



# DO DUTCH GARMENT COMPANIES GUARANTEE LIVING WAGES IN THEIR SUPPLY CHAINS?

A position paper on (the lack of) progress on Living Wages and Transparency within the AGT and the urgent need for mandatory hrdd legislation.

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**FASHION  
CHECKER** 

**Clean  
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**Clean Clothes Campaign (CCC) is a global network of labour and human rights organisations, including unions. It campaigns and advocates for the improvement of working conditions in the apparel and sportswear industry.**

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## Abstract

A living wage is a human right. The Netherlands has a duty to fulfil all aspects of the first pillar of the UNGPs that defines the state duty to protect human rights - including living wages - and act accordingly. In order to comply with this duty, the Dutch Responsible Business Conduct (RBC, or *IMVO* in Dutch) has relied on measures via voluntary sectoral agreements until now. An example of such a voluntary measure is the Dutch Agreement on Sustainable Garments and Textile (AGT). This paper outlines the efforts of several (former) AGT members with regard to transparency and achieving paying living wages in their supply chains. Although steps have been made regarding AGT members' supply chain transparency, the AGT's objectives for and expectations of companies regarding living wages have not been met after more than four years of signing on. As the Netherlands can no longer solely rely on voluntary RBC policy, this paper underlines the urgency to develop and implement law on RBC on both the national and European level to create impactful and sustainable change in global supply chains.

## 1. Introduction

According to the United Nations Guiding Principles on Business and Human Rights (UNGPs)<sup>1</sup> and the OECD Guidance for Multinational Enterprises<sup>2</sup>, companies<sup>3</sup> have a responsibility to prevent, mitigate or stop human rights violations across their supply chain. This means, for example, that if governments do not set minimum wages equal to or above living wages, companies still have a duty to ensure that workers receive living wages.<sup>4</sup> While some apparel companies and retailers express the need for a living wage in their codes of conduct, companies in general take little to no steps to achieve this important standard in practice. Some apparel companies join multi-stakeholder-initiatives (MSIs). These MSIs differ in ambition, but they often share their lack of binding agreements and consequently fail to achieve change for garment workers.

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1 [https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

2 <http://mneguidelines.oecd.org/guidelines/>

3 In this paper "companies" refer to brands and retailers and not manufacturers. In this paper the focus lies on the first because of their financial power and responsibility.

4 <https://cleanclothes.org/file-repository/tailoredwages-fp.pdf/view>

At the same time, the UNGPs define that states have a duty to protect human rights. This includes holding companies within their territory and/or jurisdiction accountable for their conduct along global value chains. To fulfil their duty to protect, states should among other things enforce laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights.<sup>5</sup>

In the Netherlands since the 1990s, international Responsible Business Conduct (RBC, or IMVO in Dutch) policy has been mainly geared towards voluntary agreements between companies, NGOs, trade unions and the government.<sup>6</sup> In 2016 as part of the policy 11 sectoral, RBC agreements (*IMVO-convenanten*) were initiated. These RBC agreements aim to promote international RBC, following the OECD Guidelines and the UN Guiding Principles (UNGPs). The main objective is to achieve positive impact for people who experience (the risk of) adverse impacts within a specified time frame, often in three to five years. Living wages is one of the topics given the most priority across the agreements. Membership is voluntary.

One of the Dutch sectoral agreements is the Agreement on Sustainable Garments and Textile (AGT). The AGT aims to improve working conditions, prevent pollution, and promote animal welfare in production countries in the garment and textile sector. The AGT is about to end this year with a new agreement now being discussed.

Over the past three years there has been a change of tide and the Dutch Parliament has discussed and also voted in favor of more enforcement and liability for companies. For example, in May 2019 the Dutch Senate voted to adopt the "Child Labour Due Diligence Law," which requires companies to determine whether child labour occurs in their supply chains and set out a plan of action to combat it. In March 2021 a legislative proposal for mandatory Human Rights Due Diligence (mhrdd) was submitted by four Dutch political parties.

At the same time a legislative proposal (directive) is being developed at the EU level. Recent advice of the Dutch Social and Economic Council (SER) is geared towards legislation at the EU level instead of national legislation. The Dutch

<sup>5</sup>[https://cleanclothes.org/file-repository/fashioning\\_justice.pdf/view](https://cleanclothes.org/file-repository/fashioning_justice.pdf/view)

<sup>6</sup> <https://english.iob-evaluatie.nl/publications/evaluations/2019/09/01/433-%E2%80%93-iob-%E2%80%93-evaluation-of-the-dutch-governments-policy-on-international-responsible-business-conduct-2012-2018-%E2%80%93-mind-the-governance-gap-map-the-chain>, page 42.

government published their own building blocks for (European) mhrdd legislation in November 2021.

