information, as there are already similar benchmarks available. Retailer 1, 3 and 4 did not perceive their interest in implementing living wages according to the shareholder's request, as they consider it a big cost and hampering competition. To illustrate, Retailer 3 (follow-up interview, May 17, 2019) explained that *"As long as there is no document that includes figures and numbers in a very classical way, the board will have difficulty to assess the business case. To me the business case is clear because I can think in reputational risks even if I don't put a dollar sign behind it, or in efficiency and those categories.".* Retailer 3 explained that while they do keep reputation into account, the pure cost element of implementing living wages is still very strong. Retailer 1 (follow-up interview, may 5, 2019) rejected the business case of reduced worker strikes as follows *"The business case of worker strikes can be misinterpreted. The benefits package offered to the workers on strike was better than the market. However the workers were unionised. Hence unionisation can form a risk"*. Moreover, Retailer 1 rejects the reputational business case by stating that consumers are not aware of or do not grasp the living wage issue.

Societal legitimacy

To convey that the shareholder's requests embody a position widely accepted in society, Achmea IM based its assessment of the retailers on the widely accepted UNGPs. In dialogue with the French retailers, the shareholder referred to the due diligence law as relevant regulation in France. Only in the engagement with Retailer 1, the shareholder (engagement dialogue, April 17, 2019) referred to living wages as human right by stating *"I think from a normative point of view: Living wage is human right just like any other issue such as forced labour or child labour"*. One time the shareholder argued for the societal legitimacy of living wages, by referring to their implementation by sector peers.

On the one hand, Retailer 2, 3 and 5 accepted the societal legitimacy of the living wage requests of the shareholder. Retailer 2 proactively recognised that societal actors support the implementation of living wages. Retailer 5 accepted the societal legitimacy of living wages in response to the shareholder's argument that Retailer 5 already identified supplier and employee relations and working conditions as a material issues. Retailer 3 recognised the societal legitimacy of implementing living wages and referred to the state's inclusion of this issue in its National Action Plan (NAP).

On the other hand, Retailer 4 (follow-up interview, June 5, 2019) rejected the societal legitimacy of living wage implementation by stating that *"Living wages are not a hot topic of our main stakeholders. Instead the French debate centres around the due diligence law, where living wages are not part of"*. Hereby, Retailer 4 rejected the shareholder's meta-attitude that shows consensus on living wage implementation by interpreting that living wage implementation is not covered by this law. Moreover, Retailer 4 explained that there is a political debate about where Retailer 4 has a role to play and there are strikes and fights between CEOs and workers over wages. Lastly, Retailer 1 and Retailer 4 argued that there is a dissonance in the acceptance of living wage by societal actors. Retailer 1 (follow-up interview, may 5, 2019) explains that *"Government supports living wages by word, but not with actions"* and Retailer 4 (follow-up interview, June 5, 2019) argues that *"If you ask people if they want producers to be well payed they say yes. But if you ask people to pay three times more for the products they say no."* Thereby the retailers argue that there is no real societal support for the implementation of living wages.

4.3.3.2 Urgency

The shareholder requests is urgent when the retailers perceive the requests to be time sensitive and critical to the shareholder. Table 31 shows an overview of the retailers' perceptions of the urgency of the shareholder's requests.

Table 31: Overview of the retailers' perception of the urgency of the shareholder's requests.

Attribute	Sub-attribute	**Retailer 1**	**Retailer 2**	**Retailer 3**	**Retailer 4**	**Retailer 5**
Urgency	Time sensitivity	**-**	**-**	**+**	**-**	**+**
	Criticality	**-**	**-**	**-**	**-**	**?**

\+ means a positive contribution to the salience of the shareholder's request

\- means a negative influence on the salience of the shareholder's request

+/- means both a positive and negative influence on the salience of the shareholder's requests

? means that the influence on the salience of the shareholder's request could not be determined

Time sensitivity

The shareholder made its requests time sensitive by inviting the retailers to a conference after the summer. At this conference the shareholder would share its learnings on living wages in the garment and retail sector. Retailer 3 was the only retailer that showed concern with regards to the time sensitivity created by the conference. In the follow up interview, Retailer 3 (follow-up interview, May 17, 2019) asked for prolongation of their final score before the conference by stating "*We will be going forward more straight and more explicit about living wage in the next couple of weeks. Not months but literally weeks. What I'm asking, before you actually close the assessment of Retailer 3 now, if we could ask you to have a look at our progress or have another conversations once we completed our policy revision*". Whereas time sensitivity also contributed to the shareholder salience in the engagement with Retailer 5, the time pressure was not created by the shareholder. Instead, Retailer 5 created their own deadline by proposing a call with the shareholder after two months. On the other hand, Retailer 2 did not communicate recognition of the time sensitivity of the shareholder requests. Even more, Retailer 1 and 4 explained their prioritisation of other issues over living wages.

Criticality of shareholder request

To show the criticality of its requests the shareholder showed persistence in its engagement through follow up interviews and announcing engagement dialogue for subsequent years. Moreover, the shareholder showed willingness to apply resources by developing and assessing the retail methodology and investing time to meet in person at the company's headquarters in the case of Retailer 1 and 3. In some cases where the retailers did not agree with the shareholder's beliefs and attitude, the shareholder (engagement dialogue, April 17, 2019) made use of an assertive tone to show the criticality of its requests. To illustrate, the shareholder stated *"You cannot say: we cannot move because of margins, so others should move. You should be able to have a clear roadmap with what you can do. You need clear insight of where risks are in your supply chain, start pilot projects, work together and lobby governments to move topics forward"*. The assertive tone was not used towards Retailer 2, because Retailer 2 showed agreement with many of the shareholder's beliefs and attitudes in the engagement.

However, the retailers did not perceive the shareholder request as critical by stating a lack of willingness on behalf of the shareholder to apply resources. The retailers acknowledge that the shareholder applied resources in its engagement and the development of the retail methodology. However, the retailers argue that the shareholder does not seem prepared to compromise on dividends to enable retailers to implement living wages.

4.4 Propositions

Proposition 1: Relationship individual level posture and organizational level performance

Table 32 also show that retailers' scores on the retail methodology at the organizational level generally score lower on the RDAP scale compared to the retailers' posture at the individual level. Retailer 2, 3 and 5 all perform better at the individual level, than at the organizational level. For instance, Retailer 2's posture agrees with the shareholder's living wage definition, however a less stringent definition is employed in its own code of conduct and auditing process. Therefore the proposition that a company's posture at the individual level is an indication of a company's performance at the organizational level is not confirmed. Instead can be concluded that the posture at the individual level often reflects a higher social performance than the approaches implemented at the organizational level.

Table 32: comparison between retail score on the retail methodology at the organizational level and retailers' posture towards the shareholder's request at the individual level.

Retailer	Score Rating	Posture
Retailer 1	Reactive	Reactive [B=, A≠]
Retailer 2	Defensive	Proactive [B=, A=]
Retailer 3	Reactive	Defensive [B≠, A=]
Retailer 4	Reactive	Reactive [B=, A≠]
Retailer 5	Reactive	First: Defensive [B≠, A=] After engagement: Accommodative [B=, A=]

Proposition 2: effective engagement through aligned beliefs and attitudes

The results in table 33 do not fully confirm the second proposition that companies with aligned beliefs and attitudes with the shareholder make commitments in line with the shareholder's requests. An unexpected finding was the commitment made by Retailer 3, despite disagreeing with absolute viability to address the non-payment of living wages. Therefore, the alignment in attitudes determined commitments made by retailers, rather than aligned beliefs, as well as attitudes. Another contradiction to the proposition was the lack of new commitments made by Retailer 2, despite its agreement with the shareholder's beliefs and attitudes. On the other hand, the observed absence of commitments by Retailer 1 and 4 is in line with the proposition, as Retailer 1 and 4 both have a reactive response to the shareholder's request.

Table 33: Comparison between alignment in beliefs and attitudes with commitments made in line with shareholder's requests.

	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5
Response category	Reactive [B=, A≠]	Proactive [B=, A=]	Defensive [B≠, A=]	Reactive [B=, A≠]	Accommodative [B=, A=]
New commitment made	✕	✓ proactive	✓	✕	✓

✓ means that the retailer made a commitment in line with the shareholder's request

✕ means that he retailer did not make a commitment in line with shareholder request

✓proactive means that the retailer already had implemented living wages in line with the shareholder request before the engagement dialogue

Proposition 3: effective engagement through shareholder salience

Table 34 shows that the five cases analysed in this research confirm the third proposition that companies make commitments in line with the shareholder's requests when the request is perceived to have power legitimacy and urgency. Retailer 1, 2 and 4 perceived the shareholder's requests to have relatively little salience with no more than two salience sub-attributes identified to have a positive influence on the shareholder's salience. In accordance with shareholder salience theory, the retailers did not make commitments in line with the shareholder's requests. On the other hand, Retailer 3 and 5 perceived the shareholder requests as relatively salient with four salience sub-attributes identified to have a positive influence on the salience of the shareholder request. In accordance with salience theory, these retailers made a commitment in line with the shareholder's request.

Table 34: Comparison of shareholder salience with commitments made by retailers in line with shareholder requests.

	Retailer 1	Retailer 2	Retailer 3	Retailer 4	Retailer 5
Sub-attributes with positive contribution to salience	1	2	4	1	4
New commitment made	×	✓ proactive	✓	×	✓

Proposition 4: Relationship between Vandekerckhove et al. (2008) and Gifford (2010)

The proposition that the exercise of salience strategies can increase the effectiveness of engagement despite disagreements in beliefs and attitudes cannot fully be confirmed. The exercise of salience has a different effect on companies with a reactive response than on companies with a defensive response on the RDAP scale. In accordance with the proposition, companies with a defensive response on the RDAP scale [B≠, A=] were susceptible to the exercise of salience by the shareholder. This is supported by Retailer 3's commitment in line with the shareholder's request, after the shareholder exercised salience strategies. In contrast with the proposition, companies with a reactive response [B=, A≠] to the shareholder request were not susceptible to the exercise of the shareholder's salience strategies as they did not make commitments in line with the shareholder's requests. This was supported by the lack of commitments from Retailer 1 and 4 with a reactive response to the shareholder's request after the use of salience strategies by the shareholder.

4.5 Additional factors influencing the effectiveness of engagement

Individual level

This research also observed indications of additional factors that could influence engagement effectiveness other than shareholder salience and the company's posture towards the content of the shareholder's request. Culture could possibly influence engagement effectiveness at the individual level, as engagement practitioners selected companies from similar cultures for engagement based on experienced difficulty to change postures of company representatives from other cultures. Another factor influencing individual level effectiveness could a company's disagreement with the shareholder's posture at the basis of its engagement. Disagreements voiced by the retailers on the shareholder's posture towards its engagement are presented in table 35.

Table 35: The shareholder's beliefs and attitudes about its living wage engagement

Attitude code	**Belief level**	**Shareholder's attitude**	**Retailers**
A_1	Norm definition	Having companies in our investment portfolio that are linked to the non-payment of living wages is an issue that should be prevented and mitigated.	**?**
A_2	Attribution of responsibility	The respective companies have the main responsibility to implement approaches to implement living wages. The shareholder has the responsibility to point retailers to their responsibility.	**≠**
A_3	Approach	The issue should be prevented and mitigated through creating a living wage benchmark to engage retailers on living wage implementation.	**≠**
Belief code	**Belief level**	**Shareholder's belief**	
B_1	Current implementation	As a shareholder we currently engage with companies on living wages to implement living wages in our investment portfolio	**?**
B_2	Issue exposure	As a shareholder we are still *exposed* to living wage issues in our investment portfolio through investments in retail chains despite *current implementation* of engagement dialogue.	**=**
B_3	Absolute viability	As a shareholder have the *absolute viability* to implement living wages in our portfolio through engagement dialogue.	**≠**

= means that the retailer's belief or attitude is aligned with the shareholder's belief or attitude

≠ means that the retailer's belief or attitude is NOT aligned with the shareholder's belief or attitude

? means that the alignment of the retailer's belief or attitude with the shareholder is unknown, because the retailer has not communicated its perspective

Organizational level

The influence of culture on the effectiveness of shareholder's engagement at the organizational level was indicated by retailers signalling that some companies easily agree with a posture without implementing it into the organizational level. For instance, Retailer 4 (engagement dialogue, April 16, 2019) stated *"I am always surprised by the capacity of the Anglo-Saxon world to make a lot of huge declaration, but then not make sure that everything is implemented and I think for us we are looking at the ground and making the job but don't make a lot of big declarations."*.

The influence of the frequency of policy revision was observed from the commitment of Retailer 3 that was already revising their social standard policy at the time of engagement. The influence of a company's capacity was highlighted by Retailer 4 who argued that shareholders first need to evaluate the capacity of a company before making requirements. Retailer 4 was financially unstable at the time of engagement which could limit the amount of available resources to implement the shareholder's request.

The heterogeneity within a company refers to the degree to which the posture of company employees differs other members within the company. The company representative of Retailer 3 explained its inability to improve organizational performance due to heterogeneous postures within the company towards the implementation of living wages. Retailer 3 (engagement dialogue, April 29, 2019) stated *"Since I am the one working towards implementing this topic, I'm just grateful for having the investor's requests in my back so I can argue internally much more weightful."*. The ability of the company representative to implement living wages is expected to also be influenced by its position within the hierarchy within the company with heterogenous postures.

Institutional level

This research identified that the effectiveness of the shareholder in improving the company's desired societal impact could depend on: the effectiveness of the prescribed approaches to achieve desired societal impact. The factor was identified based on retailers and stakeholders cautioning about inappropriate effects of the implementation of living wages according to the shareholder's approach.

5. Discussion

5.1 Contributions of this research

The contributions of this research are presented along methodological-, theoretical-, practical- and societal contributions.

5.1.1 Methodological

The methodological contributions of this research relate to: i) the retail methodology ii) the measurement of beliefs and attitudes and iii) the measurement of salience attributes. The retail methodology forms an unprecedented methodology to monitor living wage implementation by retailers. Previous methodologies had a multiple issue focus or were not adapted to the retail sector. The measurement of beliefs and attitudes in this research builds on the measurement by Vandekerckhove et al. (2008). The definition of three levels of beliefs and attitudes as well as their sub-dimensions contributes to assess the alignment in beliefs and attitudes with more nuance. Similarly the additional consideration of negative influence of salience attributes contributes to the measurement of Gifford's (2010) shareholder salience.

5.1.2 Contribution to theory

Company's reception of the shareholder's beliefs and attitudes

This research expands on Vandekerckhove et al. (2008)'s proposal to increase the effectiveness of engagement at the individual level, by analysing how companies respond to (meta-)beliefs and (meta-)attitudes presented by shareholders. Firstly, this research observed that next to disagreeing with shareholder's requests itself, companies can also disagree with the approach used by the shareholder to influence companies as shown before in table 35. Secondly, this research observed strategies used by companies to avoid answering to the shareholder's request as shown in table 36. Thirdly, table 37 presents newly observed company strategies to reject shareholder's beliefs and attitudes. Lastly, table 38 presents three observed company strategies to reject the meta-belief or attitude presented by the shareholder.

Table 36: Strategies used by companies to avoid answering to shareholder requests.

Name strategy	General description of strategy	Example of observed strategy	Strategy code
Passive acceptance	The company aligns with the beliefs and attitudes of the shareholder's request without presenting a commitment to respond to the request.	Retailer 1's agreement with the shareholder's belief and attitude to implement living wages in purchasing practices through buying groups, without proposing a commitment	B=,A= No commitment
Unrelated acceptance	The company aligns on beliefs and attitudes and makes commitments that are different from the beliefs, attitudes and requested commitments presented by the shareholder.	Retailer 2's commitment to report more clearly in response to the shareholder's request to formulate more explicit KPIs on living wages.	$B_C=B_D$, B_C? $A_C=A_D$, A_C?
Redirecting to external locus of control	The company avoids making a statement about its own absolute ability by redirecting the conversation towards the	Retailer 4 rejecting its absolute viability to implement living wages by redirecting to the higher descriptive of states and	B_{3aa}?

	higher absolute ability of another actor	international organizations such as the ILO	
Incongruency	The company presents statements both agreeing, as well as opposing the belief or attitude presented by the shareholder.	Retailer 4 states its only exposure to living wage issues is with textile producing countries, while rejecting their absolute viability to implement living wages as also the yellow jackets don't receive living wages.	$B=$ & $B\neq$, $B?$ or $A=$ & $A\neq$, $A?$
Other level rejection	The company rejects a belief or attitude presented by the shareholder by providing an argument that rejects a much more ambitious belief or attitude.	Rejection of absolute viability to *improve* the payment of living wages through collaboration by rejecting absolute viability to *guarantee* living wage payments *single handed.*	$B_C\neq B_D$, $B_C?$ or $A_C\neq A_D$, $A_C?$

Table 37: Strategies used to reject the beliefs and attitudes presented by the shareholder. Indicated in grey are the strategies previously identified by Vandekerckhove et al. (2008).

Code	Rejection of belief or attitude	General description of rejection			Example of observed rejection
$B_1\neq$	Current implementation	The company disagrees with the way the shareholder recognises their current approaches to resolve and mitigate an issue.			Retailer 5 rejected the shareholder's belief that they did not have KPIs on living wages.
$B_2\neq$	Exposure	The company disagrees that they are exposed or linked to an issue despite its current implementation.			Retailer 4 argues that all their products except textiles are not linked to living wage gaps.
$B_3\neq$	Absolute viability.	$B_{3effect}\neq$ Effectiveness	The company argues for another approach to address the issue than the one advocated by the shareholder.		Retailer 3 argues that living wage implementation should focus on the implementation of interventions instead of policy.
		$B_{3aa}\neq$ Absolute ability	Redirect to underlying issue	Inability to address the issue before first addressing another issue.	Retailer 1 argues it cannot address living wage issues before creating transparency in its supply chains.
			Lack of knowledge	Inability to address an issue because of lack of understanding of the issue or knowledge on how to address the issue.	Retailer 4 argued there was too little updated information on living wage estimates and gaps for all sourcing regions.
			Lack of leverage	Inability to change/influence practices of other	Retailer 1 argues that they are a SME per individual product which

				actor that causes the issue.	is too small to change how suppliers operate.
			Lack of available resources	Absence of- or insufficient time and resources available to resolve and mitigate the issue. Can be related to competition.	Retailer 3 argues that they need internal commitment to get the task to assess living wage gaps before they are able to improve it.
$A_1 \neq$	Norm definition	Rejection: The company disagrees with the norm definition of the shareholder. Redirection: The company argues that the norm definition of the shareholder does not adequately reflect the situation.			Redirection of norm definition: Retailer 3 argues that one should not only look at wages but also other forms of benefits of the workers.
$A_2 \neq$	Attribution of responsibility	$A_{2norm} \neq$ Normative responsibility	Discretionary institutional denial	There is no consensus that it is the company's responsibility to address the issue.	Retailer 1 argues that consumers don't want living wages as their data shows that consumers only focus on price, quality and food safety.
			Economic institutional denial	Rejects responsibility to address the issue, as the company has the responsibility to make profit.	Retailer 1 argued that it is not their role to negotiate about living wages with their suppliers as they are responsible for bargaining for a lower price.
			Legal institutional denial	Rejects responsibility to address the issue, as it is not stated in law.	Retailer 4 argues living wages are not part of the due diligence law.
		$A_{2rv} \neq$ Relative viability	Redirection of priority level	The company argues that its responsibility to address the issue raised by the shareholder, is lower than their responsibility to address another issue.	Retailer 1 argues it has a higher level of responsibility to promote healthy consumption.
$A_3 \neq$	Approach	Appropriateness denial: It would be irresponsible to address the issue, the situation would be worse			Retailer 1 argues that implementing living wages would result in job losses and inflation.

Table 38: Strategies used by companies to reject the meta-belief or attitude presented by the shareholder.

Name strategy	General explanation of phenomenon	Example of observed phenomenon
Other interpretation	The company has a different interpretation of the met-attitude presented by the shareholder and argues that it does not entail the shareholder's intended attitude.	Retailer 4 argued that the due diligence law did not cover living wages.
Reject applicability	The company argues that the meta-attitude presented by the shareholder is not applicable in their specific situation.	Retailer 3 argued that the widely accepted living wage definition does not apply in the retail sector context.
Adhere to another meta-belief	The company presents another meta-belief which contradicts the meta-belief presented by the shareholder.	To reject the belief of current exposure to unfair trading practices based on the EU unfair trading practices directive, Retailer 3 refers to a study that concluded that there is currently no need to regulate unfair trading practices at EU level.

Difference in social performance and possible influential factors

This research observed that the posture of companies towards issues at the individual level is often higher than its social performance at the organizational level as shown in table 32. Three main reasons have been identified for this difference. Firstly, the company representatives mainly consisted of CSR managers which in case of heterogeneous postures inside a company, created a bias towards more accommodative postures on the RDAP scale, compared to the rest the company. Secondly, the postures presented by the company representatives are also subject to a social desirability bias, as it is in the company's interest to keep their shareholders happy. Thirdly, this research argues that the investment of time, resources and knowledge required to implement one's posture into approaches also hampers the corporate social performance at the organizational level compared to the individual level. In section 4.5, this research elaborates on factors that could potentially contribute to differences in social performance between the three levels of analysis.

Explanatory power of difference in engagement effectiveness between levels through combining Vandekerckhove et al. (2008) and Gifford (2010)

This research has defined engagement effectiveness according to the individual, institutional and organization level based on Clarkson's (1995) levels of corporate social performance. In contrast with Vandekerckhove et al. (2008), this research observed that shareholders are not effective in attaining commitments at the organizational level from companies with a proactive posture at the individual level. Moreover this study observed a systematic lower social performance at the organizational level than at the individual level. This increases the relevance of improvement of the engagement effectiveness with companies with a proactive posture. Possible explanations for the lack of effectiveness at the organizational level are: i) insufficient explicitly recognized difference between the individual posture and the organizational performance ii) relatively low level ambition in the shareholder requests, a level that already is being implemented by the retailer, iii) reduced frequency and strength of using Gifford's (2010) salience strategies by the shareholder.

To illustrate, when the shareholder requested Retailer 2 to address living wage issues in their supply chains, a proactive response was provided that elaborated on two living wage projects. The shareholder congratulated the company for these achievements, which does not create necessity for Retailer 2 to propose new commitments that exceed the shareholder's request. This may also be linked to a reduced frequency and strength of using Gifford's (2010) salience strategies. In the case of Retailer 2 the salience strategy of using an assertive tone was not used in response to a proactive posture. Moreover, publishing the scores of retailers on the retail methodology would already have a comparatively positive effect on Retailer 2 as it scores best in class.

This research has shown that the effectiveness of engagement can differ between individual, organizational and institutional level. The shareholder was effective at the organizational level with Retailer 3, as Retailer 3 made a commitment in line with the shareholder's request. However, the shareholder was not effective at the individual level in changing the posture of Retailer 3 towards a proactive response, as the retailer remained defensive towards the shareholder's request.

