

Buyers' Guidelines: Voluntary Contributions to Support Closing Living Wage Gaps

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1. Executive Summary

These guidelines are crafted for buyers that are committed to work on living wages in (some) of their supply chains and need pragmatic tools to get started. These guidelines are written for buyers who want to provide a financial contribution themselves using the temporary measure of voluntary financial contributions with the end goal to positively influence the workers income. The guidelines function as a practical, step-by-step tool to proactively initiate and implement the voluntary contributions.

These guidelines are based on the input we received on the targeted consultations with buying organizations that are participating in different committees of the IDH Roadmap on Living Wages. **What do buyers need to get started with working on living wages with their selected suppliers?** The input from key organizations linked to IDH living wage initiatives in banana, tea, floriculture, and apparel sectors was also taken into account.

In these consultations we identified that not all buying organizations have the same needs. The levels of engagement on living wages differ among buyers in their distinct supply chains and, as a result of that, have different needs. This is the reason that these guidelines contain **three** different toolkits for implementing voluntary contributions. A toolkit for buying organizations that want to get started in a simple way (entry level), for buying organizations that have started but are in need for more (verification) tools (intermediate level) and for the buying organizations that are in need for verified evidence that their money is truly ending up in the pockets of workers (advanced level). Every buying organization can select a toolkit that the most suitable for their level of engagement or mix them. The three toolkits do not deliver the same level of evidence that voluntary contributions are truly spend on workers. Not all buying organization need details on:

- the payment of voluntary contributions
- the level of available data around transparency of the transparency of the supply chain
- the level of evidence that the buyer wants to have to have the proof that their money truly ended up in the pockets of the workers

The three toolkits can be viewed as a continuum, paving the way for transitioning from level one (entry level) to level two (intermediate) and level three (advanced) level but can also be used in a “pick and mix” approach.

There are pre-liminary conditions that a buying organization needs to take into account when starting or continuing their living wage journey. Internal commitment, internal knowledge acquisition, resource allocation, appointing internal champions, due diligence, and the understanding of the legal implications for buying organizations and their suppliers. You can find a list of this pre-liminary conditions in the attachment.

For recommendations on how to further improve these guidelines, please reach out to us at academy@impactbuying.com. Your insights are greatly valued.



2. Introduction to Voluntary Contribution

In a world where economic disparities persist, the pursuit of social responsibility has taken centre stage, bolstered by upcoming due diligence legislations worldwide. Companies are increasingly acknowledging their role in addressing issues like income disparities, specifically regarding living wage gaps. To fulfill the corporate responsibility of upholding fundamental human rights in supply chains, it is important to recognize the risks associated with low wages and take action to mitigate or remedy them, which includes continued progress towards living wages. As a responsible buyer, you have the power to make a difference in addressing living wage gaps in your supply chains.

Working on addressing living wage gaps ideally requires a long-term cooperation between buyers and producers, and other key players in the supply chain. The reality is that around 99% of the trade agreements are based on 1-year contracts, which is unlikely to change overnight. Therefore, it is of importance to look at what is possible instead of what is not. A start could be made with financial contributions from buyers to alleviate living wage gaps that might exist among workers of their producing partners. But only when buyers can trust that when given a financial contribution, it is truly used for the workers. With a verified contribution to workers, companies are able to meet external and internal commitments and can report about the progress in line with the Corporate Sustainability Reporting Directive (CSRD) of the EU.

Based on the insights gained from previous studies on solutions for closing living wage gaps, which were confirmed during the targeted consultation process on voluntary contributions—part of the first phase in developing these guidelines—the concept of voluntary contributions was introduced. Looking at the world of trade, contracts are set up for a year/period of time, grounded in factors such as quality, volume and price. While there is a transition to longer term commitments and relationships, annual contracts remain a common practice and are expected to persist in the coming years. This poses a challenge for you as a buyer aspiring to improve living wages, as changing trading practices overnight is not feasible. Voluntary contributions, paid to a supplier/trader/producer with the aim of ultimately benefiting the workers of producing sites, serve as a temporary solution to initiate the living wage journey. Meanwhile, structural changes need to be implemented, particularly at the country or governmental level, to systematically raise wages through social dialogue and collective bargaining. While this falls outside your sphere of influence as an individual buyer, voluntary contributions do not.