Voluntary RBC initiatives have proven in the past to not lead towards sustainable, meaningful nor structural changes on the ground.<sup>7</sup> This position paper takes stock and looks at the achievements of almost five years for this specific sectoral RBC agreement. More specifically, it focuses on one of the most important aims of the AGT - achieving living wages in companies' supply chains. In this paper an analysis is made of the gap between the AGT's policy on living wages and the steps and performance of its member companies in (not) achieving living wages in their supply chains. While RBC agreements have led to more awareness and discussion of human rights and sustainability of supply chains, this paper presents evidence that voluntary initiatives alone have not made any real impact. To create sustainable change in global supply chains, rules on RBC should be integrated in national and European law.

## 2. Methodology

### 2.1. Data used

To define the level of progress made on living wages within the AGT, two different types of data have been used:

- Publicly available data on **objectives and agreements within the AGT** and **AGT news updates**.
- Data from the Fashion Checker which assesses:
  - Data on the actual **payment of living wages** in AGT members' supply chains.
  - Data of AGT members on **Human Rights Due Diligence (hrdd) transparency** regarding living wages.
  - Data of AGT members on **supply chain transparency**.

By analyzing the objectives and agreements within the AGT and actual policy and practice of AGT companies on living wages and transparency, this paper tells us something about the progress of the AGT in that specific field.

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<sup>7</sup> <https://www.msi-integrity.org/not-fit-for-purpose/>. At the same time CCC also sees voluntary initiatives, which are legally binding, fully transparent and independently monitored, being successful. An example is the Bangladesh Accord.

## 2.2. Concepts & context

### Living wage

A **living wage**<sup>8</sup> is a wage paid that is sufficient to meet the basic needs of a worker and her family and to provide some discretionary income. Specifically, this wage:

- Applies to all workers, irrespective of their status in the workplace, their productivity or personal situation. There is no salary paid below the living-wage level.
- Must be earned in a standard work week of no more than 48 hours.
- Is the basic net salary after taxes and (where applicable) before bonuses, allowances or overtime.
- Covers the basic needs of a worker and their family, such as food, water, housing, education, health care, transportation and clothing.
- Should provide for a discretionary income for emergencies.

While the UN Universal Declaration of Human Rights (UDHR) states that a **living wage** is a human right,<sup>9</sup> living wages are not a reality for millions of workers in the textile and garment sector. Wages of garment workers all over the world fall far below a living wage, meaning garment workers are unable to provide for the most basic needs of themselves and their families. In general, workers receive only a fraction of the salary they need to live a decent life.<sup>10</sup>

In Asia the gap between statutory minimum wages and living wages is wide. For example, in Bangladesh the statutory minimum wage is only 21% of the estimated living wage. In China, it is 46%.<sup>11</sup> In East and Southeast European countries, this wage gap varies from 19% in Bulgaria to 40% in Hungary.<sup>12</sup> Governments of garment-producing countries have a high incentive to keep minimum wages as low as possible, constantly comparing wage rates with competing countries and keeping in mind the risk of manufacturers relocating

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<sup>8</sup>There is no universally agreed definition of a living wage as a concept and there is no universally accepted amount that defines such remuneration. The main features of a living wage have been widely agreed in human rights declarations, ILO documents, national constitutions and among experts and stakeholders.

<sup>9</sup> The International Labour Organisation (ILO) has defined a living wage as a basic human right under their conventions and recommendations to the Universal Declaration of Human Rights Article 23. (ILO Conventions 95 and 131, ILO Recommendations 131 and 135).

<sup>10</sup> The ILO conventions present mechanisms for governments to set minimum wages that provide for workers' basic needs. In practice, most garment producing countries do not have minimum wages in place which are enough to live on.

<sup>11</sup><https://cleanclothes.org/file-repository/tailoredwages-fp.pdf/view>

<sup>12</sup> [https://cleanclothes.org/file-repository/cleanclothescampaign\\_europeclothingreport\\_web.pdf/view](https://cleanclothes.org/file-repository/cleanclothescampaign_europeclothingreport_web.pdf/view)

and fashion companies relocating their orders. Factory owners' associations also push their government to keep wages low,<sup>13</sup> and trade unions often have limited access to decision-making spaces in which minimum wages are negotiated.

## **Transparency**

Company<sup>14</sup> transparency on hrdd and on the supply chain is a crucial step in working towards living wages.

**Hrdd transparency** is an essential element in achieving living wages. According to the UNGPs, companies should be transparent about what steps they take in case of (a risk of) human right violations. It states that *“formal reporting is expected by enterprises where risks of severe human rights impacts exist, whether this is due to the nature of the business operations or operating contexts. The reporting should cover topics and indicators concerning how enterprises identify and address adverse impacts on human rights”*.<sup>15</sup> This also applies to the garment sector and to living wages in particular. It means that companies should publicly report on objectives, efforts and obstacles regarding achieving living wages in their supply chain.