The effective engagement at the organizational level cannot be explained by Vandekerckhove et al. (2008) who argue that commitments in line with the shareholder requests are made by companies with a posture towards the proactive side of the RDAP scale. However, through the inclusion of Gifford's (2010) shareholder salience theory in this research the commitment by Retailer 3 can be explained as a result of the salience of the shareholder's request. Retailer 3 showed a strong awareness of the possible reputational damage that the low score of the rating could have in combination with the time sensitivity with the conference organised by the PLWF after the summer. Therefore, Retailer 3 did include their *'ambition to work towards the paramount issue of ensuring a living income*' in their social standard, despite disagreeing with the shareholder that retailers have the absolute viability to improve living wages.

This research also observed that not all companies were susceptive to shareholder salience strategies. Companies with a defensive posture [B≠, A=] on the RDAP scale, such as Retailer 3 were susceptible to the exercise of salience by the shareholder. On the other hand, companies with a reactive- posture [B=, A≠] were not susceptible to shareholder salience. Thereby, this research expands on Gifford's (2010) theory of shareholder salience strategies by presenting under which conditions these strategies are effective.

Reactive companies did not perceive the shareholder's strategies as salient and challenged the shareholder's strategies of power, legitimacy and urgency. For instance, whereas Retailer 1 recognised that the shareholder was informed by the stakeholder consultations, it challenged the shareholder's individual legitimacy by arguing that the shareholder does not know enough about the specific context of the company. Another example is that Retailer 4 challenged the shareholder's salience by arguing that the shareholder is the only stakeholder concerned with this issue.

However, this research only shows the correlation between a reactive response to the shareholder's request and the low perception of the salience of the request. Therefore, the direction of the causal relationship can be interpreted in two ways. Firstly, a fundamental disagreement on the attitude of the shareholder's request could cause companies to undermine shareholder's salience. Secondly, a low perception of the shareholder's requests could also cause companies to respond reactively towards the shareholder's requests.

5.1.3 Contribution to practice

This research has strengthened the role that shareholders and other organizations can take in advancing living wage implementation in two ways: i) by enhancing the monitoring of retailer's living wage implementation and the effectiveness of engagement, ii) by proposing strategies to increase the effectiveness of shareholder's engagement.

Firstly, this research enhances knowledge on the performance of retailers with regards to living wages for shareholders and other organizations. The retail methodology assists shareholders and other organizations in monitoring the living wage implementation by retailers. The scores of the retail methodology provide insights in the current living wage implementation. This knowledge can support shareholders and other organizations to formulate requests to improve retailers' living wage implementation. Moreover, the retail methodology can guide retailers in their living wage implementation. This research also shows that to achieve a comprehensive overview of a company's social performance and engagement effectiveness, an assessment is required for the individual-, organizational- and institutional level as differences between levels occur. Retailers often perform better at the individual level then at the organizational level and the effectiveness of engagement can also differ between levels. The factors mentioned in section 4.5. are potentially influencing the effectiveness of engagement and company's social performance at different levels.

Secondly shareholders can improve their engagement effectiveness in three different ways described below. First, shareholders can point to differences in corporate social performance between different levels in order to improve the effectiveness of its engagement. In case companies with a proactive posture have a corresponding social performance at the organizational level it is relevant for shareholders to revise the beliefs and attitudes on which it based its engagement and determine whether: i) it can stop its engagement as its belief of its current exposure to an issue B_2 no longer holds or ii) there is value in formulating more stringent requests to effectively engage on further improvements by the company.

Second, for companies with a defensive response [B≠, A=] to shareholder requests, shareholders can increase the effectiveness of their engagement by employing more salience strategies. This research identified that some strategies are not yet used by the shareholder. To increase shareholder power, shareholders can make use of divestment and voting. Voting and engagement dialogue are currently not often used together, as voting is predominantly used in the US and engagement dialogue in Europe. The use of the retail methodology increases the normative power of the shareholder request. Financial institutions can ensure the accurateness of the rating by using a second rating and involve retailers in the rating through the engagement dialogue to prevent rejection of the rating by retailers. Financial institutions can strengthen organizational legitimacy growing the amount of shareholders that collaborate in the PLWF. Financial institutions can also strengthen pragmatic legitimacy by researching data and strengthening the business case for living wage. Financial institutions can strengthen urgency by conducting long term engagement, being persistent and use an assertive tone.

Third, for companies with reactive postures [B=, A≠], organizational level effectiveness might be increased in two different ways depending on the reason of the company's reactive posture. In case companies undermine shareholder's salience because of fundamental disagreement on the attitude of the shareholder's request. Then, shareholders can increase the effectiveness of their engagement by adjusting its requests towards the beliefs and attitudes of the company. However, in case a company's reactive response towards the shareholder's requests is the result of a low perception of the salience of the request, then shareholders could focus on applying more and stronger salience strategies.

5.1.4 Societal contribution

Finally, this research contributes to more effectively addressing the societal problem of in-work poverty by improving respect for the human right to just and favourable remuneration. This is achieved by strengthening the influence of financial institutions on retail chains to implement living wages, combined with the guidance of living wage implementation by retailers through the retail methodology. If living wage engagement becomes effective at the institutional level because retail chains effectively implemented living wages, then retail chain employees and workers in their supply chains will earn a living wage from which they can afford a basic standard of living for themselves and their families.

5.2 Limitations and further research

Several limitations have to be taken into account when interpreting the results of this research. These are, amongst others, related to: social desirability, the short period of analysis, researcher influence, categorisation of concepts and the generalisability of results. Below, these limitations are presented along with possible avenues for further research.

An important factor which may have influenced the data is social desirability bias. It is in the retailers' interest to attract and retain shareholders. Therefore it is likely that the retailers' beliefs and attitudes communicated in the engagement dialogue have a bias towards the shareholder's aim. However, this bias was reduced by conducting anonymous follow up interviews with the retailers. Unfortunately, Retailer 5 did not participate in a follow up interview.

It is important to recognise the short-term character of this analysis in relation to the long-term engagement dialogue and change processes within companies. The findings of this research are limited to an in depth evaluation of engagement effectiveness within the engagement dialogue, as well as companies' social performance at the individual-, organizational and institutional level. This research has observed some change or commitments to change at the individual level and organizational level of corporate social performance. Further research is needed to evaluate the long-term effectiveness of different engagement strategies at the individual-, organizational and institutional level. Moreover, it is relevant to analyse what influences engagement effectiveness outside the scope of the engagement dialogue itself. For instance, further research could verify the possible role of the factors identified in section 4.5 on long term engagement effectiveness.

Furthermore, the role of the researcher cannot be neglected. Despite the use of rigorous coding analysis, it cannot be excluded that the mental model of the researcher may have biased the methodology design and rating, as well as the interpretation of beliefs, attitudes and salience in the engagement dialogue and follow up interviews.

Moreover, it should be noted that the richness of qualitative concepts was reduced through categorisation into categories: aligned and non-aligned beliefs and attitudes, or positive and negative contributions of attributes to shareholder salience. To preserve some nuance, these categories were complemented by qualitative explanations and quotes. Further research could analyse the influence of the following nuances on engagement effectiveness: i) the degree of alignment between different levels of beliefs and attitudes, ii) the frequency and strength of salience strategies used by the shareholder, or iii) the perceived strength of salience attributes by investee companies.

The generalisability of the research findings are limited by the small sample size of five retailers. Moreover, the selection of this sample only covers European retailers where companies' social performance is deemed relatively more important than in other continents. Also cultural differences within Europe may play a role in social performance of retailers and the effectiveness of engagement. Therefore, further research could score retailers' living wage implementation and engagement effectiveness over a bigger sample and compare between countries and continents.

This research has observed that the salience strategies used in this engagement were ineffective in the engagement with companies with a reactive posture. Further research is needed to understand whether engagement effectiveness can be increased by adjusting shareholder's requests to the company's posture, or by the use of other and stronger salience strategies, or whether other factors may influence the effectiveness.

Further research is also needed on the effects of living wage implementation and the development of adequate KPIs at the institutional level. Whereas some actors refer to a spread of benefits into the local economy, retailers cautioned for inflation, robotization and job losses. Moreover, further research is needed to analyse whether improvements in prevailing wages, achieved through living wage implementation, will be offset by increases in living wage estimates. This phenomenon was highlighted in a personal conversation with Richard Anker (2019, March 12) – know from the Anker methodology to calculate living wages. Living wage is a relative concept based on what is considered a decent standard of living in a particular place at a certain time. When living wage interventions are implemented, the standard of living at a particular place may increase over time. As the general standard of living rises, the perception of what is considered a decent standard of living may also increase, in turn increasing the living wage estimate. Therefore, further research on living wage KPIs at the institutional level can focus on measuring: i) improvements in the standard of living of workers and their families instead of wage, and ii) the impact on the wider community to prevent counter-active effects of the use of the living wage concept.

6. Conclusion

This research has described and expanded the role shareholders can take in advancing the implementation of living wages in the retail sector. Therefore, this research has answered how financial institutions can most effectively shape their engagement to encourage food retail chains to implement living wages. First, a retail methodology was developed to monitor the current implementation of living wages by retailers. Five European retail chains were scored on their living wage implementation according to the retail methodology. These scores informed the formulation of the shareholder’s requests that were communicated to the retailers through engagement dialogue. Finally, the shareholder’s engagement dialogue and follow up interviews with the retailers were conducted and analysed.

For this analysis, the conceptual definition of engagement effectiveness was improved by defining three levels of effectiveness based on Clarkson's (1995) levels of corporate social performance. Moreover, this research assessed the relationship of company’s performance between two different levels to gain insight on the evaluation of engagement effectiveness at different levels. Moreover, this research was the first to combine Vandekerckhove et al.'s (2008) alignment of beliefs and attitudes with Gifford's (2010) shareholder salience to analyse the effectiveness of engagement. This research expanded on Vandekerckhove et al.'s (2008) theory of aligned beliefs and attitudes and Gifford's (2010) shareholder salience strategies, by analysing company responses to the strategies proposed by these theories.

Financial institutions can monitor retailer’s living wage implementation through rating their reported information according to the developed retail methodology (attached excel scoresheets). The retail methodology supports financial institutions to monitor the implementation of living wages by retailers in accordance with the UNGPs, the garment methodology and expert stakeholders. Two of the main considerations for monitoring the implementation of living wages by retailers are presented below.

Firstly, the development of a methodology to monitor the retailers’ living wage implementation is inherently prescriptive and entails beliefs and attitudes about how retailers should implement living wages. The specific risks, opportunities and context of retailers is different and financial institutions face an information asymmetry with retailers with regards to these factors. Therefore, financial institutions cannot prescribe how exactly retailers should implement living wages. Instead, with the retail methodology financial institutions can focus primarily on rating the retailer’s own *process* of defining adequate living wage interventions, rather than prescribing exactly what retailers should do to address living wages.

Secondly, by using the retail methodology financial institutions can respond to the characteristics of the retail sector with regards to living wages. Because the implementation of living wages in the retail sector is at a very early stage, the retail methodology applies a higher weighting on the first steps of the UNGP risk mitigation process. Moreover, the retail methodology recognises that retailers have an impact on different types of workers by rating its living wage implementation for its own employees, as well as for different types of workers in the supply chain. Through the retail methodology, financial institutions can take into account the difficulty of retailers to implement living wages in their multitude of different supply chains. Therefore, the focus of the retail methodology is on the identification and mitigation of the living wage risks that are salient to the particular retailer.

The scoring of 5 European retailers on the retail methodology has informed financial institutions of the current living wage implementation by the retailers. All retailers except Tesco scored in the embryonic phase, meaning that they barely recognised the importance of living wage and have not articulated the benefits for themselves or more widely. Tesco scored in the developing phase, which entails that Tesco recognises the non-payment of living wages as an issue, but does not show evidence of improvement and lacks a formal process to tackle it within its own operations or its non-UK supply chains. The scores and weighting of the retail methodology identified that retail chains should focus on integrating living wages in their policies, identifying their most salient living wage risks and implementing interventions to improve living wages.

The comparison of retailers' scores on the retail methodology and their postures on the RDAP scale show that corporate social performance on the individual level is higher than on the organizational level. For instance, Retailer 2's posture agrees with the shareholder's living wage definition, however Retailer 2 employs a less stringent definition the definition in its own code of conduct and auditing process. Financial institutions should evaluate the effectiveness of their engagement on an individual, organizational and institutional level to know whether their engagement also leads to societal impacts on social issues, aside from its effect on company's posture and reporting.

This research identified three ways in which shareholders can increase the effectiveness of their engagement. First, shareholders can point to differences in corporate social performance between different levels. Second, for companies with a defensive response [B≠, A=] to shareholder requests, shareholders can increase the effectiveness of their engagement by employing more salience strategies, as this research identified that some strategies are not yet used by the shareholder. Third, for companies with reactive postures [B=, A≠], organizational level effectiveness might be increased in two ways. First, by adjusting its requests towards the beliefs and attitudes of the company in case the company's reactive response undermines salience strategies. Second, in case the low shareholder salience causes the reactive response, the shareholder can increase effectiveness by increasing their shareholder salience strategies e.g. through voting.

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Appendix A: Stakeholder consultations

Question guide stakeholder consultations

Thank you for participating in this stakeholder consultation,

The Platform Living Wage Financials (PLWF) is an alliance of 11 financial institutions with over €2,3 trillion of Assets Under Management . Previously the PLWF has created a methodology to assess and monitor garment companies on their living wage implementation and to
encourage them to address the non-payment of living wage.

Currently the PLWF is developing a methodology to rate retail chains on their living wage implementation and to constitute a guide to improve the payment of living wages in their own operations and their supply chains. The questions of this methodology are based on the PLWF assessment methodology on the garment sector, part C of the United Nations Guiding Principles for Business & Human Rights Reporting Framework, a first round of engagement meetings with five retail chain companies and a wide range of studies on this topic.

The goals for this methodology are:

- To improve the payment of living wages in retail chain's own operations and supply chains
- To get an overview of the level of living wage implementation by retail chains
- To identify best practices and laggards
- To develop the agenda for our engagement with retail chains

In this stakeholder consultation we aim to receive feedback from sector experts on our current retail methodology. Essentially, we want to learn your perspective on the following:

What should retail chains ideally do in order to secure living wages in their own operations and supply chains?

To guide the conversation we have broken this main question down in some more specific questions in relation to the methodology, on which we are particularly interested to hear your view on:

General questions:

- Scope : What would be the right scope of workers for our retail methodology to address?
  - Own employees
  - Own brand suppliers
  - Other brand suppliers
  - Multiple tier suppliers
- Scoring : How can we best attribute scores and weigh the scores of all elements?

Questions from the methodology:
Q 1: Policy

- Your thoughts on the indicators

Q 2: Engagement

- Your thoughts on the indicators

Q 3: Assessing Impacts

- Your thoughts on the indicators

Q 4: Integrating findings

- What actions can retail chains take to ensure wage payments according to their policy for own employees?
- What would retail chains ideally do to address living wages ?
  - For their private label suppliers
  - For other label suppliers
  - For critical commodities
  - For high risk regions
    - Should the company actively aim to prevent purchasing from regions with increased living wage risks, or will this worsen the situation?
- What should be the role of retail chains in relation to auditing/certification?
  - Strong and weak attributes as well as possibilities to improve the use of auditing to advance living wages
- What other methods than auditing/certification can be used?
- What other actions than indicated could be taken in regard to changing sourcing practices, also in relation to buying groups?
- What should be the role of consumers and the promotion of sustainable consumption?

Q 5: Tracking performance in living wage payments

- Are there more easily obtainable quantitative and qualitative indicators that retail chains can use to track improvements in living wage

Q 5: Remedy

Your thoughts on the indicators

Q 6: Transparency

Your thoughts on the indicators

Coding framework stakeholder consultations

Salient risk identification

- Traceability
- Human rights impact assessment
- Risks are regional instead of commodity specific
- Opportunity to act is linked to commodities
- Partnerships to focus on risks
- Auditing

Policy

- Only policy not effective
  - Willingness of company to absorb extra cost
- General human rights

Definition

- Ankers' living wage methodology
- No leveled down definitions
- Living income
- In line with union demands

Engagement

- How will engagement help progress living wages
  - Overwhelming amount of stakeholders

        - Negative focus
    - No pick and choosing of stakeholders
    - Report company response to engagement

Assessing Impacts
- Root cause analysis
- Types of contracts
- Third party assessment

Integrating findings
- Standards / auditing
    - Responsibility
    - Improve standards
    - Risk of fragmentation
    - Quality of different audits
    - Potential for standards
- Consumer responsibility
- Collective bargaining
- Purchasing practices
    - Direct trade
    - Sourcing from risk regions
    - Measures other than auditing
    - Awareness raising
    - Pricing
    - Selection criteria
    - Unfair trading practices
    - Tension between cost and inclusiveness
- Buying groups

Tracking performance
- Each year wages should go up Fairtrade
- Baseline
- Clear indicators of success (KPIs)
- Shared through entire chain

Remedy
- Union access
- Adequate remedy definition

Scope of workers
- Own employees
- Focus on improving smallholders
- Focus on waged labor
- Workers of other brand suppliers
- Informal workers
- Own workers vs. supply chain focus
    - Leverage
- Different phases

Weighting
- Policy
- Purchasing practices
- Leverage

Other

- Barriers
- Best practices
- Don’t reinvent the wheel / build on existing knowledge
- Freedom of association
- Types of companies
  - Holding vs. individual brand
  - Listed vs. privately owned companies
- Specifics of retail sector
  - Traceability needed
- Appropriateness
- Retailer ability and leverage
- Collaborate with retailer in methodology development
- Manageable methodology
  - Don’t over-engineer what retailers must do
  - Retailers have to deal with many issues
  - Absolute priorities
- Collaboration with partners
- Transparency
  - Prevent rating communications department
  - Need to report
- Assurance
- Focus on specific value chains
- Elaboration per question/glossary

Appendix B: Foundation of the retail methodology

Question 1: Identification of salient living wage/income risks

The first question of the retail methodology assesses the company's identification of salient living wage/income risks to prioritise its efforts.

UNGPs on salient risks

The UNGPs state that "*The most salient human rights for a business enterprise are those that stand out as being most at risk. This will typically vary according to its sector and operating context. The Guiding Principles make clear that an enterprise should not focus exclusively on the most salient human rights issues and ignore others that might arise. But the most salient rights will logically be the ones on which it concentrates its primary efforts*." (United Nations, 2014, p. 44).

The UNGP Reporting Framework guides companies to focus their human rights reporting on their 'salient human rights issues'. Salient risks are impacts that are:

- *"Most severe: based on how grave and how widespread the impact would be and how hard it would be to put right the resulting harm.*
- *Potential: meaning those impacts that have some likelihood of occurring in the future, recognizing that these are often, though not limited to, those impacts that have occurred in the past;*
- *Negative: placing the focus on the avoidance of harm to human rights rather than unrelated initiatives to support or promote human rights;*
- *Impacts on human rights: placing the focus on risk to people, rather than on risk to the business."* (Rees et al., 2015, p. 48).

Stakeholder consultation on salient risks

The need to focus on salient risks is supported by the findings from the stakeholder consultations that stress the non-transparency of the supply chains in the retail sector. RA and IIED suggested map the supply chains and focus on hot spots/low hanging fruit with regards to addressing non-living wage payments. Fairfood stressed the importance of new technologies to make the supply chain more transparent. They enabled full transparency in specific nutmeg, coffee and coconut supply chains by using blockchain.

Garment methodology on salient risks

The garment methodology does not include a question to score how the company prioritises actions. The rationale behind this is that the PLWF has conducted its own due diligence process and identified that the non-payment of living wages as a salient issue in their garment company investments. Hence, the garment methodology takes as a premise that non-payment of living wages should be addressed by its investee garment companies and thereby aims to prevent discussion on the need to prioritise actions on living wage. The garment methodology assesses companies on their general living wage implementation and does not distinguish between more salient and less salient living wage risks.

Retail methodology on salient risks

Following the UNGPs and the stakeholder consultations the retail methodology includes a question on salient living wage/income risks to prioritise efforts. This question of the retail methodology reads *'Has the company identified its most salient living wage risks caused, contributed or linked to its own operations or business relationships based on scale scope and remediability?* This is necessary because of the vast amount of different value chains in the retail sector compared to the garment sector. Similar to the garment methodology, the need to address non-payment of living wages is taken as a premise. However, companies are asked to prioritise salient living wage risks with which they may be involved. The retail methodology follows the UNGP prioritization based on scale, scope and remediability. Scale is defined as how severe the non-payment of living wages is by estimating where the risk of severe wage gaps is highest by looking at country context. Scope is defined as how widespread the non-payment of living wages is by mapping supply chains (through innovative technologies) and estimating how many workers are exposed to severe non-payments of living wages. Remediability is defined as how hard it would be to put right the resulting harm. Furthermore, the indicators of this question also cover whether living wage risks are considered before engaging in new business activities and if living wage risks are monitored.

Scope of workers for all relevant questions

It is necessary to define a scope of workers for whom the non-payment of living wages/incomes can be linked to retail chains. For these groups retailers should determine its most salient living wage risks.

UNGPs on scope of workers

UNGP 13 states that "*The responsibility to respect human rights requires that business enterprises:*
(a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
(b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts." (United Nations, 2011, p. 14).

Thereby the UNGPs show that in principle retailers are expected to conduct due diligence over all the workers linked to the company: own employees, employees and smallholder farmers in private label supply chains as well as other brand suppliers. IIED mentioned that a company that integrates improvement measures in their formal value chain, can even marginalise people from the community around its direct suppliers by excluding them from the benefits received by only a small number of smallholders in their formal value chain as 'islands of success' (Vorley & Thorpe, 2014).

On the other hand the UNGPs explain that "*Where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable."* (United Nations, 2011, p. 26). This pragmatic view allows prioritization of due diligence on a certain group of workers with the most salient living wage risks. However, without exclusively focussing on most salient risks and ignoring other risks that may arise.

Stakeholder consultation on scope of workers

All stakeholders agree that retailers should aim to implement living wages in all worker categories linked to their operations. However, opinions are mixed with regards to the approach to reach this general ambition. The opinions can be divided into three groups. The first group of stakeholders wants the methodology to rate retailers performance for all worker categories. The argumentation provided by Oxfam is that retailers should bear the responsibility to ensure human rights over all the products in their assortment, including from other brands, as they are making a revenue from selling them.

The second group argues that living wage issues of own employees are very different from the issues in the supply chain and are difficult to address together. Mazars and Hivos in this group advise to limit the scope of the methodology and engagement to either own employees or supply chain workers. This will focus more in depth assessment and time in the engagement dialogue on living wages for a specified worker category.

On the one hand, IIED (personal interview, April 1, 2019**)** argued that *"To get your own house in order you first need living wage in your own business. It makes absolutely no sense to start unpacking your supply chain, if you don't have the moral high ground as a lead"*. IIED emphasised that suppliers are continuously burdened with more and more requirements ranging from compliance to discount contribution or payment from 60 to 90 days and that the cost of these requirements is never incorporated in the price negotiations. Therefore IIED (personal interview, April 1, 2019**)** argued that before adding the issue of living wages on the responsibilities of the suppliers, retailers should first "*practice what they preach*" and ensure living wages are payed to their own employees. Moreover, gaps between legal minimum wage and living wage are sometimes higher in retail output market countries than in the sourcing countries e.g. larger difference between legal minimum and living wage in Europe's cheap labour countries than in Asia (Oxfam, 2014). On the other hand, Hivos expressed the opinion that the methodology should focus on supply chain workers due to the lower standards of living in sourcing countries than in retailer's outlet markets leading to a higher need for living wages.