Voluntary contribution as temporary measure

These guidelines and toolkits are tailored to assist you in the process of utilizing **voluntary contributions** as a **temporary measure** to work on living wages for workers throughout your selected supply chains for the volume you source effectively.

It is crucial to highlight that the ultimate goal is to ensure workers receive living wages through negotiations, particularly via social dialogue and collective bargaining agreements. While voluntary contributions can play a role, they cannot fully address the root structural issues causing living wage gaps or replace the importance of collective bargaining.

Relying solely on voluntary contributions is limited in addressing living wage gaps because they are not a steady income source and fall short of being considered actual wages. While these contributions can serve as an initial step toward addressing living wage gaps, it is essential to simultaneously work on long-term solutions for more sustainable outcomes. Long-term solutions include fair purchasing practices such as stable contracts, higher prices and mutual investments.



The scope of these guidelines focuses on the **implementation of voluntary contributions on the basis of a direct payment from the buyer to the selected suppliers**, with only an inspirational chapter dedicated to mid-term and long-term solutions, which can be found in the 'Parallel Steps' section. Distribution of **financial living wage contribution via standards like Rainforest Alliance or Fairtrade are out of scope** of these guidelines and toolkits.

2.1 Three levels of engagement

The primary outcome of the consultation process with buying organizations to understand their needs, led to the acknowledgment that **not all buying organizations have the same needs**. Three levels of buyer engagement on living wage were identified, that all have a different need of support. Their level of engagement are explained through the following three sets of characteristics.

The following graph illustrates the three levels of engagement in living wage of the interviewed buying organizations (16) in volume:



In the chapter 4, the toolkits per level of engagement are described in more detail, processes per level are shown and templates are provided.

2.2 Making claims on closing living wage gap

For guidance on making claims and taking action to advance living wages, consider the following ISEAL guidelines for support: [Making credible living wage claims guiding framework: consultation draft \(2023\) | ISEAL Alliance](#). These guidelines suggest the types of claims that can be made based on the toolkit adopted by you as a buying organization. The suggested commitment levels vary for the three distinct toolkits.

Level 1: Commitment claims

Level 2: Commitment and action claims



Level 3: Commitment, action and performance (very complex and therefore not recommended) claims

When reporting, it is important to highlight the genuine commitment/action/performance made and maintain transparency by acknowledging that voluntary contributions may serve as a temporary solution to address living wage gaps. It should be clarified that such contributions are not a substitute for improving procurement practices but rather one among various measures supporting the overall effort.

2.3 Selection of suppliers to test the guidelines and the toolkits

Many of the buying organizations already made a public commitment to work on living wages in their banana supply chain and yet on other supply chains. The banana supply chain is complex as the first-tier is often a large trader with a mix of own farm locations and external sourcing locations. In many supply chains there are multiple traders involved in between the first-tier suppliers and the farming locations. These guidelines describe processes of the implementation of voluntary contribution for three different levels. There is also the option to pick-and-mix from the different levels. To understand which supply chains/suppliers are in which level of engagement a selection questionnaire has been developed. In annex 1 you find this questionnaire that can help you with the selection of the supplier that is suitable for testing the toolkit.



3. Preliminary Conditions

Before delving into the practical toolkits detailed in these guidelines, it is crucial to ensure that specific preliminary conditions are firmly established within your buying organization. If not yet in place, we advise you to first work on achieving these preliminary conditions. These prerequisites are essential before embarking on the utilization of voluntary contributions to address living wage gaps within your supply chains. Closing living wage gaps is not only a social imperative but also a compelling business incentive. Leveraging opportunities in human rights helps mitigate risks related to underpayment of workers in your supply chains, the use of forced labour, or child labour. It also assists in meeting due diligence and reporting requirements and contributes to achieving sustainable development goals. Additionally, it enhances brand value, builds a stronger reputation, and ensures supply security, favouring productivity, increasing turnover, minimizing absenteeism, and maintaining quality.

This chapter clarifies such specific preliminary conditions that must be in place.

Internal commitment

A sustainable commitment to closing living wage gaps must begin at the highest levels of your organization. Board-level commitment sets the tone for the entire journey, demonstrating that addressing living wage gaps is not just a corporate social responsibility effort but a strategic priority. Furthermore, internal commitment eases the resource allocation: both financially and in-kind.