**Supply chain transparency** is important because it enables rights holders and (inter)national labour rights organisations to access accurate information on the production locations of companies needed to link the production sites<sup>16</sup> to brands. In this way companies can be held accountable in case human rights violations go unresolved. While greater supply chain transparency does not automatically lead to improved working conditions or higher wages, it is necessary for rights holders and (inter)national labour rights organisations to be able to claim and advocate for their rights. Moreover, this allows civil society organisations (CSOs) to obtain the information necessary to verify whether companies are respecting human rights – such as paying a living wage – in their supply chains.

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13 <https://cleanclothes.org/file-repository/tailoredwages-fp.pdf/view>

14 Here “company” refers to buyers: garment brands and retailers.

15 UNGPs- Principle 21:

[https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

16 Up the supply chain and beyond 1st tier suppliers/supplier of Ready Made Garments.



## 3. The AGT

### 3.1. Background of the AGT

In July 2016 the AGT was signed by 55 companies,<sup>17</sup> (the signatories), several Dutch CSOs and trade unions, business associations, and the Dutch government (the participating parties). The agreement is in effect until the end of 2021. Under the terms of the agreement, companies are expected to carry out hrdd aligned with the recommendations in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

The AGT's aim is to achieve substantial steps in the sector within a period of three to five years by offering companies tools to prevent (possible) negative impacts in their supply chain and by developing projects and activities to target problems in the sector that cannot be solved by one company alone.<sup>18</sup>

It focuses on nine topics:

1. Discrimination and gender
2. Child labour
3. Forced labour
4. Freedom of association
5. Living wages
6. Safety and health in the workplace
7. Raw materials
8. Water pollution and use of chemicals, water and energy
9. Animal welfare.

The substantial steps are not further defined by the AGT. The AGT did however formulate sub-objectives and related steps for the above topics and other topics, such as on transparency. The agreements on living wages and transparency are discussed in the following chapter.

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<sup>17</sup> In April 2021, the AGT has 81 participants which are listed at:

[https://www.imvoconvenanten.nl/en/garments-textile/~/link.aspx?\\_id=D31EE5DA5E0C4682AE1F890338AADF73&\\_z=z](https://www.imvoconvenanten.nl/en/garments-textile/~/link.aspx?_id=D31EE5DA5E0C4682AE1F890338AADF73&_z=z) . This list includes quite some double counting, as

brands are counted and not the parent companies. Some parent companies have multiple brands, which are thus counted separately.

<sup>18</sup><https://www.imvoconvenanten.nl/en/garments-textile/-/media/8DD8104B541B470EA6E72B841764265B.ashx>

## 3.2. Agreements on Living Wages and Transparency within the AGT

### 3.2.1. Living Wages

The AGT's initial ambition on living wages as formulated in July 2016 was for companies to achieve "at least a living wage in the production or supply chain by 2020."<sup>19</sup> To achieve this, member companies were expected to:

- Make a living wage an explicit part of company policy, including the production or supply chain, and communicate it in all parts of the production or supply chain in local languages. In their codes of conduct companies should also outline their own role and what suppliers can expect from them in this area.

- Participate in and monitor progress of living wage projects in the production or supply chain. Within these living wage projects AGT collaborates with parties such as the Fair Wear Foundation, Solidaridad, the German Textilbündnis, and ACT - Initiative on Living Wages. Mandatory training courses on living wages are organized for companies, seminars are held for suppliers on open-costing, and tools to assess their purchasing practices are made available for companies.<sup>20</sup>

- Establish contact with other companies that purchase from the same suppliers and/or collaborate with relevant trade unions and social organizations to increase leverage to achieve living wages.

- Provide for a living wage for their share of the purchase. Through consultation with suppliers and workers representatives, it should be agreed how the additional amount will help close the gap between current wages and a living wage. Companies are also expected to join an initiative that can support them in working towards living wages.

- Check by random sampling or by consulting local civil society organisations and/or trade unions what actual wages are being paid and whether the concept of a living wage is known in all parts of the production or supply chain. If that is not the case, a time-bound improvement plan should be drawn by the supplier in dispute. If this does not lead to results, then the AGT-affiliated

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<sup>19</sup> <https://www.imvoconvenanten.nl/en/garments-textile/agreement>

<sup>20</sup> <https://imvo.h5mag.com/edit-textiel-jaarrapportage-2019/internationaleuitbreiding?comment=078dc1a1-1694>

company decides on further consequences, which can result in termination of the contract with the relevant supplier.

- Analyse how purchasing practices contribute to make a living wage possible. Collaborate with suppliers and worker representatives and/or trade unions to find possibilities for productivity increase, order planning, volumes, and other purchasing practices to create more space for wages in the cost price.

- Make agreements with governments that when minimum wage and other forms of compensation are increased, companies will not move production elsewhere.

The AGT's ambition to achieve living wages in 2020 was dropped in 2019 because "parties conclude that it is not realistic to expect that by 2020 in the entire production or supply chain a living wage is paid".<sup>21</sup> Instead, the AGT formulated a looser and non-time-bound goal with regards to living wages in which companies were "expected to actively contribute to an industry-wide system change focused on narrowing the wage gap between the statutory minimum wage and living wage estimates". Although the sub-objectives are still in place, without having a concrete and time-bound formulated goal, the push for achieving living wages remains limited.