The third group recognises the need to address living wage risks in all worker categories, but proposes to do this in a phased approach by focussing on the most salient worker categories. RA supports this approach and suggests retailers map all worker categories influenced by their activities, identify wage gaps and identify low hanging fruit to tackle first. Factors facilitating the retailer's ability to tackle non-living wage payments mentioned by RA are: already existing partnerships, leverage over own brand products and leverage over directly sourced products.

Garment methodology on scope of workers

The garment methodology focusses on workers in the supply chain. This choice is based on the assumption that the need for living wages is higher in garment supply chain countries with low standards of living, compared to the need for the relatively smaller group of higher-skilled own employees of garment companies.

Retail methodology on scope of workers

Following the UNGPs, the retail methodology does not exclude main worker categories from the outset. Instead it was deemed valuable that the methodology creates a comprehensive overview of the retailer's over-all living wage implementation, whilst recognising that retailers need to prioritise efforts. Therefore for all relevant indicators (60% of total score) retailers' living wage implementation is assessed per worker category. For instance, when assessing whether the company presents its most salient living wage/income risks based on scale, scope and remediability, points are awarded when retailers present their most salient living wage/income risks for each of the following worker categories:

4. Own employees
5. Workers with salient living wage risks
6. Private label waged workers
7. Private label smallholder farmers
8. Workers from other brand suppliers

The need to prioritise is reflected in the worker category with salient living wage risks to be substantiated by the retailer and the differential weighting assigned to different worker categories (table 39) for the total score. In this way, the methodology scoring: i) informs the PLWF about the full picture of a company's living wage efforts for their engagement, ii) incentivises retailers to focus attention on their salient living wage risks, but also iii) take the implementation of living wages over all worker categories into account.

Table 39: weighting groups of workers in retail methodology

Category of workers		Relative Weight
Cat 1	Own employees	**20%**
Cat 2	Workers/smallholder farmers in private label supply chains with salient living wage/income risks	**40%**
Cat 3	Private label waged workers	**15%**
Cat 4	Private label smallholder farmers	**15%**
Cat 5	Workers from other brand suppliers	**10%**

Question 2: Policy

The second question of the methodology assesses the company's public policy.

UNPs on policy

The UNGP 16 recommends that *"As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy that:*

a) Is approved at the most senior level of the business enterprise;
b) Is informed by relevant internal and/or external expertise;
c) Stipulates the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services;
d) Is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties;
e) *Is reflected in operational policies and procedures necessary to embed it throughout the business enterprise."* (United Nations, 2011, p. 16).

Stakeholder consultations on policy

The stakeholder consultation supported the importance of policy as the starting point of addressing non-living wage payment. Fairtrade argued that companies should be rated on having a general human rights policy and then assessing whether this policy includes a specific living wage/income statement. GIZ affirmed that policy is very important, whereas RA (personal interview, March 11, 2019) stressed that only policy is not very effective, but that this really changes the core of their business: *"What it comes down to is the willingness of companies to absorb extra cost needed in their prices"*.

Garment methodology on policy

The indicators of the garment methodology assess whether the company:

1. Has a formal policy that addresses the living wage issue.
2. Identifies living wage as a salient issue
3. 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. Ensures 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.

Retail methodology on policy

To optimize comparability between the garment and the retail methodology the retail indicators assessing policy are kept very similar to the garment methodology. The retail has specified board commitment to implement living wages in relation to their remuneration. As the focus on the engagement is on living wages, companies are not assessed on their general human rights policy, but only on relevant human rights standards for living wages.

Question 3: Definition

The third question of the retail methodology rates whether retailers adhere to a complete definition of living wages: 'What elements of widely recognized living wage/income definitions does the company adhere to per worker category?'**.** As this is specific for living wages the UNGPs do not state anything about this.

Stakeholder consultations on definition

Oxfam, GIZ, Hivos as well as unions stressed that when companies start forming their own definition of a living wage, the living wage ambition will be watered down through weaker definitions that will be hard to distinguish from each other. Instead it is better if companies refer to a widely recognised definition. Almost all stakeholders referred to the Anker methodology as the widely accepted living wage definition and calculation. However, the unions added that solely relying on a scientific calculation of a living wage without validation of unions is inappropriate. As unions remain the authoritative representation of workers' needs and cannot be replaced by academics that define their cost of living without their validation.

Garment and retail methodology on definition

Similar to the garment methodology, retailers receive a percentage of the maximum score for this question according to the elements of widely recognised definitions they adhere to (table 40). Hivos suggested only distinguishing three categories: i) retailers that adhere to the Anker methodology to define living wages ii) retailers that adhere to a weaker definition of living and iii) retailers that do not define living wages. Moreover, Oxfam stated that any levelled down definitions should not be accepted at all. However, it has been decided to refer to the five definitions in table 40 to remain aligned with the garment methodology. The key difference from the garment methodology is its change of phrasing from : *"The company has formulated a definition that includes*" in the garment methodology (ASN Bank, 2018, p. 37) to 'The company adheres to a definition that meets the fundamental elements of widely recognized living wage definitions' in the retail methodology.

Table 40: Specification of score attributed to different levels of wage/income definitions.

Specification of score attributed to different levels of wage/income definitions	
100%	The company adheres to a definition that includes all the elements of widely recognised definitions (Anker methodology: 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 including housing, clothing, education and healthcare. It also includes a vision on the relationship between excessive overtime and wages.
80%	The company adheres to 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, but does not include a vision on the relationship between excessive overtime and wages.

60%	The company adheres to a definition that meets 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.
40%	The company adheres to a definition (for the workers specified in the extent question) that covers Basic Needs for one person only. When adequately defined, the living wage definition should include Basic Needs for his/ her family and provide for a level of discretionary income. Moreover, Basic Needs cover food and non-food costs. Non-Food costs include housing, clothing, education and healthcare.
20%	The company adheres to a definition that refers only to minimum wages, statutory legal compliance or industry standards
0%	The company does not adhere to a definition on wages/incomes.

Question 4: Engagement

The fourth question of the retail methodology assesses how well retailers engage with potentially affected stakeholders to understand living wage risks.

UNGPs on engagement

The UNGPs state that *"To enable business enterprises to assess their human rights impacts accurately, they should seek to understand the concerns of potentially affected stakeholders by consulting them directly in a manner that takes into account language and other potential barriers to effective engagement. In situations where such consultation is not possible, business enterprises should consider reasonable alternatives such as consulting credible, independent expert resources, including human rights defenders and others from civil society."* (United Nations, 2011, p. 20)

Stakeholder consultation on engagement

Not all stakeholders expressed the same perspective with regards to how retailers should conduct stakeholder engagements in their living wage due diligence process. On the one hand, Oxfam and Fairtrade were in favour of meaningful, ongoing and inclusive stakeholder engagement. Oxfam stated that companies should not prescribe what is important for workers, but that this should be informed by their input. Moreover Oxfam wants retailers to report how they systematically consult stakeholders to revise their policy and stressed the importance of reporting what has been discussed in the engagements and how the retailer responded to this. Amfori BSCI shared as a best practice that producers rate buyers' purchasing practices (e.g. in the textile sector) and allow producers to rate business practices related to:

- *"Planning and forecasting*
- *Design and development*
- *Cost and cost negotiation*
- *Sourcing and order placement*
- *Production management, payment, and terms*
- *Management of purchasing practices"* (Amfori BSCI, 2018, p. 5)

On the other hand, Hivos and IIED stressed the difficulty of engaging the overwhelming amount of negatively affected actors. Hivos suggests to focus engagement on organizations representing groups of negatively affected stakeholders e.g. NGO's, Trade unions, representatives of farmers, farmer organizations. However the trade unions FNV and CWC (written feedback, April 8, 2019) argued that *"it needs to be avoided that companies pick and choose to consult unions, academics and/or other stakeholders, according to what is easier to them. Consultation with unions should be the first priority,* *since these are the direct representatives of workers concerned. Consultation with experts and other stakeholders can be encouraged where relevant, but this should not be considered as an alternative to social dialogue. Unions argue that a company should score highest if they have shown to negotiate with unions to achieve wages above a living wage level.”.*

Garment methodology

As opposed to the focus on engagement with stakeholders to understand living wage risks by the UNGPs and the stakeholder consultations, the garment methodology focusses on: “*What processes are in place to collaborate with others to help advance the payment of a living wage?”* (ASN Bank, 2018, p. 38). The first indicator of the garment methodology assesses whether the company has identified relevant stakeholders, in particular trade unions or any other collective employee representation groups. This is the only indicator that is in line with the stakeholder consultation and the UNGPs. The other indicators of the garment methodology assess factors that overlap with the factors that are assessed in other questions of the methodology. Below the garment indicators are shown followed by the overlapping questions of the methodology between brackets:

2. whether the company has joined more than one Multi-Stakeholder Initiative (6e. Integrating findings - MSIs).
3. Whether the company has articulated how, through these collaborations, it is advancing the payment of a living wage to its supply chain. (6e. Integrating findings - MSIs).
4. Whether the company has articulated how it knows that these collaborations are having a positive impact (7. Tracking performance).
5. If there is evidence that feedback from stakeholders has been fed into internal discussions and decision-making processes (4. Engagement)

Retail methodology

The retail methodology assesses engagement according to the UNGPs and the stakeholder consultations with the following question: ‘How have the views of negatively affected stakeholders influenced the company's understanding of the issue of living wage/income and are these perspectives integrated in their decision making and actions?
[Negatively affected stakeholders include: own employees, farmers, NGOs, Multi-Stakeholder Initiatives (MSIs), suppliers, unions, farmer representation organizations etc.]’ The indicators assess whether the company:

1. Reports which engagements with relevant stakeholders on living wage/incomes have occurred.
2. Reports the living wage/income concerns from relevant stakeholders communicated in these engagements.
3. Presents how it has integrated the concerns of relevant stakeholders in its decision making.
4. Reports how it has aimed to mitigate unfair/unequal representation in their engagement process (e.g. by taking into account language, number of adequate representatives, speaking time and other potential barriers to effective engagement).
5. Reports how its enhanced understanding of the issue of living wages/income through engagement has led to changes in its practices (e.g. policy, procedures).

Question 5: Assessing impacts

Next to engaging with stakeholders, retailers need wage data of their own operations and supply chains in order to understand their living wage risks.

UNGPs

UNGP 18 states that *"The initial step in conducting human rights due diligence is to identify and assess the nature of the actual and potential adverse human rights impacts with which a business enterprise may be involved."* (United Nations, 2011, p. 19) To this purpose companies have to:

i) Project *"how the proposed activity and associated business relationships could have adverse human rights impacts on those identified.* […]

ii) *Understand the specific impacts on specific people, given a specific context of operations."* (United Nations, 2011, p. 19).

Stakeholder consultations

To assess how the retailers' activity and associated business relationships could have adverse human rights impacts on those identified: Unions and Hivos stressed the importance to look at the type of contracts of suppliers and workers, freedom of association and collective bargaining mechanisms to assess the impact of the business activity on living wage. Amfori BSCI proposes that retailers map out their purchasing practice against those business partners who do not meet the fair remuneration standard. This may help identify if companies could be directly or indirectly contributing to the fair remuneration gap in some areas of their supply chain. For the identification of the company's impact on fair remuneration Amfori BSCI encourages companies to ask themselves:

- *"Whether the business partner's remuneration gap is endemic or if it could be attributed to their own purchasing practice.*
- *Whether it is a punctual gap or it is being identified as recurrent.*
- *If there is any common denominator in the purchasing practices used with these business partners and not with others.*
- *Whether these business partners are new in their portfolio of suppliers and If they attended relevant training on improving working conditions.*
- *Whether their business includes progress on fair remuneration as part of the selection criteria for new suppliers."* (Amfori BSCI, 2018, p. 4)

To understand the specific impact on specific people, given a specific context of operations: Oxfam stated the importance of assessing the size of the living wage gap. IIED added that the main aim of should be to monitor and evaluate the baseline if workers' lives have improved, rather than focussing on the horror stories of people below living wage, as that will not help progress living wages. Fairtrade stated that risk assessment should be done continuously in consultation with external experts and stakeholders. GIZ mentioned that impacts should be assessed through a monitoring and traceability system for which third party assessments is most valuable robust and trustworthy. Whereas Oxfam argues that first and foremost retailers need to take their own responsibility for human rights, and warns that companies delegate their own responsibility for human rights in the supply chain to unilateral social audits and certification.

Garment methodology

The garment methodology assesses retailers on the processes they use to identify the impacts of paying wages below a living wage level as included in their policy or statement. This is measured according to the following indicators:

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"* (ASN Bank, 2018, p. 39)

Retail methodology

The retail methodology assesses 'What qualitative and quantitative indicators are used to assess the wage/income level of the company's own employees and supply chain workers?'. Because the stakeholder consultation stressed the importance of asking modest improvements, the retail methodology awards points for retailers that present credible time-bound plans to roll out a concrete data-gathering project to track the state of living wage/income payments (indicator 1).

At the core of the retail methodology impact assessment question are the two points from the UNGPs that are also reflected in the first two indicators of the garment methodology: Firstly, to understand how their 'activity and associated business relationships could have adverse impact' on living wage retailers can: monitor dimensions surrounding wage e.g. excessive overtime, type of contracts, freedom of association and collective bargaining mechanisms (indicator 2). Secondly, to become aware of 'the specific [living wage] impact on specific people given a specific context of operations' retailers can:

c) Monitor any wages payed to workers (minimum wages, average industry wages, collective bargaining wages, whichever applicable) that arose in the past year (indictor 3)
d) Monitor the gap between actual wages/incomes received by the workers and living wage/income estimates (indicator 4).

The other indicators on assessing impacts in the garment methodology are left out of the retail methodology because i) the stakeholder consultation advised against focussing on the tragic impact on worker's lives because of earning less than a living wage and ii) the collection of third party information about living wages is already assessed in the engagement question.

Question 6: Integrating findings

UNGPs

After retailers have assessed their impacts, UNGP 19 states "*business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action*." (United Nations, 2011, p. 20). According to the UNGPs businesses that:

- Cause or may cause an adverse impact, should take the necessary steps to cease or prevent the impact.
- Contribute or may contribute to an adverse impact, should cease or prevent its contribution and use its leverage to mitigate any remaining impact to the greatest extent possible. The UNGPs stress that even when a company lacks leverage "*there may be ways for the enterprise to increase it. Leverage may be increased by, for example, offering capacity-building or other*

incentives to the related entity, or collaborating with other actors." (United Nations, 2011, p. 22).

- Are directly linked to an adverse human right impact via a business relationship with another entity, without contributing themselves, should exercise and increase their leverage over the entity concerned. If this is unsuccessful the business should consider ending the relationship with the entity depending on how crucial the relationship is to the enterprise, the severity of the abuse and possible adverse human rights consequences of terminating the relationship.

Benefitting from low commodity prices due to non-payment of living wages, without directly contributing to the low wage, still falls under complicity according to the non-legal meaning of complicity in the UNGPs: "*business enterprises may be perceived as being 'complicit' in the acts of another party where, for example, they are seen to benefit from an abuse committed by that party*" (United Nations, 2011, p. 18)

Stakeholder consultations

The stakeholder consultations have informed the appropriate actions retailers can take to address living wages. Stakeholders stated that retailers have leverage or can increase their leverage over the following actions: their own purchasing practices, purchasing practices through their buying groups, positively or negatively influencing governments, informing and influencing consumption, collaborative projects in MSIs, as well as on actions specific for: own employees, salient living wage risk groups, private label suppliers and other brand suppliers. The perspectives of stakeholders with regards to the specific content on different actions is presented below.

Garment methodology

The garment methodology assess companies on a more narrow scope of actions companies can take to progress living wages compared to the stakeholder consultations. In the engagement question the garment methodology assesses "*What processes are in place to collaborate with others to help advance the payment of a living wage"* (ASN Bank, 2018, p. 38). Furthermore in the integrating findings question, the garment methodology assesses the purchasing practices of companies as well as their communication of the importance of living wage in their own organization and through their supply chains.

Retail methodology

The retail methodology includes all the actions retailers can take to address living wages as identified by the stakeholder consultation. The retail methodology includes a wide-ranging scope of actions in order to reduce prescribing specific strategies and to recognise all the actions made to address living wages. The interventions are specific for the retail sector and based on the stakeholder consultations presented below:

Purchasing practices

Retailers can contribute to the non-payment of living wages of supply chain workers through unfair purchasing practices. But, retailers can also be directly linked to the non-payments of living wages when it sources from suppliers where workers do not earn a living wage.

With regards to retailers purchasing practices, Hivos and unions stressed the importance of retailers committing to stop unfair trading practices referring to the directive released by the European

Commission. IIED emphasised that "*alignment between procurement practice and inclusive procurement strategy is currently hindered by many unresolved tensions between procurement policy (driven by flexibility, cost delivery and risk management), and sustainable procurement goals linked to improved rural livelihoods (driven by the need to secure supply*)." (Vorley & Thorpe, 2014, p. 12). IIED stated that "*Those tensions between cost and risk reduction on one side, and inclusiveness on the other – will Always exist. But they are heavily influenced by corporate procurement policy and culture, as the environment that facilitates or supports inclusive procurement strategy implementation."* (Vorley & Thorpe, 2014, p. 12). Amfori BSCI suggested raising awareness on fair remuneration for staff and buyers in particular through training.

Next to banning unfair trading practices the following actions were mentioned to improve purchasing practices: segregated supply chains, no advertisement on low prices, long term contracts and relationships with producers, direct sourcing, as well as connecting to well organised sector organizations and remediation through an area-based approach. Oxfam recommends retailers to trade directly with suppliers to increase their leverage to improve living wages. Oxfam also stated that direct sourcing can help marketing by communicating the story of the producers. When asked whether direct sourcing would have adverse impacts on the middle-men that are bypassed by sourcing directly from the producer, Oxfam highlighted that improved wages will lead to a decrease market that will need to be absorbed somewhere. This means that there is a trade-off between quality and quantity of employment as increased wages can lead to the loss of jobs.

IIED is cautious about the use of direct sourcing. It states that "*Inclusive business focuses on collaboration in individual chains. But inclusive markets have a sectoral dimension that raises the performance of a sector rather than a chain, which is especially important for poorer producers. This is often overlooked in the inclusive business agenda, but came across very clearly from this work* […] *And yet many buyers try to bypass these institutions and buy direct ('side-buying') in order to have more direct control over the value chain. Companies should think very carefully before bypassing a sector organization that is delivering for value, quality, farmer empowerment and livelihoods.*" (Vorley & Thorpe, 2014, p. 19). The Fair Labour Association supported this by promoting the area-based approach. FLA (written feedback, April 17, 2019) explained *"We observed that having a pure supply chain approach might not lead to sustainable changes as changes need to be carried by the production communities themselves. If a company increases its procurement price and ask a farmer to increase workers' wage, the farmer might do it just for this customer in a given year (when there is the contractual relationship) but the practice will not sustain. While if you work in a given community with different stakeholders across sectors (e.g. cocoa, coffee, cotton, food crops, etc.) with a particular focus on building capacity of community members, we can aim at more sustainable impact."*

With regards to the selection of suppliers, GIZ, Fairtrade and Fairfood have stressed in the stakeholder consultations that retailers should not cut and run from suppliers with high living wage risks, but that retailers should engage in an ongoing process to use their leverage in the supply chain to improve conditions possibly leading to living wages. Fairtrade (written feedback, April 5, 2019) stated *"Only when there is no other option, and when a company has used its leverage to its fullest extent and no positive results are being made, a company could make the decision (of course while balancing the human rights risks by doing so) on whether or not to continue sourcing from a specific region/supplier"*. Fairfood added that preferential sourcing from regions with low living wage risks is not recommended. On the other hand, the unions FNV and CWC (written feedback, April 8, 2019) recommended to "*have* *clear selection criteria for procurement around living wages, respect for freedom of association, engagement with unions, and respect for other fundamental labour rights (in line with ILO standards)*". GIZ stressed that the focus should be on reformulating contracts and renegotiating prices with suppliers.

These perspectives have been reconciled in the retail methodology. This methodology includes indicators with regards to the following purchase practice actions retailers can take to cease or prevent contributing to non-payment of living wages:

- Training/incentivising the purchasing team to prevent unfair trading practices and the need for responsible purchasing practices.
- Committing to building long term, collaborative relationships with producers
- Committing to direct relationships with producers
- Prioritizes the integration of living wage benchmarks into a company's price negotiations
- Providing enough lead time to orders or changes to orders
- Provide payments to suppliers in a timely manner

The retail methodology includes the following purchasing practice actions retailers can take to increase their leverage to advance living wages in their suppliers:

- Engage different actors throughout its supply chain (such as traders, buying groups, cooperatives, etc.) to align procurement practices (in line with competition law)
- Streamline and consolidate their supply chain

Buying groups

Stakeholders did not have much experience with collaborative purchasing practices of retailers in buying groups. However, stakeholders did agree that collective buying agreements have the potential to lead to more unequal value distribution between retailers and suppliers.

Hence the retail methodology has a relatively open indicator to assess collaboration of retailers with buying groups to address living wages:

- The company jointly works with the buying groups and its members to implement a living wage/income policy for the purchasing practices of the buying group

Governments

Retailers can have positive and negative influence over governments and law through lobbying and paying taxes. IIED has stressed the importance of governmental intervention and regulation by stating that *"It is also important to recognise the crucial role of governments in going beyond individual value chains and improving the performance and inclusiveness of whole sectors, and creating a more vibrant operating environment which can deliver broader inclusiveness."* (Vorley & Thorpe, 2014, p. 17). IIED also explains the link between retailers paying taxes and supplier conditions: *"Broad upgrading and development of the agricultural sector requires investment and resources from government, which is funded by tax revenue. Lead firms and suppliers have a role in paying taxes at source in the host country, in line with international best practice, and supporting local value added."* (Vorley & Thorpe, 2014, p. 20).

The risk and opportunity of lobbying was identified by reading retailer sustainability reports. In their 2017-2018 Annual report, Metro identified the EU directive on unfair trading practices as a risk. It states that the directive *"might have a far-reaching impact on existing business processes and condition systems worldwide, depending on its precise content*" (Metro AG, 2019a, p. 95) and that

Metro tries to represent their interest at the political level through responsible lobbying. Whereas the garment methodology report explains that "*garment brands should engage with national governments to advocate higher national wage levels*." (ASN Bank, 2018, p. 21) there is no indicator for this in the garment methodology.

These findings have informed the following indicators of the retail methodology:

- The company commits to withdraw from or refrain from joining trade associations or Chambers of Commerce that advocate or lobby against human and labour rights protections in producer countries.
- The company collaborates to demand that relevant government bodies in producer countries guarantee human and labour rights standards.

Consumer influence

Retailers can use different strategies to influence consumption of products with better wages for producers. They can make it easier for consumers to consume living wage products by increasing transparency about living wages and prominent shelf positioning. They can make it more affordable by adjusting their margin on living wage products. Moreover, retailers can decide to only include products with better wages for producers in their assortment.