Building up internal knowledge

Before delving into the complexities of tackling living wage gaps, it is essential to first focus on increasing the internal knowledge on living wages. Creating awareness among the buying staff about what living wages entail and what the potential impact is on the P&L is fundamental, extending beyond sustainability-focused staff. Implementing a living wage commitment and building experience is not an easy journey. What can be the reaction of suppliers? How to deal with their reactions? How to deal with competition? What are the reporting needs of the organization on living wages? It is vital to engage the procurement department in discussions to align purchasing practices with the committed goal of closing living wage gaps. There are several open source training options available and companies can also go for a tailor made training.

Here are some valuable online resources related to the concept of living wage:

[Living Wages Around the World](#)

[OECD Guidelines for Multinational Enterprises](#)

[Anker Research Institute](#)

[IDH Roadmap on Living Wages](#)

[Global Living Wage Coalition](#)

[IDH Salary Matrix E-Learning Site](#)

Resource allocation

Financial and in-kind resources are instrumental in closing living wage gaps. The allocation of resources aims to create a budget for disbursing voluntary contributions within your supply chains. What elements need to be taken into account:



- Time from the sustainability expert and from the relevant buyer(s)
- Cost for consulting legal experts
- Cost for training on living wages
- Cost for adding a financial contribution per trade unit for testing the
- Cost to verify the delivered information from suppliers
- Cost to perform on the ground (spot check) verification if the living wage gap was calculated correctly, if supplier have a structure for social dialogue and that the voluntary contribution were distributed according to the wishes of the workers.

Establishing internal KPIs

Effective management involves measurement. Define clear key performance indicators (KPIs) that relate to your living wage initiatives and align them with your buying conditions (examples are listed in annex x). The defined KPIs need to be in sync with others; for example, the classic procurement KPI of obtaining the lowest cost possible should be adjusted or balanced in consideration of 'living wage conditions'. Regularly monitor and report progress to ensure accountability. See recommendations on living wage KPIs [here](#).

Due diligence

Conducting a comprehensive risk-based due diligence on human rights, especially in relation to living wage gaps, is a crucial step for any responsible buying organization. As a buying organization, when you are prioritizing and deciding which of the three levels of engagement on living wage is applicable to specific products or supply chains, a risk analysis is helpful. Current and upcoming legislation will require you as a buying organization, depending on where your company(ies) is/are based and where you are operating, to report and monitor risks in supply chain.

For the [Corporate Sustainability Reporting Directive \(CSRD\)](#), companies are required to report on ESRS S2 Workers in the value chain. Specifically on working conditions, including adequate wages and social dialogue. The requirements for those two topics is to have policies in place, set targets, assess wages in supply chains and monitor progress in case activities have been set in motion.

Legal implications for buying organizations and for recipients

For buying organizations and for recipients, the legal implications of the countries where voluntary contributions are made can differ significantly from one country to another. It is advisable to research the legal implications of implementing voluntary contributions, particularly concerning liability to continue payments regardless of whether voluntary contributions are still made or not, as well as tax implications. Understanding the legal implications is crucial for developing strategies to navigate the country-specific legal landscape.

By establishing these preliminary conditions, you lay a strong foundation for the successful implementation of voluntary contributions and the subsequent journey towards closing living wage gaps within your supply chains.

Currently, research is being conducted to the legal implications of voluntary contributions and wage temporary wage increases. The following aspects are already known and are advised to be considered:

- Higher wages could result in workers having to pay more taxes. In some cases it has been reported that workers received less because of their raise or receipt of the voluntary contribution.
- When wages are increased, employers are not allowed to lower wages at a later stage when no voluntary contributions are paid anymore.

4. Toolkits

This chapter introduces the three toolkits designed to offer practical guidance tailored to your specific levels of buyer engagement concerning living wage initiatives within various supply chains. These toolkits act as comprehensive support, guiding you through the process of preparing for and implementing voluntary contribution mechanisms.

To emphasize: As a buying organization, you have the flexibility to select the most appropriate solutions offered using a pick-and-mix approach, aligning them with your internal decisions and commitments. When determining the level of engagement on living wage for a particular supply chain, it is important to note that the solutions offered from the other two levels of engagement are not necessarily to be excluded and can as well be taken into consideration. For instance, your organization can choose to incorporate elements from level 2 and/or level 3 even while primarily focusing on level 1, depending on your specific requirements and commitments.

In the next sub-chapters, each level of engagement is described with the most important characteristics of that type of engagement. Furthermore, links to the relevant templates are provided.