In 2019, the AGT publicly shared an update regarding the wage work of two AGT companies. The AGT secretariat brought two companies (Zeeman and Schijvens) together to start a collaboration in one of the factories in Pakistan they both sourced from. Together they have a majority leverage in the factory. They jointly decided to raise prices in such a way that the factory owner was able to start implementing higher wages for all factory employees as of October 1, 2019.<sup>22</sup> Although this is a good example, CCC was not able to verify (yet) if it concerns a living wage.

### 3.2.2. Hrdd reporting

In terms of reporting, companies are expected to share progress reports on a yearly basis with the secretariat of the AGT. Data is confidential and not publicly shared. Companies undergo an annual assessment<sup>23</sup> by the AGT secretariat and the aggregated outcomes are shared publicly via the annual report of the AGT,<sup>24</sup> which makes it impossible for external stakeholders to assess companies' individual progress.

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21 <https://www.imvoconvenanten.nl/-/media/imvo/files/kleding/2019-textiel-tussentijds-ap.pdf?la=nl&hash=75DF7602C6ABED3C8814530FCEA104B7>

22 <https://www.imvoconvenanten.nl/en/garments-textile/news/schijvens-zeeman>

23 <https://www.imvoconvenanten.nl/-/media/imvo/files/kleding/assessment-framework-agt.pdf?la=en&hash=91063B51F3AD2AB9324ADFECB3208A82>

24 <https://publications.internationalrbc.org/textiel-jaarrapportage-2019/cover>

Only in their third year of membership are companies required to publicly disclose their hrdd processes individually according to the recommendations listed in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. In June 2020, CCC and SOMO published a report on the alignment of 34 AGT companies' public hrdd reporting with the OECD's Guidance. Although all the researched companies engaged in hrdd reporting, crucial shortcomings were identified; one of them was in the level of detail and transparency of companies' plans and progress on achieving living wages.<sup>25</sup> In April 2021, the AGT publicly shared an additional requirement for AGT member companies regarding living wages.<sup>26</sup> In their fourth and fifth year of membership, companies should calculate the difference between wages paid by their suppliers and the actual living wage. They are recommended to use Wage Indicator Foundation data to calculate the living wage gap.<sup>27</sup> Progress is monitored by the AGT secretariat each year. In the event companies find out workers do not receive living wages, the parties involved can work specifically towards raising pay to a living wage.

Although this new requirement shows a step in the right direction, it remains limited on the level of transparency and achieving real impact on the ground. It seems that companies' wage gap data is shared only internally and not publicly, which means civil society organisations and consumers have no insight into this data. Therefore, it is easier for companies not to take the next step in achieving living wages as the lack of transparency limits external pressure. This is while the OECD sectorial guidance for the garment and footwear sector is quite explicit in the need for a proper gap analysis and being transparent about it: "Enterprises are encouraged to consult with stakeholders, most importantly workers and trade unions and representative organisations of the workers' own choosing, to understand the severity of the discrepancy between real wages and wages that satisfy the basic needs of workers and their families."<sup>28</sup> According to the Guidance, companies are expected to publicly communicate their hrdd efforts. Furthermore, the AGT's new requirement applies to companies only after four or five years of signing. This runs against UNGPs and OECD hrdd principles because when companies identify risk and harm, they need to act (prevent and mitigate) right away. The above means that a late and non-public living wage gap analysis falls behind the OECD Guidance.

Lastly, when companies calculate and are aware of the wage gaps in their supply chain, it remains unclear what the next step or requirement will be to achieve concrete results on living wages. The AGT states that the parties

25 [https://www.schonekieren.nl/wp-content/uploads/2020/06/SKC\\_AGT\\_rapport\\_final.pdf](https://www.schonekieren.nl/wp-content/uploads/2020/06/SKC_AGT_rapport_final.pdf)

26 <https://www.imvoconvenanten.nl/en/garments-textile/news/leefbaar-loon-loonkloof>

27 <https://www.imvoconvenanten.nl/-/media/imvo/files/kleding/nieuws/2021-living-wages-nl.pdf?la=nl&hash=A55C871A8E26CB24850A11CD2AF10EFB>

28 [https://www.oecd-ilibrary.org/docserver/9789264290587-en.pdf?](https://www.oecd-ilibrary.org/docserver/9789264290587-en.pdf?expires=1618776422&id=id&accname=guest&checksum=EA32BC2B3DC5D5BDC356DAAF1EE2A851)

[expires=1618776422&id=id&accname=guest&checksum=EA32BC2B3DC5D5BDC356DAAF1EE2A851](https://www.oecd-ilibrary.org/docserver/9789264290587-en.pdf?expires=1618776422&id=id&accname=guest&checksum=EA32BC2B3DC5D5BDC356DAAF1EE2A851)

involved *can* work specifically towards meeting the Agreement target of raising pay to a living wage.”<sup>29</sup> (emphasis by CCC). Using the word “can” seems to indicate no strict obligation to fill the gap, and it remains unclear if there are consequences if companies do not act. In this new requirement lies an inherent risk of remaining stuck on awareness raising.