Oxfam, Hivos and GIZ argued that retailers should make the sustainable choice for consumers so that consumers can shop in their stores without having to worry about basic human rights. Oxfam (personal interview, April 8, 2019) states that "*Companies should not defer their responsibility to consumers, they have to little knowledge, attention and time. Also I fail in choosing the right products"*. However, Fairtrade (written feedback, April 5, 2019) stated that *"Consumers do have power. For example, Fairtrade offers consumers a powerful way to reduce poverty through their everyday shopping. However, retail chains are in a race to the bottom, doing everything in their power to lure consumers towards them e.g. with low prices. Therefore we say: transparency is key.* GIZ (written feedback, April 3, 2019) stated that retailers should *"make the consumer understand that labour and input costs also come with a certain price. Nevertheless, I think the consumer will pay more eventually if he doesn't have so much of a choice anymore"*. However, Fairtrade (written feedback, April 5, 2019) stated that *"paying fair prices does not necessary mean products will become way more expensive: it is about fair value distribution. We strongly oppose the margin of escalation on sustainable/fair products, see also our pilot on living wages in Poinsettia's."*

These perspectives have been included in the retail methodology according to the following indicators:

- The company provides consumers with information about living wage/incomes to promote the sales of products that have been produced and traded with fairer wages/income for its suppliers e.g. through website, in shops through leaflets or signs, on packaging of its private labels.
- The company performs nudging e.g. prominent shelf positioning to promote the sales of products that have been produced and traded with fairer wages/income for its suppliers.
- The company employs choice editing (adjusting the inclusion of products in the assortment) to ensure that the sales of products of a certain commodity group have been produced and traded with fairer wages/income for its suppliers.
- The company doesn't make more profit on fair products to promote the sales of products that have been produced and traded with fairer wages/income for its suppliers

The retail methodology is pragmatic and limits prescribing an approach to sell high volumes of products with better wages for workers. Retailers may adjusts its margin on products with better wages to increase sales by making the product cheaper for consumers. But retailers can also keep the relatively higher margin, which incentivises them to promote its sales by choice editing.

Multi-stakeholder initiatives

Oxfam argued that retailers can capitalise on existing multi-stakeholder partnerships in identifying the 'low-hanging fruit', meaning the living wage risks that can most easily be addressed. Oxfam states that downward price-pressure from competition between retailers is the most important barrier in addressing living wages. Therefore, Oxfam argues that retailers should promote collaboration between retailers to create a level playing field with regards to living wages. IIED supports precompetitive and MSI approaches but highlights the difficulty that *"many multi-stakeholder platforms do not get far beyond talking. Collaboration is particularly difficult among direct competitors, and where short-term value for inclusive procurement approaches is based on brand differentiation. There is no one solution to these challenges. For those who directly compete in the same product category, for example tea, collaboration is likely to be more difficult than for companies that buy the same raw material, such as sugar, for very different products. Even for direct competitors, the opportunity can lie in working together around improving the overall supply base and then competing on brand"* (Vorley & Thorpe, 2014, p. 16). Fairtrade (written feedback, April 5, 2019) stresses the importance that a company *"shares its expertise, findings and learnings on the promotion of living wage/income at the farm level with external stakeholders, including other companies."*

This input from the stakeholder consultation has been integrated in the retail methodology with the following indicator.

- The company collaborates with multi stakeholder initiatives (NGOs, trade unions, farmer initiatives, other retailers) to create a level playing field and advance the payment of living wage/incomes.

Own employees

Retailers can be involved in causing non-living wage payments to their own employees. For own employees retailers can ensure that there are formal structures in place to consult with retail staff over pay and working conditions to implement living wages for employees.

Private label suppliers and standards

Retailers use standards in order to ensure compliance of their suppliers with social standards. The stakeholders presented two main critiques with regards to the use of standards. Firstly that retailers transfer the responsibility of living wages to an external parties by using standards. These external parties include suppliers and certifiers. Fairtrade (written feedback, April 5, 2019) highlights the importance of shared responsibilities by stating that *"There is a risk of companies simply updating their code of conduct and thereby pushing the responsibility down the supply chain, by that not only negatively impacting small suppliers but specifically the most vulnerable ones in the supply chains (i.e. farmers and workers). In other words, the indicators should make a clear distinction/assessment between what is on paper (i.e. the code of conduct) and how responsibilities are divided within the supply chain."*. Instead retailers GIZ (written feedback, April 3, 2019) states that *"Retailers should understand the price dilemma (including rising costs)"***.** Oxfam (personal interview, April 8, 2019) adds that “*The burden of certification should be paid by the one who receives the biggest value from the chain”.*

Oxfam (personal interview, April 8, 2019) shared how retailers pass on the responsibility of compliance to certifiers by stating “*When delegating to standards the temptation is high for it to become a process where the responsibility lies with someone else (the standard should ensure compliance). However supplier's compliance is the company's responsibility”*. Moreover, IIED states that standards can detract focus from the real goal of relationship-based procurement by explaining that *“While certification schemes may be a means to strengthen relationships as lead firm and supplier work together on internal control schemes and traceability, the risk is that certification becomes an end in itself. The emphasis of certification on compliance can then actually detract from a broader focus on relationship-based procurement and efforts to make supply chains achieve socio-economic impacts over the long term.”* (Vorley & Thorpe, 2014, p. 11)**.**

The second criticism against standards is presented by Oxfam: namely that they have not been successful in guaranteeing a living wage whereas these standards have existed for a while now. The limitations highlighted by Oxfam are that none of the current standards is stringent enough to include living wages. Moreover, audits are not transparent enough as well as announced and well prepared.

Whereas the stakeholders recognise the limitations of the auditing system to achieve living wages by itself, they still see a role of standards in contributing towards that goal. Fairtrade (written feedback, April 5, 2019) explains that “W*e believe that social audits alone are not sufficient to address adverse human rights impacts. We also believe that social audits remain an essential instrument for independent monitoring of social conditions as in many countries with HR risks labour inspectorates and trade unions remain under-resourced.”.*

The stakeholders have presented two ways through which retailers can improve taking their responsibility with regards to standards. Firstly, by engaging current standards to improve as GIZ (written feedback, April 3, 2019) states that *“Retailers should do advocacy work to integrate living wages into the standard and push them to also ensure that living wages are paid”*. Secondly, by taking action as a company to improve living wages without relying on external standards. Oxfam supports both strategies through which retailers can take responsibility for living wages. Whereas Hivos and Fairtrade argue that third party certification schemes are of a higher quality than own schemes and that this should be taken into account in the retail methodology, as well as differences between third party certification schemes identified by Finnwatch. However, Oxfam states Tony Chocolonely as a good example of a company’s initiative that reached beyond the standards in social compliance. When companies take responsibility for living wages without relying on external standards, it should be prevented that suppliers need to be audited for many different standards because of increasing fragmentation of standards.

Retail methodology

These different perspectives are reconciled in the retail methodology in the following indicators:

- The company audits suppliers to verify compliance with their wage/income policy
- To help suppliers understand and comply with their code of conduct the company provides training and assistance suppliers (e.g. on financial wage management systems)

- The company engages with private label suppliers to understand their capacity to comply with their wage/income policy. Auditing does not only focus on documenting labour problems that exist, but investigates why those problems persist in order to solve them.
- The requirements of the code of conduct/policy reflect and acknowledge private label suppliers' capabilities and context and prevent disproportionately burdening smaller suppliers.

The retail methodology does not prescribe that retailers should use third party certification as the stakeholder consultations presented mixed results about this. The retail methodology does include indicators that encourage retailers take up responsibility for the social compliance of its suppliers.

Workers with salient living wage risks

All stakeholders agreed that time and resources should be prioritised on the most salient risks. As retailers have a lot of different products and supply chains they cannot implement strong policies for all commodities.

Therefore, the retail methodology assesses and recognises special interventions or policies salient living wage risks identified with the following indicator. This indicator does not prescribe what policies or interventions are suited for the specific salient risks.

- The company applies a special critical commodity/risk region purchasing policy that includes special measures to implement living wages

Other brand suppliers

All stakeholders agreed that retailers have more leverage over private label suppliers than other brand suppliers and should be focussed on. However, the stakeholders also agreed that retailers had leverage in some way to address living wages of workers for other brand suppliers. Oxfam stressed that retailers should bear the responsibility to ensure human rights over all the products in their assortment, including from other brands, as they are making a revenue from selling them. Hivos stated that according to the UNGPs retailers have responsibility for adverse impacts of other brand suppliers, but that in order to account for the other type of business relation that exists between retailers and other brand suppliers simple indicators should be defined.

Retail

This feedback was reconciled in the following indicators for the retail methodology:

- The retail company engages with other brand suppliers to enhance adherence of their other brand suppliers to their living wage/income policy for other brand suppliers
- The retail company conducts preferred sourcing of other brand suppliers that adhere to their living wage/income policy and excludes other brands that do not adhere to their policy

Question 7: Tracking performance

UNPGS

UNGP 20 explains that *"In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. Tracking should:*

a) *Be based on appropriate qualitative and quantitative indicators;*
b) *Draw on feedback from both internal and external sources, including affected stakeholders."* (United Nations, 2011, p. 22)

Stakeholder consultations

IIED emphasised the need for and the difficulty of designing indicators that reflect the desired impact on workers' lives. IIED states that clear "*With the call for better goals comes a call for care with metrics. Indicators need to go beyond numbers of smallholders included or trained, to reflect outcomes such as improved trading relationships and improved livelihoods*" (Vorley & Thorpe, 2014, p. 11). FLA also highlights that collecting data on precise/accurate figures on multiple sources of income e.g. work for different customers, other income generating activities, or benefit from other (governmental) support is very resource intensive. Moreover, FLA cautions that this is also considered intrusive. Instead FLA advices to focus on worker level impact by tracking if there is any increase in wage levels when the farmers have higher income whenever companies have implemented measures to increase farmers' income.

Garment methodology

The garment methodology recognises that worker's wages are the key performance indicator, but that these are the result of different interrelated processes at factory, industry and country levels and "*are in part beyond the garment brands' ability to exert leverage for positive change*" (ASN Bank, 2018, p. 23). Therefore the garment methodology looks at evidence from any indicator that rates the effectiveness of any measure that potentially influences a supplier's ability to pay a living wage.

Moreover, the garment methodology also assesses whether the views of external stakeholders have informed the company's effectiveness and explains that *"Many social issues are difficult to quantify and data often need interpretation before being understood. External stakeholders can play an important role in informing a company on the dynamics behind the data. Furthermore, these external stakeholders can also advise a company on the next steps it could take based on the findings."* (ASN Bank, 2018, p. 23).

Retailer methodology

The UNGPs, stakeholder consultation and the garment methodology are in line with each other and have been reconciled in the following indicators for the retail methodology:

- There is evidence that the company uses indicators to track the effect of its own operations/efforts on the achievement of living wages/incomes.
    - *"Quantitative indicators could be: the % of that suppliers 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[1], transparency about fair contracts etc"* (ASN Bank, 2018, p. 41).
- There is evidence that the views of external stakeholders have informed the company's view on the effectiveness of its implementation of the living wage/income policy/statement
- The company reports how data tracking the performance of measures taken to improve living wage/incomes is used to guide future strategy and decision making to address living wage/incomes

By adding the indicator how future strategy is guided by data of effectiveness, retailers are assed on how they continue to improve their strategies with interventions that have shown to work in practice.

Question 8: Remedy

UNGPs

UNGP 22 states that "*Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes.*"(United Nations, 2011, p. 24). Principle 31 specifies that in order to ensure the effectiveness of grievance mechanisms they should be:

a) Legitimate
b) Accessible
c) Predictable
d) Equitable
e) Transparent
f) Rights-compatible
g) A source of continuous learning
h) Based on engagement and dialogue.

Remedy can take different forms as demonstrated by the UNPGs as "*an apology, compensation (financial or otherwise), the cessation of a particular activity or relationship, arrangements to ensure the harm cannot recur, or another form agreed upon by the parties"* (United Nations, 2014, p. 38).

Stakeholder consultations

The Fair Labour Association (written feedback, April 17, 2019) emphasises that *"Grievance Mechanisms are a means to identify and treat some issues, but not a remediation per se"* Instead FLA (written feedback, April 17, 2019) argues that "*Remediating living income/living wage issues is a process that covers all the different areas that you have identified – developing policies/procedures, engaging with stakeholders, taking actions when gaps are identified, tracking performance and measuring impact".* Hence grievance mechanisms should only be regarded as the last resort in case all different interventions have not been able to prevent the adverse impact. Whereas all stakeholders agreed the need for adequate grievance mechanisms, they did not provide input on the feasibility of grievance mechanisms for companies.

Garment methodology

The garment methodology emphasises two reasons why it is unlikely for garment workers to make use of a grievance mechanism for low wages i) because in garment producing countries it is normal that wages are too low to live on ii) workers have few alternative means of employment. Therefore the garment methodology emphasises accessibility as defined by the UNGPs as *"being known to all stakeholder groups for whose use they are intended, and providing adequate assistance for those who may face particular barriers to access*" (United Nations, 2011, p. 33). The garment company includes an indicator on "*whether a company promotes the availability of its grievance mechanisms to those that are potentially impacted*"(ASN Bank, 2018, p. 25).

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).
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.

Retail methodology

They UNGPs provide very extensive criteria for the grievance mechanisms. Similar to the garment methodology, the retail methodology takes a focus on accessibility of grievance mechanisms to those affected. To recognise the early stage of retailers an indicator awards points for planning to implement adequate grievance mechanisms. Moreover, retailers are asked to assess and report the barriers faced by different worker categories.

- The company has a time-bound plan to provide workers and/or smallholder farmers in its supply chain with effective grievance mechanisms and remedy according to the UNGPs. This can be done alone or in collaboration with other companies or third parties.
- The company outlines the barriers faced by different worker categories to access grievance mechanisms and remedy.
- There is a formal mechanism by which the company can receive complaints on living wages/incomes (e.g. a telephone line/ email).
- The grievances are independently assessed (e.g. operated by a third party or by an MSI).
- There is evidence that and shows how it aims to minimize barriers to accessing grievance and remedy mechanisms and actively promotes their use (e.g. there is evidence of human rights related complaints).
- There is evidence that the company responds appropriately to all complaints and that effective remedy is provided (e.g. create a space where the company reports all issues raised together with its responses and illustrate examples in your CSR report).

Weighting

UNGPs

The UNGPs presents all its principles with equal weight. The three key pillars of the UNGPs: policy commitment, due diligence and remedy, are presented as indivisible, interdependent and interrelated pillars without a hierarchy. The only way in which the UNGPs apply prioritisation is when it is not possible for an enterprise to address all adverse human rights impact immediately. In that case the UNGPs propose that companies should first seek to prevent and mitigate salient human rights risks.

Stakeholder consultations

Oxfam states the methodology should focus on policy as retail chains have to start from scratch. Hivos, added that high weighting should be applied to purchasing practices as this relates to a necessary change in thinking. RA states that the methodology should focus on leverage and creating a level playing field, to overcome the downward price pressure of competition. GIZ and Oxfam stated that the biggest lever of retailers is their private labels. Moreover, Oxfam advised to award scores for three different phases. First, the know and show where companies report policy commitments and conduct pilots. Second, by taking action in own supply chains. Third, by taking action beyond the supply chain. By applying equal weighting to all three phases, retailers will be incentivised to start on the topic of living wages as they can receive relatively much points in regard to the required resources to implement the steps.

Garment methodology

The Garment methodology aims to recognise that most companies are only at the beginning of their living wage journey. Therefore the methodology applies more weight to the first steps of the UNGP process (table 41). As they see improvements, they will progress the weightings to increase the significance of certain questions.

Table 41: weighting garment methodology questions

Questions	Weighting
1. Policy	20%
2. Definition	20%
3. Engagement	20%
4. Assessing Impacts	7%
5. Integrating Findings	7%
6. Tracking Performance	7%
7. Remedy	7%
8. Transparency	12%

Retail methodology

The retail methodology has integrated the input from the retail methodology and the stakeholder consultations as shown in table 42. Because the stakeholders emphasised the very early stage of the living wage discussion for retailers, similar to the garment methodology the first steps of the due diligence process are assigned a higher weighting. Because collaboration and the need to make living wages a pre-competitive issue was emphasised by the stakeholders these questions have been assigned with a relatively high weight too. With regards to the integrating findings question, retailers are incentivised to implement interventions that lie at the core of their business, by applying a stronger weighting to interventions that were deemed important by the stakeholders such as purchasing practices. Similar to the garment methodology, as time progresses the weighting will have to be adjusted to focus more on implementation and results.

Table 42: weighting retail methodology questions

Questions	Weighting
Policy on most salient living wage risks	**50%**
1. Salient Risks	20%
2. Policy implementation	10%
3. Policy wage level definition	10%
5. Assessing Impacts	10%
Making living wages a pre-competitive issue	**30%**
6a. Purchasing practices	10%
6b. Government	3%
6c. Buying groups	3%
6d. Consumers	3%
6e. MSI's	10%
Improvement measures per worker category	**10%**
6f. Own employees	2%
6g. Salient living wage risk chains	4%
6h. Private label suppliers (waged workers & smallholders)	3%
6i. Other brand suppliers	1%
Other Questions	**10%**

4. Engagement	3%
7. Tracking Performance	3%
8. Remedy	3%

Appendix C: Level of living wage implementation per question

The full assessments of the retailers is attached in the Excel scoresheets of the respective retail chains. These files also include all references to the company's literature on which the assessment was based.

Question 1: Retail scores on salient risks

Table 43: retailers scores on salient risks in percentage and implementation potential (The amount of points that the retailer can still obtain for this question by improving its practices)

Salient risks	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	14%	17%	5%	11%	3%
Implementation potential	17	17	19	18	19

Selected priorities

None of the retailers presented salient risks for own employees. Metro is in the process of auditing all its own operations by 2020 on its principles for fair working conditions. However Metro has not presented the salient risks identified from these audits yet. These principles include the following statement, but this remains a soft requirement of the audit *"In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, Metro Group companies are further encouraged to provide its employees with adequate compensation to meet these needs."* (Metro AG, 2012, p. 3). The goal of these audits is *"to identify weaknesses, develop countermeasures and ultimately translate these into a sustainable process, as well as to create sustained awareness of these issues."* (Metro AG, 2019b, p. 92). Tesco has prioritised the risk of forced labour in UK service providers linked to direct operations e.g. sub-contracted car wash employees

Table 44 summarises the retailer's identification of priority issues in their supply chains. None of the retailers specified consideration of living wages in the selection of their priority issues. However, Tesco's selection of priorities based on human rights includes many components of living wages.

Table 44: Retailers' identification of priority issues in their supply chains

Retailer	Priority risks	Selection criteria
Ahold Delhaize	7 priority commodities: tea, coffee, cocoa, palm oil, wood fiber, soy, seafood	Not presented
Tesco	Top 20 products 10 commodities & 7 Regions and issues with priority. Per commodity, region or issue key human rights risks are indicated e.g. worker representation and working hours, forced labour, child labour, gender equality, livelihoods, and accommodation standards	Top 20: - volumes most sold (scope), - the biggest sustainability impact (scale) - ability to drive change (remediability) Commodities and regions: Human rights risks & associated risks & commercial importance

Metro	8 product categories: 1. Meat, poultry and eggs; animal welfare 2. Soy 3. Fish and seafood 4. Palm oil 5. Pulp and paper 6. Fruit & Vegetables 7. Cocoa 8. Textiles	Importance for their business and supply chain
Casino	200 substances identified as at risk of which three product categories are prioritised: - products containing palm oil, - products sourced from cattle ranches in Brazil - textiles	Descending order of importance: Scale (substance criticality, country of supply, purchase volumes) and remediability (number of vendors)
Carrefour	- agro ecological and organic farming, - sustainable fishing - animal welfare (apiculture) - deforestation (priority wood and paper products, Brazilian beef, soy, palm oil)	Probability of occurrence Severity of its potential impacts

General risk assessment process

The risk assessment processes differ significantly between retailers. On the one hand Ahold and Metro refer to risk assessments without disclosing the screening, prioritisation nor outcomes of the assessments. On the other hand, Tesco, Casino and Carrefour have developed elaborate systems to systematically screen and prioritise risks.

Ahold does currently not present a risk assessment procedure. In 2018 Ahold announced a UNGP due diligence process, however the content of this assessment is not reported. Therefore, it is not clear what the role of living wages/income in own operations and supply chains has been in the selection of 7 priority commodities (Ahold Delhaize, 2019a).

Metro has performed a hot spot analysis as well as materiality analysis of risks in their food product supply chains. However, the content of this assessment is not presented, hence there is no evidence that the assessment considered the scale, scope and remediability of living wage risks

Tesco firstly identifies where human rights risks exist in their operations and along their supply chains based on internal and external information sources e.g. NGOs, trade unions and industry experts. To identify their highest risk areas in their supply chains, Tesco assesses the vulnerability of workers. This risk assessment is conducted for Tesco's top 20 products.

Casino's risk profiles are based on a due diligence on 12 main risks which does not include living wages but only refers to issues related to living wage i.e. child labour and forced labour. Other risks included were: discrimination, employee health and safety, deforestation and soil contamination. Each risk is weighted to reflect its relative seriousness in relation to the Group's business operations based on the following four criteria in descending order of importance: substance criticality, country of supply, purchase volumes and number of vendors.

Carrefour's risk assessment is based on the three approaches shown in figure 20. The business approach maps 400 company processes identifies 'sensitive processes' with identified risk situations related to these processes. The business sector approach assesses the risks related to each business sector based on internal and external sources. The geographical approach identifies country risks related to human rights and the environment based on recognised external public indicators.

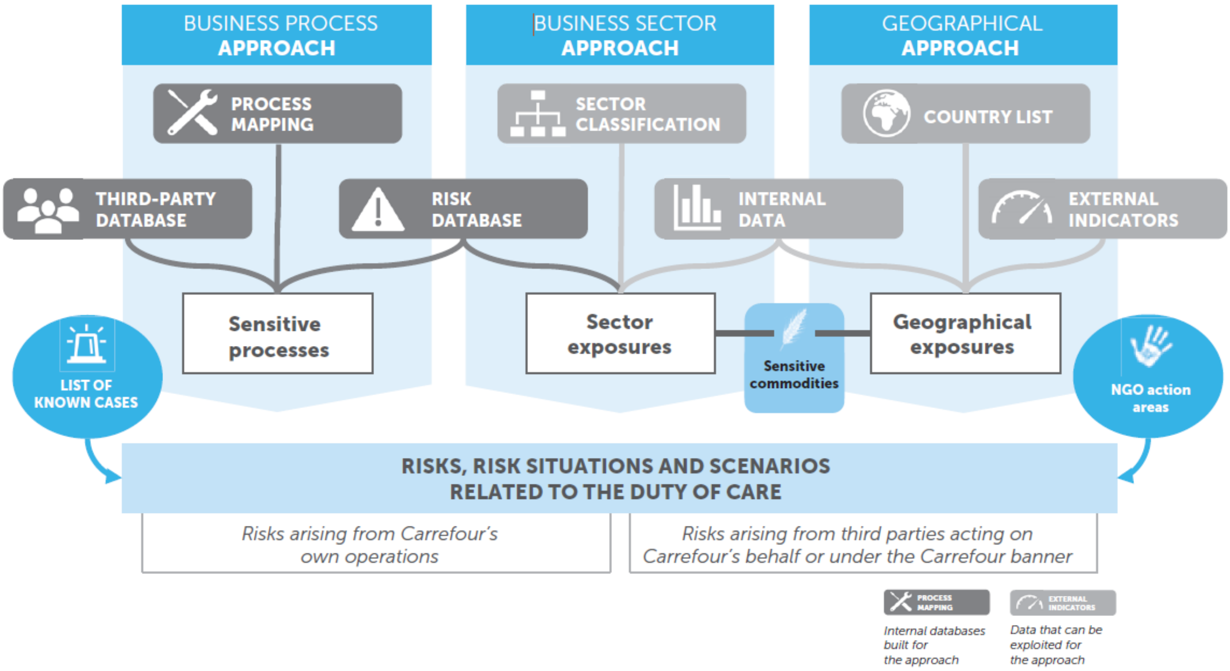

Figure 20: Carrefour risk assessment approaches

In line with the UNGPs Carrefour prioritises each risk situation based the probability of occurrence and the severity of its potential impacts. The probability of occurrence is determined from previous known cases similar to the situation under review. However, Carrefour does not determine the severity of the potential impact based on the UNGP scale scope and remediability of the adverse impacts on affected stakeholders. Instead Carrefour focusses on the potential impact on the Group or its stakeholders: business, financial, legal, human/social and image to determine severity.