4.1 Toolkit 1– Entry level of buyer engagement on living wage

Buying organizations, in distinct supply chains, made a start of working on living wages have initiated dialogue with internal stakeholders and suppliers.

Characteristics

- Buying organizations in the entry level first want to gain an understanding of the financial, legal and contractual implications when working together to find solutions to understand the living wage gap and potentially close living wage gaps, working together with suppliers.
- Buying organizations would like to understand their supply chain, but do not require detailed supply chain mapping.
- Some buying organizations in the entry level want to send suppliers a simple self-assessments to identify if there are living wage gaps. The methodology to identify the living wage gap is to ask the suppliers for the current remuneration for workers compared with a living wage benchmarks. They trust their suppliers on their word and do not ask for evidence yet.
- Buying organizations in the entry level do not require their suppliers to demonstrate whether a living wage gap exists using the IDH Salary Matrix tool or a similar tool to determine the living wage gap.
- Buying organizations in the entry level have not yet commenced transferring voluntary contributions to their suppliers.
- Buying organizations are not yet reporting on living wages, but are starting to collect data in their supply chains. No claims or solely claims on making/having a commitment are made.

Level 1 process

In the figure below, you can find the process of level 1, with a link to the relevant templates. In level 1, like the characteristics show, the focus is on starting to understand the wage situation at the producer level. The goal is to understand what you can do together, instead of what you cannot. The self-assessment may show some gaps in the current remuneration and the available living wage benchmark. Next steps are then depending on amongst others the gap size, availability of data in the supply chain, legal complications, whether social dialogue is presence, but also future commitments and the planning.

Additional activities recommended to start:

- Request suppliers to start the supply chain mapping exercise
- Buyer side: future commitments, allocating resources and internal agreement on timing.

PROCESS LEVEL 1

TEMPLATES



1

Define

The wage situation and potential (legal and/or contractual) implications when working together.

Output

- ▲ Understanding of the supply chain
- ▲ A filled in self-assessment
- ▲ A filled in social dialogue questionnaire

[Template 3: Social dialogue questionnaire](#)

[Template 4: Self-assessment on living wage gap estimate calculations](#)

2

Acknowledge

Gaps in current remuneration, not having detailed supply chain mapping nor having the need for certification/evidence.



3

Agree

On the relevant solution to address the gaps found in the self-assessment (voluntary contribution, supply chain project, etc.)

On further investigation on implications of closing living wage gaps and other next steps.

Output

- ▲ Signed letter of intent
- ▲ Agreement on next steps: further growth towards level 2

[Template 2: Letter of intent](#)



4

Execute

There is limited execution with regarding to voluntary contributions in level 1.

In the Execution phase buyer and supply chain work on next steps.



5

Assure

There is no assurance required in level 1 by certification.





4.2 Toolkit 2 – Intermediate level of buyer engagement on living wage

Buying organizations in the intermediate level have, in distinct supply chains, started to accumulated experience with some of their suppliers and aligning their internal stakeholders. Buying organizations request their supplier(s) to complete the Salary Matrix or a similar tool to determine the living wage gap and require an overview.

Important characteristics

- Buying organizations in the intermediate level have begun to comprehend the financial and contractual consequences of their living wage commitment. They are struggling to find a straightforward and scalable approach for the calculation of the height of their financial contribution linked to their buying volume and the best way to formalize their living wage requirements to their supplier.
- Some of the buying organizations on intermediate level might have started transferring voluntary contributions, either directly paying a living wage premium to their first-tier supplier(s) or through standard owners and sustainability schemes like Fairtrade and/or Rainforest Alliance.
- Buying organizations on the intermediate level do not require evidence yet that their voluntary contributions truly reach the workers at the producer's location. They prioritize simplicity and trust over concrete evidence regarding the distribution of voluntary contributions to workers.
- Not all buying organizations on the intermediate level want to know individual farming locations under a producer group from their first tier supplier.
- None of the (interviewed) buying organizations on intermediate level require a formal verification audit to verify the producer's calculation of the living wage gap using the Salary Matrix or a similar tool (primarily due to cost considerations and the complicated process).
- Most buying organizations are making claims about their commitments and report about this. Some also make claims and report on the action taken (claims about specific action taken to advance on or achieve living wages or wage improvements), however this depends on the level of verification required, the availability of credible, public living wage data, or the ability to track worker level wage data.