### 3.2.3. Supply chain transparency

Regarding supply chain transparency, all AGT companies are required to make their production locations (names and addresses) and production processes known to the secretariat of the AGT as of their first member year. In their third year they need to share the subsequent links in their production or supply chain (including raw material suppliers, spinning mills, weaving mills and dye works).<sup>30</sup> The AGT publishes an aggregated list with the production locations of its members via the Open Apparel Registry (OAR).<sup>31</sup> Companies are required to share basic information on name, address, city, province and country of its suppliers and some additional information, such as what kind of production processes take place at this location and the number of employees in the factory. It does not show gender-disaggregated data, information on what garment workers are paid, or whether a factory follows the safety requirements, such as having fire extinguishers installed. Some companies choose to also individually disclose their supply chain data via their website or via the OAR. The latter is recommended by the AGT’s participating parties but is not a requirement.

At the moment, 4,788 unique production locations of AGT member companies are listed on the OAR.<sup>32</sup> This means that from 2016 to 2021, the number of unique production locations of AGT member companies has increased by almost 2,000 factories (from 2,800 to 4,788).<sup>33</sup> Of this aggregated data, part of the production locations can also be linked to individual AGT companies.

It is up to the companies themselves to publish supply chain data individually. The AGT recommends, but does not require, signatory companies to sign the Transparency Pledge. Of all AGT signatory companies, 18 have signed the Transparency Pledge.<sup>34</sup> The fact that more and more AGT companies are signing the Transparency Pledge is a positive sign. Still it is important to note

29 <https://www.imvoconvenanten.nl/en/garments-textile/news/leefbaar-loon-loonkloof>

30 <https://www.imvoconvenanten.nl/en/garments-textile/-/media/8DD8104B541B470EA6E72B841764265B.ashx>

31 <https://openapparel.org/?contributors=139>

32 <https://openapparel.org/?contributors=139>

33 In a response to this information the AGT states that the initial number of production locations at the OAR was higher in 2020, almost 6,000 factories. But as 16 companies have left the AGT since 2020 (i.a. because of bankruptcy) the number is now set at 4,788. They also noted that although fewer companies report than last year, the companies are reporting further down the value chain.

34 <https://www.imvoconvenanten.nl/en/garments-textile/news/transparency-pledge-en>

that the Pledge presents a floor instead of a ceiling and that the majority of AGT participants did not sign the Transparency Pledge or individually publish data accordingly. This means there is still much to be gained in terms of company supply chain transparency within the AGT.

## **4. Living wage progress – Insights from the Fashion Checker**

### **4.1. Supply Chain Transparency**

In June 2020 Clean Clothes Campaign launched the Fashion Checker: an online portal in which 264 fashion companies are researched and ranked on their degree of transparency and payment of living wages in their supply chains.<sup>35</sup> Of the 264 fashion companies, 13 are or were<sup>36</sup> members of the AGT.<sup>37</sup>

The tables below show the results on supply chain transparency<sup>38</sup> of those 13 companies for 2019 and 2020. In 2019 only one company, G-Star, receives the highest rating (5 stars): the company discloses name, address, parent company, type of product and number of workers for most production units fully in line with the Transparency Pledge; it provides additional information such as a gender breakdown; and it makes data available in a machine-readable format. Three companies provide information in line with the Transparency Pledge and either share data beyond the basics or provide basic information in a practical and machine-readable format (4 stars out of 5). Four companies scored 3 stars, which indicates they at least disclose addresses and some additional information. The remaining four companies did not disclose anything on supplier data (1 star out of 5) or provide a minimal level of transparency.

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<sup>35</sup> [www.fashionchecker.org](http://www.fashionchecker.org)

<sup>36</sup> Wehkamp has not been a member of the AGT since September 8 2020 because they stepped out of the agreement. Expresso has not been a member since August 7 2020 due to bankruptcy.

<sup>37</sup> Selection of companies was based on random sampling taking into account a mix of bigger, smaller, front-runners and those falling behind.

<sup>38</sup> See Annex 1 for the explanation of the different transparency scores.

**TABLE 1:** 2019 results on companies' efforts on supply chain transparency

Company name	Transparency score	Company name	Transparency score
C&A	★★★☆☆	Prénatal	★☆☆☆☆
Espresso	★☆☆☆☆	The Sting	★☆☆☆☆
G-star RAW	★★★★★	WE Fashion	★★★★☆
HEMA	★★★★☆	Wehkamp	★★★★☆
Kings of Indigo	★★★★☆	Wibra	★☆☆☆☆
Kuyichi	★★★★☆	Zeeman	★★★★☆
LaDress	★☆☆☆☆		

For 2020, six companies increased their level of transparency. Six companies now receive the highest rating. Four companies keep the 1-star rating and one company<sup>39</sup> degrades from 3 to 1 star. Overall, about half of the researched brands increased their level of transparency, and one-third remained on the lowest level. The data shows there has been improvements regarding supply chain transparency of researched brands. Still a notable number of brands have the lowest score regarding transparency.