In order for these risk assessment procedures to determine the most salient living wage risks according to the UNGPs its prioritisation should be based on scale scope and remediability of the living wage risks.

Scale

With regards to assessing the scale of living wage risks the retailers do not report on risk assessment of own employees. For the risk assessment of the supply chains none of the retailers makes an estimation of where the living wage gaps are biggest. Instead Ahold and Metro use rely on Amfori BSCI classifications of high-risk countries. BSCI's country risk classification does not consider living wage risks, but is based on: Voice and Accountability, Political Stability & Absence of Violence Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption.

Carrefour makes its own country-by-country risk map based on public risk indexes (Maplecroft), the experience of its own teams and information from its partners, but does not specify living wage risks in its assessment either (Carrefour, 2018b; Corporate Human Rights Benchmark, 2018).

Tesco assesses the scale of its human rights in two ways. Firstly, Tesco conducts its risk assessment for its top 20 products. One of the three factors determining the selection of the top 20 products is the severity of their sustainability impact (scope). Secondly, to identify their highest risk areas in their supply chains, Tesco assesses the vulnerability of workers. The following criteria with which vulnerability is identified represent the scale of risks:

- country of origin (enabling environment) using the country risk ratings from the Food Network of Ethical Trade (FNET)
- type of work (skilled/un-skilled)
- type of labour (permanent/seasonal)
- known industry cultural or community issues.

Casino assesses the scale of risks by looking at substance criticality and by making a country risk assessment. For the substance criticality Casino assesses the number of substances contained in sourced products and determines the level of risk for each substance through a systematic analysis of documentary sources (international studies, NGO reports, surveys, media reports). This criticality assessment only looks at Casino's 12 main risks that do not include living wages, but related issues such as child labour and forced labour. In all, 200 substances at risk have been identified, assessed and classified according to their level of criticality.

Moreover, Casino uses its own country risk analysis based on several indicators that do not cover living wages, but covers issues related to living wages e.g. child labour, forced labour and the Human Development Index.

Scope

All retailers present some data about their own employees. Table 45 shows the data presented by each retailer about their own employee base. Indicators with relevance to living wages are: gender, fixed term / permanent contracts and percentage covered by collective bargaining . Tesco does not provide data on its own employees and refers to mapping of its service providers in relation to risk of forced labour, without presenting its findings. All the other retailers present the data on own employees without linking this data to the risk of employees exposure to non-payment of living wages.

Table 45: data presented by each retailer about their own employee base.

Retailer	Data presented about own employees
Ahold Delhaize	Number, gender, full time/part time, per generation, and percentage covered by collective bargaining.
Tesco	-
Metro	Headcount and full-time equivalents in: numbers and geographic area.
Casino	Country, age and gender and number hires under permanent or fixed-term contracts, disabled employees.
Carrefour	Number of employees by continent & by category (senior director, director, manager, employee), fixed term / permanent contracts and age.

With regards to the supply chain, none of the retailers report on the scope of its suppliers (e.g. provide a list of suppliers / workers per geographic region) in relation to living wage risks. Ahold and Carrefour work on increasing transparency of their supply chains through block chains: Ahold for own brand orange juice and Carrefour for poultry and will extend it to eight other product lines. However, these efforts are not presented in regards to living wages or efforts to increase social compliance.

Casino as part of the Initicative Clause Sociale (ICS) aims to increase transparency about social compliance in supply chains by sharing progress on supplyers' Corrective Action Plan (CAP) with other members of the initiative.

Tesco and Casino use product purchasing volumes to prioritise their risks. Tesco uses them to identify its top 20 products and Casino to determine the relative seriousness of the issue in relation to the Group's business operations. The product purchasing volumes can relate to the scope of workers involved in production, however this also depends on labour intensity of production

Remediability

Ahold, Metro and Carrefour do not select and present their identified risks in relation to their remediability. Casino states that a larger number of small suppliers makes auditing the upstream production chains a more complex process. By including the number of vendors in its selection of risks, Casino takes the remediability of the risks into account. One of the criteria for Tesco's top 20 products is the ability to drive change. Whereas Tesco does not clearly define how this ability is assessed, it does represent the remediability. Ahold is the only retailer that reports the number of complaints received (7,280 in 2018) and the percentage of the incidents that were made anonymously (approximately 40%).

Monitoring and risk assessment before new business activities

All retailers except Ahold require its own-brand suppliers in high-risk countries to pass a social compliance audit before buying their products. Ahold aims to have 80% of its own-brand suppliers in high-risk countries socially compliant by 2020 (Ahold Delhaize, 2019a). None of the standards used by the retailers audits the suppliers with regards to living wage risks. Tesco requires suppliers to pass ETI, Metro uses BSCI audits, whereas Carrefour and Casino require ICS audits before engaging with a new supplier in a high-risk country. Even more, Casino updates its country risk assessment every year which informs their list of countries where sourcing is authorized, prohibited or subject to tighter audit procedures (Casino Group, 2018).

Ahold aims to have the 100% of the own-brand suppliers of its seven priority products certified against an acceptable standard by 2020. Moreover, Ahold aims to have 80% of its own brand products in high risk countries audited against acceptable standards for social compliance. Ahold does not specify improvement towards living wages in its definition of acceptable standard.

Tesco and Casino show signs of continuously monitoring risks by requiring suppliers at high-risk sites to be audited on an annual basis. Moreover, Casino identifies countries that require more frequent auditing based on their country risk assessment. In all, of the 105 countries where sourcing is authorized by the Group, 67 require more frequent auditing (P. 291).

Question 2: Retail scores on policy

Table 46: retailers scores on policy in percentage and implementation potential

Policy	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	0%	20%	10%	10%	10%
Implementation potential	10	8	9	9	9

Board responsibility and bonus

The retailers have created different bodies responsible for sustainability and human rights (table 47). None of the retailers have specified a person or a body responsible for living wage implementation. Metro and Carrefour have created bodies responsible for sustainability in general without stating specific responsibility for human rights. Casino allocates the responsibility of its ethical and socially responsible commitments to its Governance and CSR Committee. Ahold and Tesco have specific committees responsible for protecting human rights.

Table 47: Responsible body for sustainability, human rights or living wages as well as commitment through bonuses.

Retailer	Responsible body human rights / living wage
Ahold Delhaize	Human rights commitment: - Supervisory board: Sustainability and Innovation Committee - Executive committee - Relevant functional leaders across the group and brands e.g. legal, human resources.
Tesco	Human rights commitment: Compliance and Social Responsibility Committees Code of Business Conduct is reviewed by our senior managers once a year
Metro	Sustainability commitment: - Sustainability committee Operational implementation: - METRO companies
Casino	Ethical, socially responsible commitment: - Governance and CSR Committee
Carrefour	Sustainability commitment: - CSR committee within the board of directors Operational level: - Management departments of each country

The retailers have designed different variable compensation structures to strengthen commitment for sustainability and human rights (Table 48). Casino determines 10% of its variable compensation completely on external financial and sustainability indexes, including the Dow Jones Sustainability Index (DJSI. The DJSI includes indicators on labour practices and human rights according to the UNGPs, but this does not ensure consideration of living wages (RobecoSAM, 2019). Ahold and Metro complement calculating variable remuneration on the external Dow Jones Sustainability Index with their own metrics. Casino considers employee and customer satisfaction and Ahold includes the percentage of healthy own-brand food sales of total own brand food sales in their calculation of bonuses. Carrefour and Tesco completely define their own metrics to determine the variable compensation allocated for sustainability performance. Carrefour includes the progress of its food transition index in the yearly remuneration. Whereas this index includes environmental targets as well as targets on women emancipation, inclusion of disabled workers and improved health/safety/working conditions, this does not consider living wages in own operations and supply chain. Tesco determines 20% of its annual bonus based on strategic objectives including key stakeholder measures relating to customers, suppliers and colleagues. Tesco's own indices do not specifically address living wage implementation, however Tesco's supplier survey contains important facilitating factors such as: promptly paying suppliers or giving suppliers the confidence to invest in innovation and efficiency.

Table 48: Variable remuneration to strengthen commitment for sustainability and human rights (Ahold Delhaize, 2019a; Carrefour, 2018b; Casino Group, 2018; Metro AG, 2019a; Tesco PLC, 2018c)

Retailer	Variable remuneration ensuring commitment for sustainability

Ahold Delhaize	1. Base salary
	2. Annual cash incentive
	3. Long-term equity based program
	- 40% Return on Capital
	- 40% share performance relative to that of its peers: Total Shareholder Return
	- 20 % contribution to society through sustainability objectives.
	  o Dow Jones Sustainability Index
	  o % healthy own-brand food sales of total own brand food sales

Tesco	20% of annual bonus based on strategic objectives including key stakeholder measures relating to customers, suppliers and colleagues. Half of the bonus deferred into Tesco shares for three years.
Metro	1. 30% fixed salary 2. 28% Short-term performance-based remuneration based on financial performance targets - short term remuneration can be increased or decreased by 30% based on customer satisfaction, employee satisfaction and sustainability (Dow Jones Sustainability Index rating) - Not specified how this in/de-crease is included in the calculation 3. 42% Performance-based remuneration with long-term incentive effect
Casino	10% of variable compensation Chairman and Executive officer: - Financial Times Stock Exchange Group - Vigeo Eiris (sustainability index) - Dow Jones Sustainability Index
Carrefour	Inclusion of food transition index results in the calculation of its top management yearly remuneration. Not specified how this is included in the calculation. For employees the index includes targets on: - women to key positions - inclusion of disabled employees - employee training - health/safety/working conditions

Salient issue

As shown in table 49, none of the retailers report living wage risks as a salient/material issue. However, retailers do identify issues related to the achievement of living wages. An interesting finding is Tesco's identification of 'sustainable livelihoods for workers and smallholder farmers' as a material issue. This strongly resembles living wage as Tesco describes the "*recognition of the need for workers and farmers to receive a fair share of the value they contribute to a company's products. We acknowledge that legal minimum wages are often not sufficient to meet workers' needs*" (Tesco PLC, 2019). However, this material issue is only reported for the UK approach to human rights which does not cover operations outside of the UK.

Another remarkable finding is the identification employees relations and working conditions as key issues by Carrefour, but that this metric only contains health and work-life balance. Remarkably, living wages are not considered, whereas as the company has stores in regions where low wages are considered problematic: China, Taiwan, Romania, Poland, Brazil, Argentina, Italy and Spain as well as franchised stores in the North of Africa and Indonesia.

Table 49: Material issues identified by retailers that are relevant for living wages

Retailer	Material/Salient issues identified relevant for living wages
Ahold Delhaize	• Associate wages • Human rights • Human rights protections in the supply chain Consideration of living wages in human rights is not specified. Human rights specifically mentioned are: eradicating forced labor, protect labor rights, promoting safe and secure working environments.
Tesco	• Forced labour • How workers are represented in the workplace • Gender • Sustainable livelihoods for workers and smallholder farmers
Metro	• Human rights at own operations • Human rights and fair working conditions in the supply chain • Fundamental principles and rights in the workplace Consideration of living wages in human rights is not specified.
Casino	• Supplier relations • Responsible purchasing
Carrefour	• Sustainable relations with suppliers and working conditions • Employees' relations and working conditions (health and work-life balance) • Product quality and labelling

Formal policy

Metro, Casino and Carrefour have no formal policy addressing living wages. Ahold has set targets have 80% of its suppliers in high risk countries certified against an acceptable standard in 2020. Additionally Ahold aims to have all its own brand products containing its seven key commodities sourced with an acceptable standard. However, Ahold's definition of an acceptable standard is *"science-based, globally consistent and focus on continuously improving production and supply chain practices*" (Ahold Delhaize, 2019a, p. 226) which does not specify commitments towards living wage improvements. The best practice is shown by Tesco's UK approach to human rights. Whereas this policy only covers UK operations, this policy reports a commitment to identify living wage gaps for suppliers of banana, tea, cocoa and coffee. Tesco states its commitment to conduct due diligence for these suppliers and is "*committed to working with workers, trade unions and NGOs in relevant supply chains to identify living wage benchmarks and publish examples of the gap between prevailing wages and credible living wage benchmarks.* "(Tesco PLC, 2019). Moreover, Tesco has a policy commitment towards strong and open relationships with suppliers which relates to living wages.

Question 3: Retail scores on definition

Table 50: Retailers scores on definition in percentage and implementation potential in points

Definition	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	18	32	20	18	46

Implementation potential	8	7	8	8	5

Table 51: Retailers scores on definition per worker category in percentage and implementation potential

Definition	% Score	Implementation potential	Own employees	Salient	Private label waged	Private label smallholder	Other brand suppliers
Ahold Delhaize	20	8	20%	20%	20%	20%	20%
Tesco	32	7	20%	40%	40%	40%	0%
Metro AG	20	8	20%	20%	20%	20%	20%
Casino	18	8	20%	20%	20%	20%	0%
Carrefour	46	5	20%	60%	60%	60%	0%

All retailers state that wages of own employees shall meet or exceed legal minimum wages. Moreover, all retailers indicate to link their wage setting of their employees to local market practices. Ahold states that it regularly reviews remuneration practices to take into account market dynamics and economic conditions. Carrefour designed an annual compensation review to ensure fairness of compensation levels based on level of responsibility , the general market and the specific retail market. Carrefour shows recognition of the needs of their employees and families by stating that "*over and above financial compensation, Carrefour offers employee benefits to meet the needs of employees and their families"* (Carrefour, 2018b, p. 74). However, Carrefour does not specify how they ensure these needs are met. Similarly, Metro encourages Metro Group companies to cover living expenses in their principles fair working conditions & social partnership without specifying how Metro companies implement this *"In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, METRO GROUP companies are further encouraged to provide its employees with adequate compensation to meet these needs."* (Metro AG, 2012, p. 3).

Retailers presented more elaborate definitions with regards to wages for workers in their supply chains (table 52). Carrefour and Tesco include workers' basic needs in their code of conduct. The highest score was awarded to Carrefour as it requires suppliers to cover workers' and their family's basic needs, as well as preventing excessive overtime. Tesco requires suppliers to cover basic needs for a standard working week and discretionary income, but does not consider the needs of the family. Casino does not include worker's needs as a requirement in their code of conduct, but states "*Aware of the fundamental importance of remuneration for employees and their dependents, the Casino Group expects Suppliers to treat the minimum legal wage not as an end in itself, but as a threshold not merely to be reached, but to be exceeded, with the ultimate goal of increasing this remuneration beyond the minimum required to cover employees' basic needs*." (Casino Group, 2016, p. 4). The other retailers only require their suppliers to pay their workers according to legal minimum or industry standard wages. Metro reports that their code of conduct also applies to all their suppliers or business relationships.

Table 52: Wage definitions by retailers for workers in their supply chains.

Retailer	Definition of wages supply chain
Ahold Delhaize	"*Employees shall be paid in compliance with all applicable legal requirements and reflecting the time worked. Wages paid for regular working hours, overtime*

	hours and overtime differentials shall meet or exceed applicable legal minimums. Illegal deductions from wages shall not be made. Deductions for disciplinary purposes from wages for time worked are forbidden. Partial payment in the form of allowance "in kind" is accepted in line with International Labor Organization (ILO) specifications. Suppliers shall ensure that wage and benefits composition are detailed clearly and regularly for workers; the Supplier shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered in a manner convenient to workers. " (Ahold Delhaize, 2019b)
Tesco	"*Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.*" (Ethical Trading Initiative, 2018, p. 6)
Metro	"*We require our business partners to ensure that wages for regular working and overtime hours are paid regularly to employees and shall meet or exceed legal minimums and/or applicable industry standards, whichever is higher. The use of overtime is voluntary and compensated at premium rate. Working hours and public holidays shall comply with applicable national law. Our business partners shall not require a working week, including overtime, of over 60 hours on a regular basis. Employees shall be allowed at least one day off after six consecutive days of work*" (Metro AG, n.d., p. 2)
Casino	"*The Supplier shall pay its employees, including piece rate workers, wages, overtime, benefits and paid leave equal to or greater than the legal minimums and/or sector standards and/or those specified in collective bargaining agreements (the highest amounts shall apply).* *Aware of the fundamental importance of remuneration for employees and their dependents, the Casino Group expects Suppliers to treat the minimum legal wage not as an end in itself, but as a threshold not merely to be reached, but to be exceeded, with the ultimate goal of increasing this remuneration beyond the minimum required to cover employees' basic needs.*" (Casino Group, 2016, p. 4)
Carrefour	" *remuneration which satisfies their[workers'] basic needs and those of the members of their family who are directly dependent on them.* *7. Working hours: to guarantee workers working hours which comply with international standards and local legislation and do not exceed 48 hours a week excluding overtime (maximum 12 hours of overtime per week, not on a regular basis*)" (Carrefour, 2010, p. 14)

Question 4: Retail scores on engagement

Table 53: Retailers scores on engagement in percentage and implementation potential in points

Engagement	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	0	3	22	2	0
Implementation potential	3	3	3	3	3

General reporting on stakeholder engagement

All the retailers report with which internal and external stakeholders the company engaged. Generally, Casino and Carrefour report best on their stakeholder consultation by stating through what medium they engaged with different stakeholders and report general topics that were discussed. The other retailers generally do not report the topics of their engagements:

- Metro provides only limited information in the stakeholder relations section in their annual report.
- Tesco states it conducted engagements with a wide 'range of stakeholders, including colleagues, customers, suppliers, NGOs and policy experts, in the UK and international markets.' However, only views from consumers, influencers and colleagues are presented.
- Ahold presents information about its customers and associates. However the important engagements with suppliers are compiled with many different stakeholders under communities: food banks, governments, civic organizations, schools, research institutes, industry bodies, charitable organizations, franchisees and affiliates

Stakeholder engagement on living wages

All retailers score relatively low on the engagement question as none of them reported to have discussed the non-payment of living wages with its stakeholders. Metro scores highest as their global compact report states that they discussed the implementation of freedom of association with labour representatives/trade union members, own employees and employees of third-party suppliers. Metro states that discussions were held anonymously which improves fair representation of the stakeholder groups. Whereas engagement on freedom of association does not fulfil engagement on living wages, it is related to the issue.

Similarly, Casino gained some points by reporting on maintaining regular dialogue with representative trade unions. Casino reports that more than ten agreements and action plans are currently in force based on these engagements and that these agreements also cover benefits and compensation, which is related to living wages (Casino Group, 2018). However, the concerns and content of the action plans are not reported, hence it is unclear whether these discussions consider living wage issues and whether this has led changes in the company's decision making and practices.

Tesco also scored some points through engaging with suppliers through a supplier survey to measure the progress of its commitment to strong and open relationships with suppliers. Tesco does not present the content of the whole survey, but reports prompt payment of suppliers as a strength and giving suppliers the confidence to invest in innovation and efficiency as an opportunity for improvement based on the survey (Tesco PLC, 2018a). Tesco states that based on the survey it creates action plans to strengthen supplier relationships, but these are not reported. Moreover Tesco states that its sustainability strategy will be adjusted along stakeholders expectations. Tesco supports this with a few examples of inclusion of sustainable packaging and healthy choices in their strategy, however this does not relate to living wages.

Carrefour adds an interesting clause in their contracts with suppliers that they can reach an external and internal mediator that addresses any questions that they may have. The internal mediator is independent of the purchasing, commercial and litigation departments. However the company does not report the topics raised by suppliers to the mediator, hence cannot be determined whether living wages are discussed and how this changes the company's decision making and practices.

Stakeholder engagement with own employees

Whereas Metro and Casino engage their own employees on topics related to living wages, Tesco does not present topics of own employee engagements at all and Carrefour and Ahold only present coverage of unrelated topics. Ahold uses an associate engagement survey, which only covers healthy workplace, inclusive workplace and associate development and Carrefour focusses on measuring employees' feeling of belonging, engagement and degree of motivation. These measures of engagement with own employees exclude discussion about wages.

Question 5: Retail scores on assessing impacts

Table 54: Retailers scores on assessing impacts in percentage and implementation potential in points

Assessing impacts	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	18	19	24	32	32
Implementation potential	8	8	8	7	7

Own employees

Logically all retailers can be aware of the wages they pay their own employees, however little is reported on wages of own employees. None of the retailers present absolute wage data. All retailers state that they set the own employee wages in relation to competitive local market practice. Ahold and Carrefour state that the wages of their own employees are regularly reviewed. In 2017 Tesco announced its biggest investment in UK store pay for colleagues for a decade by increasing wages by 10.5% over two years for hourly paid store colleagues to comply with the obligatory 'National Living Wage' in the UK (Tesco PLC, 2018c).

With regards to the retailers' awareness of the dimensions surrounding wage of own employees, Ahold reports the percentage of own employees that is covered by collective bargaining agreements. Moreover, Casino and Carrefour report the number of workers under permanent or fixed-term contracts. Metro is aware of freedom of association due to its elaborate engagement with worker representatives on the topic, but it does not present results.

None of the retailers has presented monitors the gap between actual wages payed and living wage/income estimates of own employees, nor do retailers present plans to start monitoring this.

Suppliers

With regards to the supply chain workers all retailers use auditing to be aware of the wage levels payed and the dimensions surrounding wage. The auditing systems used by the retailers only monitor whether suppliers pay their workers according to legal minima or not. Hence, retailers are not fully aware of the wages payed to workers in the supply chain. The dimensions surrounding wage covered by the auditing systems per retailer are shown in table 55. Whereas the specific definitions of the dimensions differ amongst audit systems all audits look at freedom of association, decent working hours and discrimination. However, ICS standard used by Casino and Carrefour does not audit on precarious employment assessed by BSCI, or regular employment relationships assessed by ETI.