Level 2 process

In the figure below, the process of level 2, with a link to the relevant templates is shared. In level 2, like the characteristics show, the buyer and supply chain is going to start with financial voluntary contributions. The producer calculates the current wage situation with a tool such as the Salary Matrix to have a more accurate picture of the living wage gaps at a location. The buyer does not require yet detailed information of the complete supply chain, nor exact living wages per individual location. But there is commitment to work on living wages and next steps are being taken with voluntary contributions.

The [template on buying conditions](#) can help buyers collect data or show commitment in advance on a general basis instead of targeting suppliers individually.

Additional activities recommended to start:

- Mapping of the supply chain (via a tool or in first instance manually).
- Buyer side: future commitments, allocating resources and internal agreement on timing.

PROCESS LEVEL 2



1

Define

The living wage gap by using the Salary Matrix or a similar tool, and presence of social dialogue.

Output

- ▲ Understanding of the supply chain
- ▲ A filled in Salary Matrix or similar tool
- ▲ A filled in social dialogue questionnaire

2

Acknowledge

The need to work towards living wage with supply chain partners, while acknowledging that it is unrealistic for a producer to structurally raise wages.



3

Agree

On the type of financial contribution (direct or via Fairtrade or Rainforest Alliance)

On the share of the voluntary contribution and the height of the contribution (e.g. per trade unit).

On the distribution of the contribution to workers at one or multiple locations, which is decided by the producer and worker (representatives).

Output

- ▲ Signed letter of intent or contractual agreement
- ▲ Filled out implementation and monitoring plan (partially, without evidence request)



4

Execute

Payment of the voluntary contribution by buyer and producer as agreed in the contract, following the implementation plan.



5

Assure

There is no assurance required in level 2 by certification.

But there is a self-assessment to collect data on the contribution.



TEMPLATES

[Template 3: Social dialogue questionnaire](#)

[IDH Salary Matrix](#)

[Template 2: Letter of intent](#)

[Template 5: Social dialogue workers' preferences questionnaire](#)

[Template 6: Contractual agreement template](#)

[Template 8: Template implementation and monitoring plan](#)

[Template 7: Self-assessment on voluntary contribution](#)



4.3 Toolkit 3 – Advanced level of buyer engagement on living wage

Buying organizations on the advanced level of commitment throughout their organization have secured a budget for implementation of voluntary contributions to support the closing of living wage gaps in distinct supply chains.

Important characteristics

- Buying organizations on advanced level demand suppliers to fill out the Salary Matrices or similar tools and request to see the results and check them with an internal team and have made it a contractual agreement with the supplier.
- Buying organizations on advance level have internal alignment of the living wage policy and individual buyers have the autonomy to determine and provide voluntary contributions to the first-tier supplier or directly to the producer(s), depending on the setup of the supply chain.
- Buying organizations on advance level request their suppliers to give full transparency regarding individual farming locations under a producer group.
- Buying organizations on advance level pay voluntary contributions: either via standard owners or with a direct financial contribution and demand full transparency regarding the allocation of contributions to workers in the individual farming facilities.
- Buying organizations on advance level send trained auditors to verify the calculation of the living gap and distribution of contributions in accordance with agreed terms for the benefit of workers.
- Buying organizations on advance level need evidence of the robust process to provide input for "reasonable assurance" in their CSRD reporting.
- Buying organizations on advanced level make claims on their commitment and on the taken actions.

Level 3 process

In the figure below, the process of level 3, with a link to the relevant templates is shared. In level 3, like the characteristics show, the buyer and supply chain collect and act on accurate and verified data. There are clear commitments and the buying organization needs this evidence for their reporting requirements. The producer calculates the living wage gaps with the Salary Matrix or a similar tool, has the outcome audited by trainer auditors, to have a accurate picture of the living wage gaps at a location. The buyer requires detailed information of the complete supply chain, meaning exact living wages per individual location. After the voluntary contribution payments are made, a trained auditor checks whether the voluntary contributions have ended up at the right workers, based on the agreed on distribution and implementation plan.

The [template on buying conditions](#) can help buyers collect data or show commitment in advance on a general basis instead of targeting suppliers individually.

Additional activities recommended to start:

- Mapping of the supply chain (via a tool or in first instance manually)
- Collecting data in a tool or manually on wages in the supply chain via certification (audit reports)
- Data of individual locations are collected by service providers, that can provide additional reasonable assurance.