**TABLE 2:** 2020 results on companies' efforts on supply chain transparency

Company name	Transparency score	Company name	Transparency score
C&A	★★★★★	Prénatal	★☆☆☆☆
Espresso	★☆☆☆☆	The Sting	★☆☆☆☆
G-star RAW	★★★★★	WE Fashion	★★★★★
HEMA	★★★★☆	Wehkamp	★☆☆☆☆
Kings of Indigo	★★★★★	Wibra	★☆☆☆☆
Kuyichi	★★★★★	Zeeman	★★★★★
LaDress	★☆☆☆☆		

<sup>39</sup> This company is Wehkamp. At this point Wehkamp is not a member anymore.

#### 4.1. Hrdd reporting on and payment of living wages

On living wages, the Fashion Checker data provides insight into five types of information.

The first type tells us whether fashion companies make a living wage commitment. In other words, if they publicly state they are paying living wages in their supply chains or are about to.

The second type of data gives insight into whether companies provide a concrete, time-bound action plan on how to achieve living wages in their supply chain.

The third type of information illustrates if there is evidence that companies safeguard wages when in price negotiations with suppliers. This can be done by using a calculation method to isolate labour costs<sup>40</sup> from other production costs, which is a necessary step in achieving living wages and decreasing the risk of workers' wages being squeezed as part of the price bargaining with suppliers. In general, labour costs are a small percentage (about 2-3%) of the total retail price. Therefore, it is important to know what these costs actually are at the supplier level to check that the price paid by companies allows for living wages. In case it does not, the information is useful to calculate the needed price increase to achieve a living wage.

The fourth type of information displays data on whether companies are using a credible living wage benchmark. Several benchmarks are available for companies to measure if wages are sufficient to meet the basic needs of workers and their families, for example, the Fair Wear Foundation<sup>41</sup> (FWF) wage ladders or The Asia Floor Wage benchmark (specifically for Asia) and the Fair Labour Association (FLA) wage ladders.

The last type of data gives insight into whether companies claim they actually pay living wages in their supply chains and for how many workers and if there is public evidence for it.<sup>42</sup>

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40 Labour costs include wages, overtime, bonuses, taxes, social security/pension costs and can also include costs like food, housing, transport, uniforms, etc.

41 The Fair Wear Foundation is an MSI that works with garment companies, garment workers and industry influencers pursuing to improve labour conditions in garment factories.

42 CCC collected workers' payslips, conducted interviews to interpret the information the payslips provide, disaggregated by gender (e.g. on gender pay gaps, work responsibilities, working hours, bonuses, overtime). We then checked these wages against the response given by companies on their living wage benchmarks and the percentage of suppliers paid according to this benchmark.



**TABLE 3:** 2019 (and 2020) results on companies' efforts on living wages

Company	Living wage score	Public Living Wage commitment?	Concrete and time-bound action plan?	Credible living wage benchmark? <sup>43</sup>	Separates labour costs? <sup>44</sup>
C&A	E	Yes	Partial	No	Yes
Espresso	E	Yes	Partial	Yes	No
G-star RAW	E	Partial (2020: Yes)	Partial	Yes	Yes
HEMA	E	Partial	No	Yes	No
Kings of Indigo	E	Yes	Yes	Yes	Yes
Kuyichi	E	Yes	No	Yes	No
LaDress	E	Yes	Partial	Yes	Yes
Prénatal	E	Partial	No	No (2020: Yes)	No
The Sting	E	No	No	No	No
WE Fashion	E	Partial (2020: Yes)	No (2020: Partial)	Yes	No
Wehkamp	E	Partial	No	Yes	No
Wibra	E	Partial	No	No	No
Zeeman	E	Yes	Partial (2020: Yes)	Yes	Yes

To achieve living wages, it is important that a company explicitly and publicly commits to paying a living wage so, e.g. CSOs and unions can monitor their promises. The Fashion Checker data shows that only about half of the researched (former) AGT members make such a concrete living wage commitment. In total, only six companies clearly and publicly commit to achieving to pay a living wage, while six other companies do this partially. One company does not make a living wage commitment at all.

Commitments on paying living wages in companies' supply chains only mean something when formulated in a detailed, realistic, achievable, concrete and measurable way. When looking at the Fashion Checker table, only one AGT participant formulated such a plan. Five participants receive half of the score

43 Different benchmarks (such as from Asia Floor Wage Alliance, Fair Labour Association, Anker method, Wage Indicator Foundation, Global Living Wage Coalition and Fair Wage Network) have emerged as key tools for measuring and working towards ensuring that a living wage is paid. Invariably these credible benchmarks show a gap of two to five times between minimum or industry standard wages, but are in general based on thorough research and cost of living methodology.