Table 55: Dimensions related to wage audited by retailers for suppliers in high risk countries

Retailer	Audit standard	Dimensions related to wage
Ahold, Metro & Casino	BSCI	- The Rights of Freedom of Association and Collective Bargaining - Decent Working Hours - No Discrimination - No Precarious Employment (documented worker contracts)
Tesco	ETI	- Freedom of association and the right to collective bargaining are respected - Working hours are not excessive - No discrimination is practiced - Regular employment is provided (recognised employment relationship according to labour and social security law)

Casino & Carrefour	ICS	- Non discrimination - Freedom of association and grievance mechanisms - Working hours and overtime

Carrefour has implemented some best practices. To be aware of the risk of subcontracting Carrefour's *"local teams carry out inspections on production volumes at factories in order to verify that the supplier has not accepted orders which beyond capacity of their facilities.* "(Carrefour, n.d.). Moreover, Carrefour created a self-assessment tool in collaboration with WWF for Carrefour's own suppliers to enable its suppliers to carry out a CSR self-assessment and to improve through the advice given and practical examples provided. In 2017 the tool was made available to other companies via the Internet under the name Valorise.

Tesco is aware of the gap between wages payed to workers and living wage benchmarks for tea in the Malawi Tea project and for banana's with the world banana forum. Tesco has presented its commitment to identifying living wage gaps for banana, tea, cocoa and coffee. Ahold mentioned a project on calculating living wages for Kenian coffee but did not report results about this in 2018. None of the other retailers is aware of the living wage gap of their suppliers, nor have they presented plans to start monitoring this gap.

Question 6: Retail scores on integrating findings

Table 56:Retailers scores on integrating findings in percentage and implementation potential in points

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	3	46	6	14	19
Implementation potential	39	20	37	31	31

Table 57: Retailer living wage implementation per intervention in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Purchasing practices	0	11	0	0	15
Government	0	60	0	50	50
Buying groups	0	0	0	0	0
Consumer influence	25	25	0	0	25
MSIs	0	100	0	0	0
Own employees	0	0	100	100	100
Salient living wage risks	0	100	0	100	0
Private label suppliers	0	50	30	25	80
Other brand suppliers	0	0	0	0	0

Retail score on purchasing practices

Table 58: Retailer living wage implementation with regards to purchasing practices in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Purchasing practices	0	13	0	6	18

Metro and Ahold report very little with regards to their purchasing practices. Metro only reports on a pilot at METRO Turkey and METRO Pakistan to train employees in key functions on forced labour without reporting on other aspects of their purchasing practices (Metro AG, 2019b). Ahold states that they have global policies that address key risks to their business of which some relate to purchasing. However the content of these purchasing policies is not disclosed (Ahold Delhaize, 2019a). These companies do not report on other aspects of their purchasing practices. Whereas the other retailers report on more aspects of their purchasing practices, their scores on this question are relatively low because their actions are not in relation to living wages, but issues related to living wage e.g. forced labour.

Carrefour scores highest with regards to purchasing practices. An interesting finding is that in their social and ethical charter for their suppliers (p. 12) Carrefour states *"Conscious that the respect of these commitments can only be fully realized through a collaborative relationship with its suppliers, Carrefour commits not to impose conditions on its suppliers that would prevent them from implementing these commitments. Carrefour further commits to accompany its suppliers, to the extent possible, in the implementation of those social principles, especially during the implementation of corrective action plans."* This shows recognition of their responsibility to ensure that their own practices do not prevent suppliers to comply with social standards. Carrefour also states that the Group is the first retailer in the agi-food sector to be presented with the 'Responsible supplier relations' label assessed by an external assessor.

Metro, Tesco and Casino report information related to training purchasing teams on unfair trading practices. Metro conducts pilot trainings on forced labour. Tesco provides training to their UK buyers covering responsible sourcing, human rights and modern slavery for instance by spotting potential indicators of modern slavery such as workers with shared addresses and bank details (Tesco PLC, 2019). However, this training is only conducted for its UK buyers. Casino has trained around 89% of their buyers in 2017 on their ethics charter and their new social compliance process, which does not cover living wage risks (Casino Group, 2018). Whereas these topics are related to living wages, the retailers do not present these trainings in relation to living wage risks.

Ahold, Casino and Carrefour report something on building long-term, collaborative relationships with producers. Ahold simply mentions long-term partnerships with suppliers without translating this in specific commitments that will lead to longer-term partnerships. It is also not mentioned that this will be used to improve (living) wages, and this is not expected as this is presented under the header 'save for our customers' (Ahold Delhaize, 2019a, p. 16).

Casino reports on special collaboration with producer cooperatives supplying beef covering issues related to responsible purchasing, but not in the context of living wages. They state that *"These* *partnerships support the signing of long-term, three-party contracts that guarantee farmers stable purchasing volumes and prices based on actual production costs, while providing consumers with high quality, fully traceable products. Volumes under contract currently represent nearly 30% of regularly stocked beef products."* (Casino Group, 2018, p. 296). In the previous engagement dialogue Casino stated that the costs related to auditing suppliers causes Casino to work with suppliers for a longer period.

Carrefour scores best by presenting that in 2017 68% of suppliers have been working with the group for over 5 years (Carrefour, 2018b). For non-food products (15% of its revenue) Carrefour states that it offers its suppliers long-term sales contracts to encourage suppliers to implement corrective actions, without specifying the length of long-term contracts. Carrefour will also engage in a five-year purchasing partnership with Système U in favor of French agricultural producers with *the "aim to promote a fair distribution of value between upstream and downstream."* Carrefour also promotes close relationships with SME partners by providing them with three-year contracts (Carrefour, 2018a).

Carrefour is the only retailer that reports on direct relationships with suppliers, but not in relation to living wages. Carrefour France states that it promotes close relationships with SME local partners through *"special signs used in stores for SME partners, three-year contracts, shorter payment terms, direct access to in-store contacts and Carrefour's marketing and supplier listing departments."* (Carrefour, 2018b, p. 63). Tesco stated its direct relations with five banana suppliers in the last engagement call in relation to living wages.

Tesco is the only retailer that reports the inclusion of living wage benchmarks in its price negotiations. Tesco does this in relation to the Malawi tea project . Moreover their UK code of business conduct includes a clause on the cost of production: *"Always focus on cost prices during price negotiations with suppliers. Suppliers can give us recommended prices but not fixed or minimum prices."* (Tesco PLC, 2018b, p. 28) Whereas this clause does not specify the cost of living wages in the cost of production, it is strongly related to sustainable negotiation practices that contribute to improving wages. Casino also states its recognition of farmer's production costs in an agreement with the French National Beef Federation without relating this to living wages.

Tesco is also the only retailer that reports about providing suppliers with enough lead time to orders or changed orders as its UK business code of conduct states "*Always deliver on supply commitments made. You understand that asking for last minute changes can lead to partners cutting corners to meet deadlines. This can damage both working conditions and product quality."* (Tesco PLC, 2018b, p. 32). However, this only covers the UK and Tesco does not specify with clear commitments how it aims to prevent last minute changes to orders.

Tesco and Carrefour report on timely payment of suppliers. Tesco's UK buyers follow a fixed number of payment days by category for small, medium and larger suppliers ranging from 14 to 90 days (Tesco PLC, 2015). Moreover Tesco's reports that 89% of their suppliers agree that Tesco pays them promptly based on their supplier survey. Carrefour states that they offer suppliers long-term sales contracts, larger volumes and early payments to encourage them to implement corrective actions identified by audits. However Carrefour does not state how it defines these early payments and how it ensures their implementation.

Carrefour is the only retailer that reports on engagement with different actors throughout the supply chain to align procurement practices. In relation to non-food products Carrefour reports that in order to encourage suppliers to implement corrective actions identified by audits, Carrefour asks other local purchasers to issue the same request so that they these weigh more heavily on the supplier's management (Carrefour, n.d.).

None of the retailers report on streamlining and consolidating their supply chain. However, Casino and Tesco have referred to this in previous engagement dialogue with the shareholder. Casino mentioned it is decreasing the number of suppliers and pointed to the limited leverage Casino has over suppliers if they only source less than 8% of a factory's turnover. Tesco mentioned in the engagement that they work hard to reduce the number of suppliers and that their number of suppliers has been reduced to half the size as before. However, it is unclear where these numbers are based on.

Retail score on Buying groups

Table 59: Retailer living wage implementation with regards to buying groups in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Buying groups	0	0	0	0	0

Table 60 shows in which buying alliances the retailers are involved and show that Tesco and Carrefour collaborate in a purchasing alliance, as well as collaboration between Metro and Casino who are also both members of the buying group Horizon.

A press release about the new Horizon group states that *"The new alliances will focus on moving away from purely transactional negotiations towards a collaborative, balanced and innovative type of negotiations*" and refers to their *"common vision and culture when it comes to their relationship with suppliers. Based on that, these agreements will be respectful of everyone's interest: customers, farmers and manufacturers"* (Horizon, 2018, p. 1). However, there is no information on how the buying group is implementing this vision, nor does it refer to living wages.

None of the retailers report on efforts in collaboration with their buying group to improve purchasing practices in order to support living wages. Instead, it seems as if the retailers use buying groups to achieve lower prices from suppliers. Ahold is the only one mentioning fair practices in relation to its cost savings achieved through buying groups . They state that *"Our great local brands also achieve savings through buying alliances. In sourcing practices, we aim to always operate in a competitive and fair way"* (Ahold Delhaize, 2019a, p. 16). Metro mentions 'operational capacity to reduce their cost base' with the aim of 'improving competitiveness' by 'reducing procurement costs' (Metro AG, 2019a, p. 238). Casino states that it improved its supply chain competitiveness by joining the EMD buying group (Casino Group, 2018, p. 366).

Similarly, the press release about the purchasing alliance between Tesco and Carrefour shows the goal of cutting costs by stating *"The Alliance will enable both companies to improve the quality and choice of products available to their customers, at even lower prices thereby enhancing their competitiveness"* (The Guardian, 2018). Carrefour even reports pooled purchasing and renegotiations of historical contracts as main strategies to save 2 billion euro annually for 2020, next to reduction of logistics costs and simplification of headquarters (Carrefour, 2018b, p. 10).

Table 60: buying groups and purchasing alliances of retailers

Retailer	Buying groups and purchasing alliances
Ahold Delhaize	○ Coopernic ○ AMS Sourcing
Tesco	○ Carrefour Group
Metro	○ Horizon

	○ Auchan Retail ○ Dia Group ○ Casino Group
Casino	○ European Marketing Distribution (EMD) ○ Horizon ○ Metro Group
Carrefour	○ Tesco

Retail score on governments

Table 61: Retailer living wage implementation with regards to governments in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Government	0	60	0	50	50

Only Casino commits to withdraw from lobbying against human and labour rights protections, Metro and Ahold seem to actively steer policy making to represent their interest and Tesco and Carrefour do not report on actively steering policy makers nor refraining from influencing policy makers.

Casino states that it acts in accordance with the OECD Principles for Transparency and Integrity in Lobbying and in line with the commitments set out in its Ethics Charter. The implementation was strengthened by training 53 developers of the Group's banners on responsible lobbying and reviewing the ethical rules relating to relations with local authorities and decentralised public services (Casino Group, 2018).

Metro identifies legislation as a risk. For instance they state that *"At present, the European Union is working on a directive that will regulate unfair trading practices. This directive might have a far-reaching impact on existing business processes and condition systems worldwide, depending on its precise content"* (Metro AG, 2019a, p. 95). As a mitigation measure Metro states to *"collect, discuss and analyse important social, regulatory and political issues and try to represent our interests at the political level through responsible lobbying"* (Metro AG, 2019a, p. 95). Similarly, Ahold aims at *"Mitigating risk in legislative environment through Education of regulators and public policymakers, (e.g., through industry associations; participation in lobbying industry bodies)"* (Ahold Delhaize, 2019a, p. 83).

On the other hand, Tesco also identifies regulation on responsible sourcing and supply chain as a risk, but presents mitigations that focus on anticipating on regulation changes and preparing for future compliance. However, Tesco does not directly state it will refrain from lobbying against regulation changes. Carrefour does not identify stronger regulation on responsible sourcing as a key risk, and does not report anything about lobbying regulatory changes. Instead, Carrefour states that consumers' growing concerns about responsible retailing and CSR may impact the Group's reputation and its financial performance. Carrefour mitigates this by fostering *"a risk-aware culture embracing the issues of human rights and fundamental freedoms, health and safety, and the environment, which are the areas addressed by France's duty of care law passed on March 27, 2017"*(Carrefour, 2018b, p. 195).

Metro, Ahold and Casino do not collaborate with- or demand governments to strengthen human and labour rights standards. Carrefour is in favour of and lends its support to the drafting of legally binding universal corporate and human rights standards, as well as more demanding European standards (Carrefour, 2018b). Moreover Carrefour declared its support for the Global Deal which aims to promote stronger, more sustainable regulations for globalisation through social dialogue (Carrefour, 2010). Tesco also states it works alongside government to strengthen legislation in order to avoid, reduce or manage their prioritised human rights risks. Moreover, Tesco states that it conducts *"Advocacy via our in-country human rights teams with labour ministers in a number of countries to promote decent wages and working hours for agricultural workers, which have helped encourage dialogue between government and trade unions"* (Tesco PLC, 2019).

Retail score on consumer influence

Table 62: Retailer living wage implementation with regards to consumer influence in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Consumer influence	5	5	0	25	25

None of the retailers reported the use of prominent shelf positioning to nudge and promote the sales of products that have been produced and traded with fairer wages/income for its suppliers.

Nor do retailers report to make ethical products more affordable by adjusting their profit margin. Ethical products are generally more expensive, compared to products without ethical specifications. As the retailers take a percentage margin from the product cost, retailers collect a relatively higher sum of money from ethical products sold then from selling their cheaper counterparts.

Tesco and Metro do not report on informing consumers about the living wages of their products. Ahold has systems in place to inform and educate consumers, however this is only used in relation to healthy consumption and not for ethical consumption of products with better wages. Carrefour and Casino show a good example of creating consumer transparency about living wages by taking part in the consumer label: C'est qui le patron. Products with this label are developed especially for the label following consumer choices through a questionnaire that includes options to ensure producers are properly remunerated as shown in table 63. This label communicates information about wages to consumers and has led to an increase in the farmer remuneration for milk in France.

Table 63: options for product specifications of milk in France with price consequences compared to cheapest product available translated from (C'est qui le patron, n.d.)

Specification	Options	Price	Adjusted
Producer remuneration	According to world price	+ 0 cents	0,69 cents
	Producer does not lose money	+ 4 cents	
	Producer is 'properly' payed	+ 7 cents	
	Remuneration covers free time and replacement	+ 9 cents	
Milk origin	Not important	+ 0 cents	
	France	+ 1 cents	
Grazing	No grazing of the cows	+ 0 cents	
	Three months of grazing	+ 1 cents	
	Six months of grazing	+ 6 cents	
Animal feed	Without Genetically Modified Organisms	+ 5 cents	
	With Omega 3	+ 2 cents	0,99 cents

Tesco and Ahold employ choice editing by ensuring that certain commodities are sold along more ethical standards. Tesco does this by certifying all its own brand confectionery is certified by RA (Tesco PLC, 2018c). Moreover, for its seven key commodities Ahold aims to certify 100% of their own brand products according to an acceptable standard. Whereas these standards require better working conditions and wages, they do not refer to living wages.

Metro works on expanding the range of responsible products, but does not state clear commitments (Metro AG, 2019b). Carrefour reports on their sales of Fairtrade products, but does not report the intention to increase these sales. Even more their sales of Fairtrade products has declined in the last year (Carrefour, 2018b). Casino does not report anything on promoting the sales of ethical products through choice editing.

Retail score on Multi-stakeholder initiatives

Table 64: Retailer living wage implementation with regards to MSIs in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
MSIs	0	100	0	0	0

All the retailers refer to an extensive list of collaborations and multi stakeholder initiatives, but Tesco is the only retailer that refers to multi-stakeholder collaboration to achieve living wages. Tesco refers to its collaboration in the Malawi 2020 project for living wages of tea plantation workers. Moreover, Tesco collaborates in the Living Wage Advocacy Initiative launched by the World Banana Forum and Fairtrade to work on living wages in the Ghanaian and Ecuadorian banana sector. Whereas some of the other initiatives refer to improving human rights, they do not state the intention to advance the payment of living wages.

Retail score on own employees

Table 65: Retailer living wage implementation with regards to own employees in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Own employees	0	0	100	100	100

Metro, Casino and Carrefour report on formal structures to consult with employees over wages. They do this by reporting how they ensure that freedom of association and collective bargaining are respected and used. Metro audits its own operations on proper implementation of collective bargaining and anonymous discussions are held with employees to verify how well collective bargaining is ensured (Metro AG, 2019b). Casino has more than ten agreements and action plans in place as a result of collective bargaining. They report that these action plans cover issues on benefits and compensation among others (Casino Group, 2018). Carrefour reports on an agreement with the International Union Federation to respect fundamental labour rights in its business operations and refers to varied forms of communication and consultation with employees. Moreover, Carrefour promotes social dialogue through meetings of the Group's Labour Relations department (Carrefour, 2018b). On the other hand, Ahold and Tesco state that they support open dialogue, but do not elaborate how they protect the right of its employees to unionise and of collective bargaining, nor do they present issues raised by employees and how the company responded to these issues.

Retail score on private label suppliers

Table 66: Retailer living wage implementation with regards to private label suppliers in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Private label suppliers	5	30	10	10	40

All retailers conduct social audits of their private label suppliers in high-risk countries. However these audits only cover minimum legal wages. Carrefour, Metro and Casino report that they provide trainings to suppliers to help them comply with their social standards. These trainings cover topics related to living wage such as building socially responsible management systems and complaints mechanisms. Carrefour has developed the 'Good Factory Standard' as a tool to talk to suppliers and raise awareness of the importance of contractual terms. Next to that Carrefour shares a CSR self-assessment test online that aims to help suppliers comply with their supplier charter of ethics. Tesco and Carrefour show recognition of the limited capacity to comply with imposed social standards. Carrefour does this by including a clause on reciprocity in their supplier charter of ethics stating *“Based on reciprocity, the charter states that Carrefour may not impose any conditions on suppliers that would prevent them from complying with the charter.”* (Carrefour, 2018b, p. 65). Tesco recognises that *“In some cases non-conformances are the result of entrenched human rights issues in a particular country and require cross-industry collaboration and long term partnerships to address."* (Tesco PLC, 2018a, p. 6). Lastly, Carrefour adapts its requirements based on the capacity of suppliers to comply by employing special terms for SMEs that make it easier for these smaller suppliers to supply Carrefour e.g. shorter payments, three-year contracts *.”* (Carrefour, 2018b, p. 63).

Retail score on workers with salient living wage risks

Table 67: Retailer living wage implementation with regards to workers with salient living wage risks(%)

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Salient living wage risks	0	100	0	0	0

Casino, Ahold and Carrefour have specific requirements for a few key commodities. However, they do not specify that the selection of these commodities was based on living wage risks, nor do the specific requirements refer to living wages. Metro lets each sales division implement specific guidelines or policies for a selection of own brand products based on how material the product is for the sales division and the potential negative social and/or environmental impact of the product. However, Metro does not specify the selection of own brand products, nor the content of the policies. Therefore, it cannot be concluded that Metro considers living wage risks in this process (Metro AG, 2017). Tesco applies special commitments in sourcing Tea in the Malawi 2020 project and banana’s in the Living Wage Advocacy Initiative.

Retail score on other brand suppliers

Table 67: Retailer living wage implementation with regards to other brand suppliers in %

Integrating Findings	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour

Other brand suppliers	0	0	0	0	0

Metro and Carrefour extend their supplier code of conduct to other brand suppliers. Metro states that it *"expect[s] branded product suppliers (food and non-food) to act in the same spirit as our policies"* (Metro AG, 2017, p. 2). Carrefour explains that "*The charter also applies to suppliers of non-Carrefour-brand products, and therefore establishes the framework within which all Group suppliers must conduct their activities"* (Carrefour, 2018b, p. 64).

However, their codes do not include respect for living wages, nor is the expectation of other brand suppliers backed up with strategies to ensure the respect of their codes. None of the retailers engages with other brand suppliers to enhance the payment of living wages of workers in the supply chain of other brands, nor do they apply preferred sourcing from more ethical other brand suppliers.

Casino does state that *"the Group's purchasing hub nurtures constructive dialogue with its main national brand suppliers, in order to share its CSR objectives and priorities and/or set up collaborative projects*"(Casino Group, 2018, p. 296), however this is not presented in relation to living wages. Collaborative projects Casino undertakes with its national brands are concerned with disadvantaged youth. However, the retailers do not back this expectation up with strategies to

Question 7: Retail scores on tracking performance

Table 68: Retailers scores on tracking performance in percentage and implementation potential in points

Tracking performance	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	0	17	0	0	23
Implementation potential	3	3	3	3	3

Own employees

Retailers use different indicators to measure their effectiveness of improving living wages. To measure the effectiveness of their interventions on wages of own employees Ahold uses the associate engagement score as an indicator. However, this indicator does not track effectiveness on living wages as the employee survey only includes questions concerning the support they receive to: i) have healthier lives, ii) have a more inclusive workplace and iii) develop their careers.

Tesco measures the performance on employee wages by comparing their worker's average pay to the market median (Tesco PLC, 2018c). This is not related to living wages as the worker's average is not a good representation of the lowest payed worker with higher risks of non-payment of living wages. Moreover, the market median wage does not inform the retailer on its performance in relation to a living wage benchmark.

Metro uses qualitative assessment of the practical implementation of collective bargaining within its own employees (Metro AG, 2019b). Whereas collective bargaining can support the achievement of living wages, this does not fully reflect the retailers performance with regards to living wage payments.

Carrefour has a KPI on the social protection it offers its own employees. This KPI measures the percentage of countries in which Carrefour has implemented an action plan on health, safety as well as quality of life in the workplace. This includes sick pay, maternity pay, healthcare coverage for employees and their families, preventive health measures, medical visits and medical solidarity funds (Carrefour, 2018b). These measure performance on issues related to living wages, but they do not cover living wage performance fully.

Supply chain workers

To measure their performance with regards to living wage payments of supply chain workers, all the retailers rely on supplier audits. However, the auditing standards used only check whether suppliers pay their workers according to legal minima and do not measure their wage levels in relation to living wage estimates. Moreover, the amount of information disclosed about social audits differs per retailer.

Ahold and Casino only reports their private-label suppliers in high-risk countries that passed their social audit: Ahold has 66% of its suppliers BSCI certified and 1,245 of Casino's suppliers passed their ICS social audit. The two retailers break down these audits with basic information. Casino distinguishes between the percentage of audits directly led by the Group (71%), the ratio of initial audits (74%) compared to follow-up audits (26%) and the percentage of audits conducted in its three main risk countries (China: 59%, Bangladesh 9%, India 3%) (Casino Group, 2018, p. 106). Ahold reports the percentage of private-label products that are certified against an acceptable standard for its seven key commodities (table 69) (Ahold Delhaize, 2019a).

Table 69: Percentage of Ahold's private-label commodities from high-risk countries certified against an acceptable standard (Ahold Delhaize, 2019a).

Commodity	Percentage certified against accepted standard
Tea	84%
Coffee	87%
Cocoa	49%
Palm oil	100%
Wood fiber	52%
Paper and wood packaging	37%
Soy	91%
Seafood	94%

Metro presents the number of suppliers that had a social BSCI audit (1,274), as well as the percentage that passed the audit (92%). Moreover Metro provides basic information on the nature of non-compliance by reporting what deal-breakers have been identified in its non-food producers (table 70). In total this consists of 62 suppliers representing 4,8% of all the audited producers. . Metro also reports that 39 of the producers with deal-breaker findings were able to document short-term improvements and resume cooperation (Metro AG, 2019b). Whereas this provides some insight on the key issues in Metro's supply chain, these indicators do not cover living wage risk and performance

Table 70: Number of Metro's non-food producers for which deal-breaker non-conformances were identified in the audit (Metro AG, 2019b).