PROCESS LEVEL 3



1

Define

The living wage gap by using the Salary Matrix or a similar tool, and presence of social dialogue.

Output

- ▲ Detailed mapping of the supply chain and list of individual locations.
- ▲ A verified Salary Matrix or similar tool (audit report)
- ▲ Verified social dialogue presence

2

Acknowledge

The need to work towards living wage with supply chain partners, while acknowledging that it is unrealistic for a producer to structurally raise wages.



3

Agree

On the type of financial contribution (direct or via Fairtrade or Rainforest Alliance)

On the share of the voluntary contribution and the height of the contribution (e.g. per trade unit).

On the distribution of the contribution to workers at one or multiple locations, which is decided by the producer and worker (representatives).

Output

- ▲ Signed letter of intent or contractual agreement
- ▲ Filled out implementation and monitoring plan (partially, without evidence request)



4

Execute

Payment of the voluntary contribution by buyer and producer as agreed in the contract, following the implementation plan.



5

Assure

The distribution of the voluntary contribution paid by the buyer, as agreed on in the implementation and monitoring plan, by a trained auditor.

Output

- ▲ Audit report stating the correct implementation and distribution.



TEMPLATES

[IDH Salary Matrix](#)

Template: audit rapport (to be added)

Template link: audit rapport social dialogue (to be added)

[Template 2: Letter of intent](#)

[Template 5: Social dialogue workers' preferences questionnaire](#)

[Template 6: Contractual agreement template](#)

[Template 8: Template implementation and monitoring plan](#)

Template: audit rapport voluntary contribution (to be added)

5. Toolkit Templates

Template 1 - Requirements that can be added in buying conditions or CSR conditions

These requirements are draft criteria that can be added in your own buying conditions or CSR conditions, at specific product categories in case internal priorities have been set, or generally. When these requirements are met, the implementation on voluntary contributions becomes more smooth. In *italic* are variables that are buyer specific.

- The supply chain must be mapped until facility/producer level.
- In *year x* all new contracts with suppliers with products being produced in high-risk countries or where products are marked as high risk, prices are set by using open cost price calculations.
- In *year x* the locations (*>number of employees*) in high-risk countries and supply chains of *private label products x, y, z* have calculated their living wage gap by using a self-assessment, a tool (such as the Salary Matrix) or can show an (social compliance) audit report that includes living wage data.
- In *year x* have all first-tiers/suppliers with supply chains in high risk countries/commodities set up a plan to work with *buying organization* for the volume purchased towards a living wage.
- The implementation of social dialogue practices at locations responsible for the production of *private label products x, y, z* can be shown by using a questionnaire, self-assessment or social compliance audit report.
- When voluntary contributions payments are made to contribute to closing living wage gaps at (a) facility(s), proof of these payments is required. This can be done via an third-party audit and/or financial accountant.

It is beneficial to already include requirements in buying conditions or CSR conditions that will be applicable in the future, to prepare suppliers and their supply chains on upcoming requirements.



Template 2 - Letter of intent template

These three letter of intent templates offer a framework for drafting your letter of intent as a buying organization. It is recommended to tailor it to your specific situation.

Letter of intent for entry level of engagement on living wages

Dear [first-tier supplier's name],

Subject: Assessment of living wage gaps in our supply chain

We are writing to inform you of our decision to embark on the journey of assessing the situation within our supply chain to determine whether living wages are being paid to the workers.

Addressing living wage gaps is not only a social imperative but also a compelling business incentive. Leveraging opportunities in human rights helps mitigate risks related to underpayment of workers in supply chains, the use of forced labor, or child labor. It also assists in meeting due diligence and reporting requirements and contributes to achieving sustainable development goals. Additionally, it enhances brand value, builds a stronger reputation, and ensures supply security, favoring productivity, increasing turnover, minimizing absenteeism, and maintaining quality. Recognizing this importance of these factors, we are committed to assessing the wage situation of workers involved in the production of the products we source.

To ensure the success of this assessment and to work on enhancing the well-being of the workers in our supply chains, we kindly request your cooperation in addressing the following three matters.

1. Living wage e-learning for production location:

It is important to have a clear understanding of the concept of living wages. As a production company, it is also vital to promote ethical labor practices, support sustainability efforts, and comply with upcoming legislations.

Below are links to online formation related to living wages. We request the production location(s) to go through them.