44 Using tools from e.g. ACT, FWF or other.

because they may have a plan but it is either not made public, not time-bound, only about their tier one supplier factories, or unclear on specifics. The remaining seven companies do not publicly share a concrete and time-bound action plan or the plan remains too vague.

Benchmarks are, as mentioned, also an important tool in order to assess wage levels. Nine companies state that they use benchmarks, while four companies do not report using any benchmarks.

When companies assess their own purchasing practices – and in particular pricing – they can make it clear whether their pricing is sufficient to provide for workers to receive living wages. This is an important step of the process to ensure that at least suppliers are able to pay workers living wages. As explained above, a key part in this process is to ensure that companies are aware of the labour costs at the level of their suppliers. Within the initial agreement of the AGT, it is stated that companies must ensure a living wage for their share of the purchase. Of the 13 (former) AGT companies in the Fashion Checker, five indicate that they use a method for isolating labour costs. More than half of the companies seem not to have a mechanism for isolating labour costs.

When looking at claims and evidence on actual paid living wages within the supply chain, all researched companies received the lowest possible score: "E". This means that companies make no claim on paying living wages in their supply chain and/or that no public evidence was found that a living wage is paid. In other words, the company cannot prove that the workers making their clothes earn enough to live on.<sup>45</sup>

In 2021, researched companies had the opportunity to report to CCC on their living wage efforts of 2020. We have (received) updates from four of the researched companies, G-star RAW, Zeeman, WE Fashion and Prénatal. The latter company indicated that they now make use of the WageIndicator Foundation and Global Living Wage Coalition benchmarks for their wage gap calculations. WE Fashion and G-star RAW updated their public living wage commitment and WE Fashion and Zeeman updated their action plan. The above claims were verified by CCC and changed scores can be found in "Table 3". WE Fashion and Zeeman also indicated that they pay a living wage in their value chains respectively for 3% and 1% of their supplier factories. Because CCC did not (yet) receive enough information to verify this claim, the rating in the Fashion Checker has not been adapted (yet).

The above data shows that while the vast majority of the 13 AGT companies in the Fashion Checker recognise the importance of living wages and have made

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<sup>45</sup> CCC bases this on public data or absence of a plausible explanation given by the company.

it an essential component of their codes of conduct, no company provided some evidence or a plausible explanation that a living wage is paid for (a part of) the workers in its supply chain.

The Fashion Checker data shows a gap between living wage objectives of the AGT itself, objectives of 13 researched companies, and the actual implementation of living wages in their supply chains. This means that despite AGT efforts on awareness raising and capacity development at the company and supplier levels, progress on the ground remains limited. In other words, the data shows that the grand majority of workers in the 13 researched companies' supply chains do not earn enough to live on.

## **5. Conclusion and recommendations**

This paper outlined the efforts of several (former) AGT members<sup>46</sup> with regard to transparency and achieving paying living wages in their supply chains. The AGT's objectives and expectations towards companies with regards to living wages have not been met after more than four years of signing on. When looking at the data and policy documents of the AGT, we can draw a clear link with the non-time-bound and non-binding measures required by the AGT and limited change in practice. Although we see that the AGT has been successful in terms of capacity development, awareness raising and increasing supply chain transparency among (some of) its member companies, we see little to no actual positive impact at the factory level regarding one of the most important topics within the AGT: living wages.

With this paper, we stress the urgency for policymakers to support the development of strong legislation on hrdd to increase corporate accountability and liability, both at the Dutch and European level. We can no longer rely on voluntary initiatives in the Netherlands. Instead we should implement national hrdd legislation in the short term.

This research adds to the various critical policy evaluations and studies showing that the current voluntary policies, including the RBC agreements, are insufficient to prevent structural human rights violations and environmental damage by companies.<sup>47</sup> EU Member States' governments have also pointed out that voluntary measures and MSIs can play an important role and raise awareness, but are unlikely to lead to impactful change and provide remedy to

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<sup>46</sup> Two companies are no longer members of the AGT. Wehkamp has not been a member of the AGT since September 8 2020 because they stepped out of the agreement. Espresso has not been a member since August 7 2020 due to bankruptcy.

<sup>47</sup> <https://www.msi-integrity.org/not-fit-for-purpose/>

those affected by harmful business practices.<sup>48</sup> Therefore, a proposal for cross-sector corporate due diligence regulation for companies is being developed at the EU level.

The Netherlands has a duty to fulfil all aspects of the first pillar of the UNGPs that defines the state duty to protect human rights and act accordingly:

***“States must protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises. This requires taking appropriate steps to prevent, investigate, punish and redress such abuse through effective policies, legislation, regulations and adjudication. [..] In meeting their duty to protect, States should:(a) Enforce laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights, and periodically to assess the adequacy of such laws and address any gap.”<sup>49</sup>***

When developing such legislation, it is important that:

- All companies, regardless of size, have the responsibility to prevent harmful impacts in their supply chains and improve conditions for the workers making their clothes.
- All policy, legislative, and corporate human rights due diligence processes must place workers and other rights-holders at the center, and integrate a gender and intersectionality perspective.
- Global value chains must be understood as global systems of multiple production locations.
- Transparency and access to information are preconditions for credible and effective human rights due diligence policies and processes. Legislation should include robust requirements for supply chain transparency.
- Being a member of an MSI should not be considered as evidence that a company adequately implements hrdd or can benefit from legal exemptions.