Deal breaker	Non-food suppliers
Occupational safety e.g. fire prevention	54
Discrimination/unethical behavior	14
Child labor	0
Forced labor	0

Tesco reports the percentage of tier 1 suppliers in high-risk countries that have had an audit and that the percentage for which critical non-conformances have been identified (table 71) (Tesco PLC, 2018a). However, Tesco does not specify the nature of these critical non-conformances. Moreover, these indicators only cover suppliers to its UK operations and exclude the other operations in the group. Tesco states that non-compliance in audits lead to corrective action plans and non-satisfaction of corrective action can lead to suspension of suppliers. Moreover, the confidential supplier survey conducted twice a year helps Tesco track its supplier satisfaction. Whereas, it is not clear what is exactly included in the supplier survey, Tesco shows that the survey covers topics related to living wages by reporting the score on supplier satisfaction with prompt payment of suppliers and providing confidence to suppliers to invest in efficiency. Even more Tesco has announced that they plan to rollout a monitoring framework in 2019 which includes measuring indicators of worker satisfaction within their supply chains e.g. worker returnee and turnover rates. Tesco reported to involve suppliers, NGOs and trade unions in the development of this framework (Tesco PLC, 2019).

Table 71: Tesco's reported indicators on its social audit (ETI) of suppliers to its UK operations (Tesco PLC, 2018a)

Indicator	Percentage of supplier sites
Percentage of high risk tier 1 supplier sites having had an audit in the last year	UK: 94%
Percentage of high risk tier 1 supplier sites where critical non-conformances have been identified	UK: 61%
Percentage of tier 1 high risk sites where critical non-conformances have been identified and mitigation or remediation processes implemented on time	UK: 82%

Carrefour presents the number of social audits for four key risk-countries (1,452), as well as the number of suppliers that were subject to their social auditing for the first time (629). Carrefour breaks down these figures with regards to their four main risk-countries (Bangladesh, China, India, Turkey) and groups the other countries together in one category. The best practice shown by Carrefour is their reporting on the alerts identified per category of non-compliance that also cover compensation and working hours as shown in table 72 (Carrefour, 2018b, p. 66). It should be noted that the percentage of alerts in relation to working hours as well as to compensation, benefits and conditions is higher in the suppliers actively supplying Carrefour than in the suppliers audited that do not supply Carrefour. Moreover, Carrefour presents that it will annually revise the relevance and completeness of the risk assessment and mitigation measures through feedback from external stakeholders.

Table 72: Breakdown of Carrefour's audit alerts by category in 2017 in percentage of total alerts issued (Carrefour, 2018b, p. 66).

Breakdown of alerts by category	Potential production site	Active supplier
Factory management system	9%	0%
Child Labour	3%	0%
Forced Labour	0%	0%
Discrimination and disciplinary practices	1%	0%
Freedom of association	1%	1%
Working hours	33%	39%
Compensation, benefits and conditions	27%	30%
Health and safety	26%	30%

Question 8: Retail scores on remedy

Table 73:Retailers scores on remedy in percentage and implementation potential in points

Remedy	Ahold Delhaize	Tesco	Metro AG	Casino	Carrefour
Percentage score	2	44	**2**	**0**	9
Implementation potential	3	2	3	3	3

All retailers have a formal mechanism by which the company can receive complaints. However, Ahold, Metro, Casino and Carrefour do not state that their grievance mechanism can be used to report the non-payment of living wages. The topics related to living wages that are covered by their grievance mechanisms are shown in table 74. Only Tesco states that their grievance mechanism can be used to report any violation of human rights. Whereas Tesco does not specifically state all the human rights (including living wages) in relation to their grievance mechanism, it can be assumed that Tesco considers living wage issues as this falls under their strategic focus of sustainable livelihoods for suppliers. Whereas Tesco, Metro, Casino and Carrefour have made their grievance mechanisms accessible to their own employees as well as business partners or individuals involved with their operations, Ahold only operates a grievance mechanism for its own employees.

Only Tesco ensures that the grievances are assessed by an independent third party . Tesco has outsourced this assessment to the independent company for Booker called Expolink (Tesco PLC, 2018b). All the other retailers state confidentiality of the grievances reported, but are assessing them internally through ethics committees or internal experts. None of the company outlines the barriers faced by different worker categories to access grievance mechanisms, nor do they report on measures mitigating barriers to accessing grievance and remedy.

However, Tesco and Carrefour have shown efforts in promoting their grievance mechanisms: Tesco promotes its ‘protector line’ with posters and Carrefour has collaborated with the International Federation for Human Rights (FIDH) on providing training courses for workers and managements *“creating the conditions which will enable workers to voice their complaints, particularly regarding issues related to safety, working hours or wages”* (Carrefour, 2010, p. 9). Carrefour also collaborates with Social Accountability International (SAI) on training programmes helping Indian suppliers to build socially responsible management systems.

Ahold is the only retailer that reports the number of complaints received (7,280 in 2018) and the percentage of the incidents that were made anonymously (approximately 40%). Moreover, Ahold reported that on average grievances were investigated and resolved within 20 days (Ahold Delhaize, 2019a). However, Ahold does not report on the nature of the incidents raised and the type of remediation provided. Tesco only provides one example of grievance made and the remediation provided by stating that *"For example, last year 7,506 workers who were found to have been underpaid received a total of £590,000 as a result of Tesco’s intervention."* (Tesco PLC, 2018c, p. 12). It is unclear whether this remedy is appropriate in relation to living wage estimates. However it can be valued that an incident of underpayment of workers was captured by Tesco’s grievance mechanism and that the company is transparent about this example. On the other hand, it is unclear what other grievances were identified by Tesco and how the company responded to them.

Table 74: topics covered by the grievance mechanism per retailer

Retailer	Standards referred to for grievance	Living wage related issues in standards
Ahold Delhaize	Code of ethics	Follow the law Act ethically in all our relationships

Tesco	Human rights	Human rights without specifying whether living wages are included
Metro	Supply chain workers: Basic human rights principles Own employees: Fair working conditions and social partnership	Basic human rights principles : child labour, forced labour, fire safety failings and unethical behaviour Fair working conditions and social partnership: Freedom of association, forced labour, child labour, discrimination in employment, remuneration according to legal minimum wage and working hours according to national law
Casino	The supplier charter of ethics	Conflicts of interest Respect of the free market
Carrefour	Ethical principles	Contribute to a safe and healthy working environment Promote social dialogue Outlaw all harassment and discrimination Select and treat suppliers in an objective and loyal way Cultivate transparent business relationships Adhere to our commitments in relation to our partners Outlaw any unfair agreements or practices Avoid conflicts of interest

Appendix D: Shareholder requests and commitments by retailers

Retailer 1

Table 75: Retailer 1 requests, commitments, (non)alignment attitudes & beliefs, salience

Request	Argumentation + Commitment	Coding
Translation of outcomes RA Kenya coffee project in policies and actions **Not committed**	Before Retailer 1 can make a commitment to living wages they want to know what it will mean exactly and whether they can do it. Therefore they first want to make the context clear "to commit to something you don't actually know what it means is difficult".	$B_{3aa}\neq$ Lack of knowledge
	Negative influence of project	$A_3\neq$ Appropriateness denial
	Only close suppliers	$B_{3aa}\neq$ Lack of leverage
	→ Working on an overarching Human Rights due diligence which will be the starting point to position all human rights topics and connect them to geography and brands as they are not isolated. From the salient topics identified, living wage is not really salient.	$A_2\neq$ Priority denial
Adjust associate engagement survey score as a KPI that does reflect associate wages The new KPI can be based on: minimum wage, living wage estimates and standards and peers in the market to see if they are on the right track. **Not committed**	The discussion should not necessarily be about wages, but also about benefits. They state that they are almost the only retailer that pays pensions and that pushback from unions also often relates to benefits next to wages.	$A_1\neq$ Redirect norm definition
	No benefit It would be important to get insight what your benefits would be if with higher wage, to keep people motivated and connected to your brand, it will help to get better stores. the engagement survey does that. (no pragmatic legitimacy)	Lack of pragmatic legitimacy
	Cannot simply ask, still looking for a way to implement living wages in the retail sector.	$B_{3aa}\neq$ Lack of knowledge
Include continuous improvement towards living wages in the selection of acceptable standards	Retailer 1 excludes more auditing systems than that it includes. Most schemes are excluded based on governance, no good auditors, no interviews with workers, not requirements, but the governance the way they implement, the way they judge the CVs too	B?B, A?A Non answer

Not committed		
Integrate social compliance and decent wages in sourcing practices and the buying groups with actions beyond auditing **Not committed**	When asked about the reduction of the supplier's margin due to joint buying schemes that would make it impossible for suppliers to pay decent wages, despite all the auditing systems. Retailer 1 responded that they could not judge on that, as there can also be benefits to the supplier of selling bigger volumes next to a possible imbalanced relation between buyer and seller. (B?B, A?A) Retailer 1 states that in their joint sourcing all the sustainability requirements are the same as when they source themselves. Not only auditing, but also trading practices. (B_1≠) Not researching, valid topic, no commitments (passive acceptance)	B?B, A?A + B_1≠ + B=B A=A Passive acceptance
Exert influence on BSCI or other standards that do not sufficiently integrate decent wage in the auditing process yet. **Committed**	Retailer 1 agrees that auditing or certification schemes are not sufficient. They are a snap shot and lead to awareness raising to have proper discussions. It is a welcome transparency tool for Retailer 1, but it is not meant to guarantee or prove anything. Retailer 1 wants to build on relations they have with suppliers. → Retailer 1 plays a role in improving auditing and steering groups 'there where it moves forward' ○ CGF active in the benchmark in the CI ○ Amfori BSCI ○ RA	B=B A=A Pro-active
Refraining from negotiation labor cost of supplier / open costing mechanisms **Not Committed**	Retailer 1 has limited information about the labor cost of suppliers, audits only provide wages which for sure are not the total picture of living wage. Only in Kenya coffee two farmers wanted to be transparent, but do not feel comfortable telling what they are doing.	B_{3aa}≠ Lack of knowledge
	Retailer 1 also states that it is difficult to have requirements on wages from the position of a buyer. Therefore they work with certifiers.	A_{2norm}≠ Economic institutional denial
Not shareholder request but **commitment presented by retailer**	→ Increase transparency / origin of its products Transparency/tracing origin of product	

	○ Retailer 1 states that creating transparency is the first step. Before they know what to do, they first need to know where it comes from. This varies over the year, there are a lot of ingredients in the products. ○ They are making first steps in transparency with juice and eggs. They state that the fact that this is a clear step shows the way they still need to go. Retailer 1 states transparency is the first thing for food Retail and that means a lot. ○ Technology enables bigger transparency, however stakeholders must realise not everything can be arranged and be okay at the same time.	

Retailer 2

Table 76: Retailer 2 requests, commitments, (non)alignment attitudes & beliefs, salience

Request	Argumentation + Commitment	Coding
More explicit integration of living wage in the little helps plan **Committed on different goal**	→Retailer 2 states that the feedback of not being explicit enough [about living wages] in their little helps plan is a good point and that they have heard this from several shareholders. They will be discussing how to improve this in the (reporting on the) little helps plan and increase their explicit communication via the website. Not very explicit about the integration of living wages, more about clear communication.	$B_C=B_D$ $A_C=A_D$ Unrelated acceptance
Update KPI on own employees to reflect performance in relation to living wage benchmarks instead of market median wages **Committed on different goal**	Retailer 2 states that they believe that the discussion should not only be about wages, as they colleague survey of what matters to them shows that they value their broader reward package including discount or premium payments for working in holidays and night shifts.	$A_1\neq$ Redirect norm definition
	→ Retailer 2 states they want to become more transparent about their pay management system as it is relatively strong, but they don't disclose enough.	$B_C=B_D$ $A_C=A_D$ Unrelated acceptance
Implement living wage standards at Jack's **Not committed**	Need to check reward managers and HR Jacks in writing will follow up.	B?B A?A Non answer
Translate lessons learned from tea, bananas and garment to	Retailer 2 explains that a challenge is that the Malawian tea industry is pushing back, as they are worried about their competitiveness with regards to Ghana and lose volumes to other producing countries when building in	A=A Passive acceptance

actions, policies and sourcing strategies **Unrelated commitment**	living wages too early. Retailer 2 is looking into paying living wage through in kind benefits. Present lesson, but not how Retailer 2 will commit this in policies and sourcing practices	
	→Retailer 2 also mentions that next to their ability to drive change in the initiatives that they are already involved in they need to look where there are no sufficient industry wide forums. This can be areas where Retailer 2 wants to focus on later.	$B_C=B_D$ $A_C=A_D$ Unrelated acceptance
Protect human rights in joint purchasing agreements **No commitment**	When asked about the influence of buying groups on human rights and living wages Retailer 2 asked what was meant with a buying group. Retailer 2 said they did not want to dodge the question but asked if they could come back on that question later.	B?B A?A Non answer
	Retailer 2 states that they are likely to drive greatest possible change where there is leverage. Retailer 2 stated that they do not think that consolidating purchasing necessarily drives down wages. Retailer 2 speaks with NGOs that would be aware of the potential risks of that.	$B_2\neq$ No heightened risk in joint purchasing
	Retailer 2 states that they are looking into driving their responsible sourcing strategy through a strategic purchasing alliance with Retailer 5. However, they did not explain how and stated that they individually are not working on that partnership.	$B_2\neq$ No heightened risk in joint purchasing

Retailer 3

Table 77 : Retailer 3 requests, commitments, (non)alignment attitudes & beliefs, salience

Request	Argumentation + Commitment	Coding
More explicitly addressing living wage in policies and develop KPI in regard to suppliers as well as own employees **Committed**	For some commodities Retailer 3 aims to develop specific purchasing policies. Retailer 3 mentioned it was not intending to specifically refer to living wages/incomes in these policies. Retailer 3's social standards policy complies with human rights in general without specifically mentioning living wages. Retailer 3 does not want to specify living wages because then they would have to do that for every human right and that is not manageable. o Retailer 3 does state some human rights specifically in the deal breakers process: e.g. child labour, forced labour.	$B_{3aa}\neq$

	○ But those are more easily measured and are already included in the standards' auditing process.	
	Retailer 3's departments have no mandate to identify living wage gaps: ○ CR (supply chain) looks has a mandate to look at wages, does some work, but it doesn't lead to anything ○ HR (own employees) does not have the task to look at wages	$A_{shareholder}$ $=A_{CSR\ manager}$ $\neq A_{company\ CEO}$ Heterogenous postures
	Retailer 3 responded positively to the suggestion to relate living wages/incomes to Retailer 3's SDG commitments: SDG 8 commit to working towards a living wage.	B=B A=A Accommodation based on B=B
	Retailer 3 stated that they can easily put words in a policy but that the difficulty lies in implementation of such a policy.	$A_3\neq$ Reject effectiveness dimension
	Retailer 3 cannot commit to pay living wages, they state that they wish for it but that it is not feasible.	$B_{aa}\neq$
	Retailer 3 asked for prolongation of the rating, as they were reviewing their social policy and want to include living wages in it	B=B A=A Accommodation based on B=B
Take or consider actions regarding the outcomes of the self-assessment of national subsidiaries **No commitment**	From a competition point of view are living wages not top priority for Retailer 3, whereas Retailer 3 has an eye on reputational risk and fluctuation of workers, the large costs related to living wages are a strong element. Retailer 3 mentioned that requirements to supply chain must be mirrored to their own employees and stressed the huge cost related to raising wages with 30% in Turkey.	$B_{aa}\neq$ competition $A_{2ra}\neq$ Priority
BSCI is considering next steps, and that you as member of the steering group are closely involved. Could you tell us more on the steps taken or considered and the role of living	Not mentioned in conversation	B?B A?A Not discussed

wage in these discussions		
Other issues raised by retailer	Retailer 3 refers to the difficulty of dealing with many products and compares it with Tony's focus on only cacao.	B_{3aa}≠
	Retailer 3 states that it cannot work with living wages because there are no standard that have adopted living wages in their standard. Retailer 3 states that scheme owners only do the auditing and do not define the rules. They state that whatever a multi-stakeholder initiative decides as the way forward, this should be included in the scheme.	B_{3aa}? Redirect to external locus of control
	Retailer 3 states that the they should look at living income. They are responsible for the wage they pay workers, but many workers work part time and have other sources of income. Retailer 3 states that not only wage should be considered, but also other forms of contribution such as building schools, clean health and safety issues.	A_{1C}≠A_{1D} Redirecting norm definition
	Retailer 3 states that their value chains are long and they are not directly paying producers. They question what their role as a Germany retailer is to check if farmers get payed a living income. Retailer 3 points to smaller companies to take up living wages first to pave the road for the big corporations like Retailer 3. A small company that has all the commitment is a perfect candidate to visualise how to do it. Retailer 3 refers to Tony's as a perfect candidate with one commodity and full commitment. Only later it would be easier to look at Retailer 3, who have 100 other things on our mind. Retailer 3 states that if they have a blueprint, then they can look at other commodities and enable action plans.	B_{3aa}? Redirect to external locus of control

Retailer 4

Table 78 : Retailer 4: requests, commitments, (non)alignment attitudes & beliefs, salience

Request	Argumentation + Commitment	Coding
Steps towards integrating living wages in ethics charter	No priority	A_{2ra}≠ Redirecting priority
	Cannot implement living wages, as legal minimum wage is still an issue	B_{3aa}≠ Underlying issue

	No societal consensus that we should implement living wages	A_{2norm}≠ Discretionary institutional denial
Steps towards being able to achieve living wage in its own operation	Retailer 4 states that aiming for living wages is not feasible and that even the yellow jackets in France that are payed a legal minimum wage are not able to live a normal life.	B_{3aa}≠
Move the integration of living wages in auditing practices forward **Unrelated commitment**	Retailer 4 states that they could facilitate that the PLWF or another recommended body presents at ICS e.g. on the Anker methodology in order to promote the topic of living wages.	B=B A_C=A_D Unrelated commitment
Integrate increased insight on social compliance and suppliers from sharing/combining auditing processes in changes in actions and policies	Retailer 4 receives quite a lot of alerts about the non-compliance of legal minimum wage (one third of the audit alerts they receive based on legal minimum wages) without even considering living wages. Therefore Retailer 4's first priority is to record all information of working hours and over hours payed with a premium and for factories to respect the laws of the country (legal minimum wage), before starting to speak about living wages.	A_{2ra}≠ Not salient/priority
Other topics raised by retailer	Retailer 4 states that the discussion should look more in detail about all the benefits that are promoted in their supply chains to support employees and not only living wages.	A_1≠ Redirect norm definition
	Retailer 4 states that there is a political debate about where Retailer 4 has a role to play and there are strikes and fights between CEOs and workers over wages. Retailer 4 states that living wages is not a hot topic of the main stakeholders. Instead the French debate centers around the due diligence law, where living wages are not part of according to Retailer 4.	A_{2norm}≠ Discretionary institutional denial Lack of societal legitimacy
	Retailer 4 states that there is more discussion on the impact of the value chain on environment than on human rights. Ten years ago after Rana Plaza a lot of people were discussing social conditions, but now climate change is more important for a lot of stakeholders, this can be seen	A_3≠ Priority denial

	by the petition signed against the French government that they do not act enough on climate change.	

Retailer 5

Table 79 : Retailer 5: requests, commitments, (non)alignment attitudes & beliefs, salience

Request	Argumentation + Commitment	Coding
Adding a KPI on social issues, including living wage or operationalize the ambition to pay fair wage/salary can link its food transition targets to living wage look for ways where the social side combines with environmental impact **Time bound commitment**	Retailer 5 stated that living wages are mostly covered in the gender KPI, but also in other sub-categories that are not named.	B_1≠ Rejection living wages are not part of their KPIs
	Later Retailer 5 recognised that they do not have a specific indicator on living wages and that they also have difficulty defining the right indicator. They will look into this and are open to receive feedback. Retailer 5 agrees that they can expand a bit more on fair prices and fair trade business. They stated that they are still looking for the best way to communicate and evaluate everything that they are doing. They state that they have to consolidate their work within non-food with their work on banana’s as well as with c’est qui le patron and formulate KPIs about this.	B_{3aa}≠ Lack of knowledge
	Retailer 5 states that they want to be sure that they are steering in the right direction, but also that all the purchasers in the world steer into this direction. They want to collaborate and engage in an open discussion on what they can do. It will not be easy fixes, but a combination of different topics, companies, supply chain actors as well as legislation.	B_{3aa}? Redirect external locus of control
	Retailer 5 states that they have not found the best way to define wage yet. They state that this is not simply done in five minutes. Retailer 5 states that they can work with fair contracts, buy goods at fair prices, but that they then still don’t know whether workers will be payed a decent wage.	B_{3aa}≠ Lack of knowledge
	Retailer 5 stated that they would discuss internally and formalise what can be formalised and suggested to call each other again after for long term actions. It was decided that a logical moment for such a call would be in	B=B A=A

	the beginning of July, which would give them two months for the formalisation process. Retailer 5 states that the Consumer Goods Forum (CGF) has a commitment on decent work in supply chains and that they could work with them to define the right KPI.	Time bound accommodation based on B=B
Take steps or contemplate beyond auditing, how the relation between social compliance and sourcing practices can be improved **Current commitment**	Retailer 5 states that their strategy is not to avoid working with suppliers with lower social conditions, but to focus on improving together with the supplier: reducing extra working hours. In order to achieve this, Retailer 5 has a dedicated team per country to collectively build on, not only wages but also to reduce subcontracting, as sub-contracting destroys value for everybody and the worker. Retailer 5 states that they conduct mandatory audits, but that they are not sure if that changes anything. Instead they state that developing good factory standards is important and that they developed those. Retailer 5 states that they prefer to develop trust with important suppliers. If they create trust between Retailer 5 and the supplier locally, they can improve things for the worker and living wage. Retailer 5 has a team dedicated to building values relationships with suppliers, however it is a challenge that people are not used to do that.	B=B A=A Pro-active
Mitigating risk through purchasing with buying groups (such as Horizon)	Not mentioned in engagement dialogue	B?B A?A Not asked
Exert influence to ensure standards sufficiently integrate decent wage in the auditing process	Not asked	B?B A?A Not asked

Appendix E: Beliefs and attitudes

Coding framework Beliefs and Attitudes

Codes indicated in orange were added to Vandekerckhove et al.'s (2008) framework by this research.

