

COMMITMENT TO LIVING WAGES

In May 2018 we became a proud member of Action Collaboration Transformation (ACT). ACT is a ground-breaking initiative, bringing together Global Brands and IndustriALL Global Union to develop innovative strategies needed to bring about the successful transition from minimum wages to living wages.

WHAT IS A LIVING WAGE?

A living wage is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her family, including some discretionary income. This should be earned during legal working hour limits (i.e. without overtime).

SO, WHAT'S THE DEFINITION OF 'MINIMUM WAGE'?

Minimum wages have been defined as “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract”.

We recognise that individually our impact may be limited; that without buy-in from major players globally the realisation of living wages for all will not be timely or sustainable. We're committed to working with fellow signatories to ACT towards the establishment of industry wide collective bargaining to create positive change to the way wages and working conditions are set.

WHY CAN'T YOU JUST PAY MORE?

Unfortunately paying higher prices to suppliers for product will not guarantee that workers will receive a higher wage. We believe that meaningful and sustainable increases to wages for workers can only be achieved through collaborative agreements between employee representatives, employers and Government representatives.

We know we have a responsibility to be part of the solution however we need to collaborate with other brands, to work with employers, workers and governments who ultimately determine wages and conditions for factory workers. Negotiations that impact at an industry level will have a far reaching effect on creating sustainable wage growth for workers.

The members of ACT are joining forces as we actively seek to create long-term solutions to foster positive change to the way wages and working conditions are set. Importantly, we have committed to improving broad purchasing practices.

We've committed to:

- Include wages as itemised costs
- Fair terms of payment
- Better planning and forecasting
- Undertake training on responsible sourcing and buying; and
- Practice responsible exit strategies for suppliers

We've committed to include wages as itemised costs, fair terms of payment, better planning and forecasting, to undertake training on responsible sourcing and buying and to practice responsible exit strategies from suppliers.

HOW DOES THE COTTON ON GROUP ENSURE THAT GARMENT WORKERS ARE PAID AT LEAST THE MINIMUM WAGES AND BENEFITS THAT THEY ARE ENTITLED TO?

As outlined in our 14 Rules To Trade, suppliers and factories must ensure that wages paid for a working week must be at least the minimum national standard or collective bargaining agreement. Suppliers and factories must be on the journey towards payment of living wages, where wages are enough to meet an employee's basic needs and provide some discretionary income.

We set clear expectations through our 14 Rules To Trade that all workers in our supply chain must be paid as per the legal minimum wage requirements. As part of the Ethical Sourcing Audit process, a full assessment of the wages paid by the factory is conducted to ensure the factory is meeting its obligations to pay workers correctly.

Where we find an issue, we:

- set clear corrective action plans to remediate
- undertake training with management to ensure understanding of requirements
- undertake training with workers to ensure rights and entitlements are understood
- ensure factory management implement management systems to uphold their legal obligations
- set follow-up dates (for both training and reaudit)

We have set the incorrect payment of minimum wages as a Zero Tolerance finding and our program in place ensures that our suppliers are supported to make positive changes to close breaches. We will always work with a factory to resolve Zero Tolerance findings instead of ceasing relationships with our suppliers immediately, as this places the worker at risk of not having the wage breach rectified. At the heart of the program is a worker focussed program which aims to protect the worker. Whilst we have made decisions to cease relationships with non-compliant suppliers, this move is a last resort. Our approach is to collaborate with our suppliers by educating them on the need to ensure workers are paid correctly.

We provide training and education programs for owners, managers and factory workers to ensure they all understand the expectations and legal obligations to pay correct wages. Our suppliers and buyers also have a self-check audit available, which enables them to conduct self-evaluation, undertake their own assessment and provide practical assistance to corrective action. In cases where remedial action is required, we work closely with our suppliers to ensure improvements are made.

Although there is currently no global solution to the challenge of realising living wages for all, we are working to develop the tools and support necessary for the successful transition from minimum wages to living wages. We are actively working to identify improvements in responsible purchasing and sourcing practices to facilitate improved conditions and wages.

In 2019, we conducted internal training of the ACT approach with over 270 of our team to assess our purchasing practices, benchmark to best practices and identify priorities for improved operations within our business.

In March 2021, the ACT member group successfully rolled out the ACT Purchasing Practices Survey to over 1500 Suppliers in Bangladesh, resulting in over 3000 individual responses. With over 5000 responses from across brand, retailers and suppliers, this is the largest collection data addressing purchasing practices within the industry to date.

We have set the target for the end of 2023 to embed the ACT Purchasing Practices Commitments into our operations in collaboration with our supplier partners. Delivering on this will create the conditions necessary to successfully support the negotiation of collective bargaining agreements and secure living wages.

Learn more about ACT here <https://actonlivingwages.com>