For more recommendations read the Fashioning Justice paper by CCC.<sup>50</sup>

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48 Council of the European Union, 2020 and [https://cleanclothes.org/file-repository/fashioning\\_justice.pdf/view](https://cleanclothes.org/file-repository/fashioning_justice.pdf/view)

49 [https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

50 [https://cleanclothes.org/file-repository/fashioning\\_justice.pdf/view](https://cleanclothes.org/file-repository/fashioning_justice.pdf/view)

## **Annex 1. Explanation of rating of transparency performance in the Fashion Checker**

### **★☆☆☆☆ star**

This company provides no information on the supplier factories and garment workers in its supply chain, which is required by the Transparency Pledge.

### **★★☆☆☆ stars**

This company provides some but not enough information on the supplier factories and garment workers in its supply chain.

### **★★★☆☆ stars**

- a) This company provides basic information like supplier factory names and addresses, product type, number of workers, and supplier group, if the supplier factory is part of a larger entity or
- b) this company provides some but not enough information on the factories and garment workers in its supply chain; it publishes in a practical, machine-readable format or
- c) this company provides some information beyond the basics but falls short of the minimum needed for the Transparency Pledge.

### **★★★★☆ stars**

- a) This company provides information beyond the basics such as the gender composition of the workforce, if there is a union, or if there is a collective bargaining agreement in place or
- b) this company provides basic information in a practical, machine-readable format such as Excel spreadsheets, which makes the data usable for others.

### **★★★★★ stars**

This company provides information beyond the basics in a practical, machine-readable format such as Excel spreadsheets which makes the data usable for others.

## **Annex 2. Explanation of rating of living wage performance in the Fashion Checker**

A

The company claims that 100% of supplier factories in the company's supply chain pay workers a living wage. This information is public. The workers making their clothes earn enough to live on.

B

The company claims that more than 50% of supplier factories in the company's supply chain pay workers a living wage. This information is public. Some of the workers making their clothes do not earn enough to live on.

C - 1

The company claims that between 26 and 50% of their supplier factories pay workers a living wage. This is public information. Most of the workers making their clothes do not earn enough to live on.

C - 2

The company claims that 50% or more of its supplier factories are paying a living wage to all their workers, some plausible explanation is given, but the evidence is not public. This means most of the workers making their clothes do not earn enough to live on.

D - 1

The company claims that between 1 and 25% of supplier factories in the company's supply chain pay workers a living wage. This is public information.<sup>51</sup> The majority of workers in the company's supply chain do not earn enough to live on.

D - 2

The company claims that it has started to contribute towards payment of a living wage, including paying significantly higher labour costs that cover a living wage into prices paid to all suppliers and evidence is public. This means the majority of the workers making their clothes do not earn enough to live on.

E - 1

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<sup>51</sup> CCC Netherlands' interpretation: this is public information and accompanied with a plausible explanation and evidence.

The company makes no claim and no public evidence was found that its suppliers are paying a living wage, which means the company cannot prove that the workers making their clothes earn enough to live on.

E - 2

There was no evidence found on the company's claims that it pays a living wage and no plausible explanation was given, which means the company cannot prove that the workers making their clothes earn enough to live on.

### **Annex 3. Explanation of rating of living wage performance in the Fashion Checker regarding public commitments, action plans and separation of labour costs**

#### **Public commitment on achieving living wages**

**No** - No evidence was found that this brand has made a commitment to working towards a living wage for all workers in its supply chain.

**Partial** - This brand has made a public commitment to pay a “living wage”. However, the brand’s definition does not meet all the criteria, e.g. it is not enough to cover the worker’s family.

**Yes** - This brand has made a public commitment to working towards a living wage for all workers in its supply chain.

#### **Public commitment on action plan on achieving living wages:**

**No** - No evidence was found that this brand has a public time-bound action plan to improve the low wages in its supply chain.

**Partial** - This brand may have a plan that is either not public, not time-bound, only about their tier 1 supplier factories, or unclear on specifics (not SMART).

**Yes** - This brand has a publicly available plan for achieving a living wage for all workers in their supply chain, including concrete steps within a specific time frame.

#### **Information on separating labour costs:**

**Yes** - Brands ensure that labour costs are properly covered by using an established method to calculate them, separating these costs from others.

**No** - No evidence was found that this brand ensures labour costs are properly covered by using an established method to calculate them, separating these costs from others. All brands should pay prices to suppliers sufficient to cover



a living wage and social protection contribution for all workers in their supply chain.