Belief

- B_1 Company's exposure to risks (living wage gaps)
  - No response
  - Non-answer A?, B?
  - Agreement B=
  - Incongruent beliefs B= & B≠
  - Disagreement B≠
- B_2 Company's implementation of approaches (current policies and interventions)
  - No response
  - Non-answer A?, B?
  - Agreement B=
  - Disagreement B≠
- B_3 Absolute viability to implement approaches (ability to implement effective approaches)
  - No response
  - Non-answer A?, B?
  - Agreement B=
  - Disagreement B≠
    - I did not cause this
    - I cannot change this
      - Rejecting internal locus of control
        - Lack of knowledge
          - Current exposure/involvement in risk
          - Right information
          - Right approach / no example
          - Possible partners and networks
        - Leverage
        - Insufficient available resources / Feasible
        - Sector specific challenges
        - Competition
      - Redirecting locus of control to external stakeholder
        - Government
        - Standards organizations
        - Labor unions
        - Financial market
        - Individual brands in group
        - Other brand suppliers
        - Smaller companies
        - Combination of stakeholders

Attitude – company's implementation

- A_1 Norm definition (non-payment of living wages is an issue)
    - No response
    - Non-answer A?, B?
    - Agreement $A_1=A_1$
    - Disagreement : Redirect norm definition $A_{1C}\neq A_{1D}$ (wage vs. benefits)
- A_2 Attribution of responsibility (the company should implement living wages)
    - No response
    - Non-answer A?, B?
    - Agreement A=
    - Passive alignment B=, A=, no commitment
    - Heterogenous attitudes B=, $A_{\text{shareholder}}=A_{\text{CSR manager}}\neq A_{\text{company CEO}}$
    - Unrelated acceptance $B_C=B_D$, $A_C=A_D$
    - Other level rejection $A_C\neq A_D$, A_C?
    - Disagreement
        - Institutional
            - Discretionary
            - Economic
            - Legal
        - Priority
- A_3 Approach attitude (How the company should address living wages)
    - No response
    - Non-answer A?, B?
    - Agreement A=
    - Disagreement:
        - Appropriateness denial
        - Denial absolute ability
        - Denial effectiveness dimension

Attitude – shareholder's implementation

- Norm definition (involvement in companies that don't properly implement living wages)
- Shareholder's role in attributing responsibility
- Shareholder's engagement approach

Meta-attitude

- Rejecting the applicability of meta-attitude in specific situation
- Different interpretation of the meta-attitude
- Adhere to another meta-attitude

Question guide follow up interviews with retailers on beliefs and attitudes

Beliefs

How adequate was the retailers' living wage implementation identified by the retail methodology and the engagement dialogue?

- Was the retailers' living wage implementation adequately presented with regards to the following questions?
    a. E.g. salient living wage risk assessment, policy, engagement, assessing impacts, integrating findings, tracking performance, remedy
- Do you have implemented approaches to advance living wages that were not identified or recognised by the retail methodology or in the engagement dialogue?
- Are there additional steps needed in the development of the retail methodology?
    a. After literature review, UNGPs, garment methodology, stakeholder consultations, rating retailers, interviews with retailers
- On the basis of what information should retailers be assessed?
    a. Publicly reported information
    b. Assurance third party e.g. Mazars
    c. Engagement with retailers themselves
- Did the methodology or engagement dialogue entail requirements/indicators that retailers are not able to implement?

Attitudes

- Is the living wage definition adhered to by the shareholder suitable?
- Did the shareholder advocate a suitable level of responsibility on implementing living wages in the retail methodology and engagement dialogue?
- Were the approaches advocated by the shareholder and the retail methodology suitable?

Alignment of beliefs and attitudes between the shareholder and the retailers

Retailer 1

Table 80: Alignment between the beliefs and attitudes of Retailer 1 and the shareholder on living wage implementation of the retailer.

<table>
<tr><th>Belief/ Attitude</th><th>Shareholder perspective</th><th>Retailer 1 perspective</th><th>Alingment</th></tr>
<tr><td>Attitude</td><td>Living wage definition</td><td>Retailer 1 is still searching for a way to implement living wags in the retail sector.
Living wage is there as a concept, but it is still undefined how it really works in retail as retail is really a different world.
In retail there are a lot of part time jobs
It is unclear how living wage is defined in retail.
Moreover it is unclear what to benchmark themselves to as it is different per state / city
Retailer 1 states it needs a wage calculator that goes across more countries
Retailer 1 asks whether the definitions fit the type of work</td><td>≠</td></tr>
<tr><td>Belief</td><td>Existence living wage gaps</td><td></td><td>=</td></tr>
<tr><td>Absolute Belief/ Relative attitude</td><td>Retailers can implement living wages</td><td>Don’t know what it would entail
Only close suppliers (locus of control)
Suppliers do not disclose wage related data for not negotiating labour costs

Transparency/tracing origin of product
Retailer 1 states that creating transparency is the first step. Before they know what to do, they first need to know where it comes from. This varies over the year, there are a lot of ingredients in the products.
They are making first steps in transparency with juice and eggs. They state that the fact that this is a clear step shows the way they still need to go. Retailer 1 states transparency is the first thing for food Retail and that means a lot.
Technology enables bigger transparency, however stakeholders must realise not everything can be arranged and be okay at the same time.</td><td>≠</td></tr>
</table>

Attitude	Retailers should implement living wages	Not appropriate Not our role to also negotiate about wages, Not salient, human rights due diligence Should not necessarily be about wages, also benefits What is the pragmatic legitimacy (company benefit) Don't know how , no readily available metrics	≠

Table 81: Alignment between the beliefs and attitudes of Retailer 1 and the shareholder on the shareholder's approach to engage on living wages.

Belief/ Attitude	Shareholder perspective	Retailer 1 perspective	Alignment
Attitude	Shareholders should engage retailers to implement living wages	Not priority	≠
Attitude	Shareholders should create the benchmark to engage retailers on living wage implementation	Having a dialogue and explain what we do is much more constructive than having a rating which does not fit reality of a big group with different contexts	≠
Belief	The retailer's processes and actions to implement living wages are recognised in the benchmark	Group vs. brand Transparency	≠

Retailer 2

Table 82: Alignment between the beliefs and attitudes of Retailer 2 and the shareholder on living wage implementation of the retailer.

Belief/ Attitude	Shareholder persective	Retailer 2 perspective	Alignment
Attitude	Living wage definition	No rejection mentioned	=
Belief	Existence living wage gaps	Are already working on living wage gaps	=
Absolute Belief/ Relative attitude	Retailers can implement living wages	Are already trying to implement living wages focusses energy and resources where they have the ability to drive positive change by looking at current relationships with suppliers. Their current focus on tea and banana's is also based on remediability.	=

Attitude	Retailers should implement living wages	Are already trying to implement living wages	=

Table 83: Alignment between the beliefs and attitudes of Retailer 2 and the shareholder on the shareholder's approach to engage on living wages.

Belief/ Attitude	Shareholder perspective	Retailer 2 perspective	Alignment
Attitude	Shareholders should engage retailers to implement living wages	Where we find engagement useful, when we get into detail benchmark reviewing becomes less meaningful.	=
Attitude	Shareholders should create the benchmark to engage retailers on living wage implementation	There already are benchmarks Distracts CSR department from implementation Shareholders not right actor Where we find engagement useful, when we get into detail benchmark reviewing becomes less meaningful.	≠
Belief	The retailer's processes and actions to implement living wages are recognised in the benchmark	As long as there is no engagement with the retailer, the rating on public disclosure will not be reflective	≠

Retailer 3

Table 84: Alignment between the beliefs and attitudes of Retailer 3 and the shareholder on living wage implementation of the retailer.

Belief/ Attitude	Shareholder perspective	Retailer 3 perspective	Alignment
Attitude	Living wage definition	Retailer 3 states that in their efforts to work with living wages they are looking for a best in class retailer with regards to living wages as well as examples of standard living wage definitions by industry. Retailer 3 states it was unaware of the vastness of information that is already available, but that much information is not applicable to the German unskilled retail market. Information of good practices as Tony Chocolonely cannot easily be translated to retailers with many products. Retailer 3 is looking for a logical step out of all the information about living wages.	≠

Belief	Existence living wage gaps	No rejection of existence	=
Absolute Belief/ Relative Attidue	Retailers can implement living wages	Don't know how Lack of internal locus of control: capacity competition Locus of control, not directly paying in supply chain + smaller companies can focus on it No internal commitment	≠
Attitude	Retailers should implement living wages	Also benefits, perception of income, only part of the needs have to be covered by Retailer 3 Competition is hard There is no much question about that you pose the right questions, and that you pose the right goals basically. So there is nothing wrong about the goals. It is more about how the companies will be able to live upto it. It is more on the implementation now, since there is no right or wrong about hey do we actually want to treat our employees fairly, hey do we want to pay our supply chain fairly.	≈

Table 85: Alignment between the beliefs and attitudes of Retailer 3 and the shareholder on the shareholder's approach to engage on living wages.

Belief/ Attitude	Shareholder perspective	Retailer 3 perspective	Alignment
Attitude	Shareholders should engage retailers to implement living wages	Ideas shared in engagement adequate, responsibility, ambition for food retailers? I would consider us a quite good representative in the sector: we were just fine with the challenges, discussion, also playing back our concerns that were taken up by you. If I was for instance from the other side of the team and saying that is not going to happen anyway I would probably assess you question differently But since I am the one working towards implementing this topic Im just grateful for having the shareholder's requests in my back so I can argue internally much more weightful. I think it very much depends on whom you talk to and how much the discussion has been triggered in the company already	**A=A≈Acompany**

		I mean asking for the right things is the one thing, but how you implementing it is the other thing.	
Attitude	Shareholders should create a benchmark to engage retailers on living wage implementation	If we would find it fair that you rate us based on those conversations?	≠
Belief	The retailer's processes and actions to implement living wages are recognised in the benchmark	No objection on relying on reporting Because the weighting of the questions does not reflect the amount of effort that goes into it, and policy is weighted much more strongly than implementation it does not reflect what retailers really do.	≈

Retailer 4

Table 86: Alignment between the beliefs and attitudes of Retailer 4 and the shareholder on living wage implementation of the retailer.

Belief/ Attitude	Shareholder perspective	Retailer 4 perspective	Alignment
Attitude	Living wage definition	We have concept of living wage is not used for foreign farmers, but for French producers the discussion is alive	≠
Belief	Existence living wage gaps	most products (food and vegetables,) come from companies in countries where we are doing business. So only exposure to living wage gaps is textiles and we relatively don't sell much textiles. Retailer 4 states that aiming for living wages is not feasible and that even the yellow jackets in France that are payed a legal minimum wage are not able to live a normal life.	≈
Absolute belief/ Relative attitude	Retailers can implement living wages	Retailer 4 receives quite a lot of alerts about the non-compliance of legal minimum wage (one third of the audit alerts they receive based on legal minimum wages) without even considering living wages. Therefore Retailer 4's first priority is to record all information of working hours and over hours payed with a premium and for factories to respect the laws of the country (legal minimum wage), before starting to speak about living wages. It is good also, first to evaluate capacity of company to work on what is the fundamental idea.	≠

Attitude	Retailers should implement living wages	Retailer 4 states that living wages is not a hot topic of the main stakeholders. Instead the French debate centers around the due diligence law, where living wages are not part of according to Retailer 4. Retailer 4 states that there is more discussion on the impact of the value chain on environment than on human rights. Ten years ago after Rana Plaza a lot of people were discussing social conditions, but now climate change is more important for a lot of stakeholders, this can be seen by the petition signed against the French government that they do not act enough on climate change. Retailer 4 states that there is a political debate about where Retailer 4 has a role to play and there are strikes and fights between CEOs and workers over wages. The state should work on living wages, not retailers	≠

Table 87: Alignment between the beliefs and attitudes of Retailer 4 and the shareholder on the shareholder's approach to engage on living wages.

Belief/ Attitude	**Shareholder perspective**	**Retailer 4 perspective**	**Alignment**
Attitude	Shareholders should engage retailers to implement living wages	Not living wages, legal minimum is priority State should take this up	≠
Attitude	Shareholders should create the benchmark to engage retailers on living wage implementation	Benchmarks distract from actual implementation There is a market of companies promising to get you a high mark on the benchmark	≠
Belief	The retailer's processes and actions to implement living wages are recognised in the benchmark	Science No consensus on how CSR should be measured, always subjective Same as how we assess children in schools in different countries	**?** Do not have authority to

Retailer 5

Table 88: Alignment between the beliefs and attitudes of Retailer 5 and the shareholder on living wage implementation of the retailer.

Belief/ Attitude	Shareholder perspective	Retailer 5 perspective	Alignment
Attitude	Living wage definition	Retailer 5 states that they have not found the best way to define wage yet. They state that this is not simply done in five minutes.	≈
Belief	Existence living wage gaps	No rejection on existence living wage gaps	=
Absolute belief/ Relative attitude	Retailers can implement living wages	No strong rejection that it is impossible for them to implement living wages. But they did state difficulty finding the right way to address. Retailer 5 states that they have not found the best way to define wage yet. They state that this is not simply done in five minutes. Retailer 5 states that they can work with fair contracts, buy goods at fair prices, but that they then still don't know whether workers will be payed a decent wage.	≈
Attitude	Retailers should implement living wages	No rejection of their responsibility to address living wages	=

Table 89: Alignment between the beliefs and attitudes of Retailer 5 and the shareholder on the shareholder's approach to engage on living wages.

Belief/ Attitude	Shareholder perspective	Retailer 5 Perspective	Alignment
Attitude	Shareholders should engage retailers to implement living wages	-	**?**
Attitude	Shareholders should create a benchmark to engage retailers on living wage implementation	-	**?**
Belief	The retailer's processes and actions to implement living wages are recognised in the benchmark	-	**?**

Appendix F: Salience of shareholder's requests

Coding framework on salience of shareholder's requests

Power

- Utilitarian
  - Positive
    - Threat of divestments
  - Negative
    - No threat of divestment

- Coercive
  - Positive:
    - The replacement directors or CEOs
    - Resolutions
    - Successful lobbying for regulation
  - Negative
    - Absence of shareholder rights

- Utilitarian
  - Positive
    - Reference to reputational damage
  - Negative
    - No threat of reputational damage

Legitimacy

- Individual: credibility expertise experience of individuals engaging with the company
  - Positive:
    - Explanation of previous research
    - Explanation of previous engagment experience
    - Retailers asking for advice / information
    - Retailers expressing appreciation of new information provided
  - Negative
    - Retailer correcting statement made by shareholder
    - Retailer pointing to a more knowledgeable/credible actor

- Organizational
  - Aligned shareholder and company interests / shareholder has best interest of company at heart
    - Positive:
      - Outlining a shared interest between shareholder and retailer
    - Negative:
      - Retailer questioning / opposing the proclaimed shared interest
  - Credible respected member of investment community
    - Positive:
      - Reference to AUM
      - Reference to relative size of asset manager in NL

- Reference to PLWF member collaboration
- Retailer recognising shareholder as a key/respected stakeholder
- Negative
  - Retailer pointing at more important members of investment community
- Consistent messaging different parts of shareholder organization
  - Positive
    - Consistent
  - Negative
    - Inconsistent

- <u>Pragmatic</u>
- legitimacy of stakeholder argument from the perspective of the company
  - Positive:
    - Materiality of topic
    - Calling out dissonance in company statements
    - Better communication about current building blocks for recognition
    - Linking to current strategy
    - Efficiency increase by living wages
    - Competitive opportunity
  - Negative:
    - Retailer questioning / opposing the proclaimed company interest
- Provide new information
  - Positive
    - Reference relevant research supporting arguments
    - Provide (unknown) sector examples
    - Explaining trends in market seen
    - Provide comparative information
  - Negative:
    - Retailer denying that the offered information is new
    - Retailer denying the correctness of offered information
- <u>Societal</u>
  - Position widely accepted in society
    - Positive:
      - Reference social movements supporting position (petitions, campaigns
      - Societal support of position
    - Negative:
      - Lack of societal support
      - Dissonance in support
      - Other priorities supported by society
  - Existing codes and standards
    - Positive:
      - Existing code or standard
    - Negative:
      - Absence of code of standard

- Supportive political and policy environment
  - Positive
    - Reference to applicable laws and regulations
    - Reference to applicable developments of laws and regulations
  - Negative
    - Absence of support from political and policy environment
- Good example of other companies
  - Positive
    - Examples of good practice by companies
  - Negative
    - Absence of good practice by companies

Urgency

- <u>Time sensitivity</u>
  - Positive:
    - AGMs
    - Deadline benchmark
    - Other deadline
- Negative:
    - Retailer stating other priorities/more urgent matters

- <u>Criticality of stakeholder requests</u>
- Assertiveness of tone
    - Positive:
      - Examples where shareholder strongly opposes rejection of investee
      - Examples where shareholder strongly argues / supports its statement
    - Negative
      - Absence of assertiveness by accepting everything presented by the investee
      - Making statements without strong argumentation
- Persistence
    - Positive:
      - Follow up meeting
    - Negative
      - No follow up meeting
- Willingness to apply resources
    - Positive:
      - Update benchmark every year
      - Follow up call
      - Development of methodology
      - Paying assurance company
    - Negative
      - Absence of evidence of applied resources

Question guide follow up interviews with retailers on salience of shareholder's requests

Power:

- How much power does the PLWF have to achieve their living wage goals?
    - Resolutions / voting
    - Divest
    - Reputation

Legitimacy:

- How legitimate are the living wage goals?
    - Do you think the goals are generally accepted by society?
    - Did the shareholder communicate a business case for implementing living wages?
    - Did the shareholder show that its goals were in the best interest of the company?
    - Was the engagement practitioner knowledgeable and was enough expertise in living wages in the retail sector shown?
        - Representatives credible, experienced, ability to build trust
        - Legitimate claim on the company (large shareholding, high-risk stake)
        - The best interest of the company at heart
        - Credible respected member of investment community (mainstream shareholder)
        - Provides company with new information on emerging issues
        - Position widely accepted in society
        - Use of standards and norms as a basis
        - Supported by political and policy environment

Urgency:

- How urgent is the living wage engagement at the moment in relation to other topics?
- Do you feel specific deadlines for the implementation of living wages through the shareholder's engagement?
- Was the shareholder assertive and persistent in their engagement and did they expand resources?
- What can the shareholder do to make living wages more urgent for the company's management?

Retailers’ perception of the salience attributes of the shareholder’s requests

Retailer 1

Table 90: Retailer 1’s perception of the salience attributes of the shareholder’s request

Attribute	Sub-attribute	Retailer 1	Code
Power	Utilitarian	As we don’t know how it should be done + difficult definition	-
	Coercive	No use of shareholder rights	-
	Normative	The report will put it on the agenda VBDO asked questions on living wage on annual general meeting, however not on behalf of Achmea IM’s engagement	+
Legitimacy	Societal	Yes generally society supports it, but this is not backed by actions. Dissonance.	+/-
	Organizational	2/3 of our investments come from the US	-
	Individual	The stakeholder consultation informs them, but don’t know enough about the specific context of the company +/-	-
	Pragmatic	Best interest at heart, but the risks are still limited No strong business case, as it hampers competition and there is no real societal support	-
Urgency	Time sensitivity	No	-
	Criticality	Quite some quotes But other topics more important for retailer	-

Retailer 2

Table 91: Retailer 2’s perception of the salience attributes of the shareholder’s request

Attribute	Sub-attribute	Retailer 2	Code
Power	Utilitarian	No use of	-
	Coercive	No use of	-
	Normative	Do respond and invest in benchmarks and reputation	+
Legitimacy	Societal	Do recognise living wages should be worked on	+
	Organizational		?
	Individual	NGO’s more better suited actor	-
	Pragmatic	Not in Retailer 2’s interest to create own rating	-
Urgency	Time sensitivity	Little use of, because of aligned attitudes	-
	Criticality	Little use of, because of aligned attitudes	-

Retailer 3

Table 92: Retailer 3’s perception of the salience attributes of the shareholder’s request

Attribute	Sub-attribute	Retailer 3	Code
Power	Utilitarian	No use	-
	Coercive	It would help for internal commitment if PLWF sends a letter to the Retailer 3 Board. Looking into the retail sector everyone is stockmarket listed, so I think it also must be the same measurement regardless if you’re stocklisted or not. You cannot ask more strict criteria to a stock listed company than you would do to a non-listed company.	+

	Normative	Asked for prolongation of the rating	**+**
Legitimacy	Societal	Yes NAP german government	**+**
	Organizational		**?**
	Individual	Ask for advise To be honest, to achieve the credibility you are longing for Posing yourself in the methodology, the parties to get assessed NGO, other stakeholder initiative, also giving their assessment If you have the feedback of other stakeholders, objective third party having a good look. That's just fair.	**+**
	Pragmatic	Competition, cost, aware of reputational risk, but not big enough. No numbers communicated	**-**
Urgency	Time sensitivity	We will be going forward, more straight and more explicit about living wage in the next couple of weeks. Not months but literally weeks. What I'm asking, before you actually close the assessment of Retailer 3 now, if we could ask to having you a look or have another conversations once we completed our policy revision.	**+**
	Criticality	Again it is dependent on whom you ask CSR, vs. purchasing department Not only limited to living wage, but the general idea of due diligence in supply chain focus on living wage core topics and forced labour. there's other topics like plastic, that's not only reputation and risk management, but also on the opportunity side of the coin	**≈**

Retailer 4

Table 93: Retailer 4's perception of the salience attributes of the shareholder's request

Attribute	Sub-attribute	Retailer 4	Code
Power	Utilitarian	No use of	**-**
	Coercive	No use of	**-**
	Normative	Retailers put a lot of time in filling in questionnaires for their reputation. There is even a market in which companies get payed if they help you achieve a higher score.	**+**
Legitimacy	Societal	Retailer 4 states that there is a political debate about where Retailer 4 has a role to play and there are strikes and fights between CEOs and workers over wages.	**-**

		Retailer 4 states that living wages is not a hot topic of the main stakeholders. Instead the French debate centres around the due diligence law, where living wages are not part of according to Retailer 4. Do you want people to be well payed? Yes Pay Three times more, No	
	Organizational		?
	Individual	Retailer 4 states that they could facilitate that the PLWF or another recommended body presents at ICS e.g. on the Anker methodology in order to promote the topic of living wages. → shows trust in the expertise of the engagement practitioner	+
	Pragmatic	Not in the company's interest. Cannot even pay legal minimum. Right now I don't what you mean by risk. The main risk is due diligence and to make sure Human rights are respected and legal minimum wages are payed. Instead, living wage could be form of opportunity, because lot of countries big competitors, origin countries with not a lot of law.	-
Urgency	Time sensitivity	No use of deadlines	-
	Criticality	Retailer 4 states that there is more discussion on the impact of the value chain on environment than on human rights. Ten years ago after Rana Plaza a lot of people were discussing social conditions, but now climate change is more important for a lot of stakeholders, this can be seen by the petition signed against the French government that they do not act enough on climate change.	-

Retailer 5

Table 94: Retailer 5's perception of the salience attributes of the shareholder's request

Attribute	Sub-attribute	Retailer 5	Code
Power	Utilitarian	No use of	-
	Coercive	No use of	-
	Normative	No real attention or focus on the rating	+/-
Legitimacy	Societal	Accepted need to address material topic	+
	Organizational		?
	Individual	Asking for feedback and input	+

		Later Retailer 5 recognised that they do not have a specific indicator on living wages and that they also have difficulty defining the right indicator. Retailer 5 mentioned they were open to talk about this and receive feedback in relation to their own employees.	
	Pragmatic	Did not present arguments of it being against the business interest. Only difficult to know how to and asking for advice	**+/-**
Urgency	Time sensitivity	They proposed to call again after formalisation after 2 months for input	**+**
	Urgency		**?**