[Salary Matrix E-Learning Site](#)

[IDH Roadmap on Living Wages](#)

2. Self-Assessment on workers' wages for production location:

It is crucial to determine the existence of a living wage gap. We kindly request you to conduct a self-assessment to evaluate where your workers' wages stand in comparison to the regional living wage benchmark we provide. Examine the living wage reference value within the benchmark and compare it to your workers' actual wages. Kindly provide us with details about the average living wage gap estimate, and the living wage gap estimate for the lowest-paid workers by completing the self-assessment on living wage gap estimate calculations. This includes both those within the average living wage category and those falling under the lowest-paid workers.

Include template 4: self-assessment on living wage gap estimate calculations of level 1



Living wage benchmark of specific region: [Global Living Wage Coalition](#)

3. Calculation of voluntary contribution in proportion to the sourcing volume

In case of the existence of a living wage gap, we request you to calculate the voluntary contribution in proportion to the sourcing volume. We require you to use the tools listed below (as a buying organization, please decide which one is the most accurate depending on the industry type). Carry out the calculation and provide us with the results.

[GIZ Living Wage Costing](#) for agriculture industry

[Fair Wear labour-minute costing tool](#) for apparel industry

4. Completion of questionnaire on social dialogue for production location:

We request you to inform us on the current practice of social dialogue in your company. Please find attached a questionnaire that focuses on the social dialogue within your organization. Your insights will aid us in understanding the current state of workers' wellbeing and engagement in your facilities.

Data Privacy: We ensure the data privacy and protection rights of individuals and companies are not compromised (In case you as a buying organization source produce via an intermediary, instruct the respective first tier(s) to agree on not starting to source directly from the producer upon receiving the data from the production location, another option is to anonymize data).

Thank you for your attention to this sensitive matter. We look forward to your positive response and collaboration in embarking in this journey.

Best regards,

[Your name]

[Buying organization's Name]



Letter of intent for intermediate level of engagement on living wages

Dear [first-tier supplier's name],

Subject: Commitment to addressing living wage gaps in our supply chain through voluntary contributions

We are reaching out to let you know about our commitment to address living wage gaps in our supply chain. Upon identifying actual living wage gaps, we will make voluntary contributions in proportion to the sourcing volume, directed to the affected workers at the production location(s), to work towards better worker's incomes.

Addressing living wage gaps is not only a social imperative but also a compelling business incentive. Leveraging opportunities in human rights helps mitigate risks related to underpayment of workers in supply chains, the use of forced labor, or child labor. It also assists in meeting due diligence and reporting requirements and contributes to achieving sustainable development goals. Additionally, it enhances brand value, builds a stronger reputation, and ensures supply security, favoring productivity, increasing turnover, minimizing absenteeism, and maintaining quality. Recognizing this importance of these factors, we are committed to assessing the wage situation of workers involved in the production of the products we source.

To ensure the success of this commitment and enhance the well-being of the workers in our supply chains, we kindly request your cooperation in carrying out the following three matters.

1. Living wage e-learning for production location:

It is important to have a clear understanding of the concept of living wages. As a production company, it is also vital to promote ethical labor practices, support sustainability efforts, and comply with upcoming legislations.

Below are links to online formation related to living wages. We request the production location(s) to go through them.

[Salary Matrix E-Learning Site & IDH Roadmap on Living Wages](#)

2. Completion of salary matrix or a similar tool to determine the living wage gap for production location:

It is crucial to identify the existence of a living wage gap, emphasizing the necessity for us to make voluntary contributions. To do this, understanding the wage situation of your production location and the individual locations involved in the production processes of the products you supply is imperative.

We kindly request you to provide a detailed salary matrix (or a similar tool to determine the living wage gap) outlining the wage structures for all workers within your organization and the workers at individual locations. Completing the salary matrix will provide us with insights into the actual living wage gap – how much workers' wages deviate from the reference living wage benchmark value and how many workers are affected. We request to provide us with the average living wage gap, the living wage gap of the lowest-paid workers, and the number of workers in scope separated by gender.

Assistance:



We also provide assistance for the effective utilization of the salary matrix/ces or a similar tool to determine the living wage gap (choose from the following options - pick-and-mix approach)

- Our local partner, X, is available to assist you in completing the Salary Matrix/ces or a similar tool to determine the living wage gap. They have the expertise to assist you comprehensively, ensuring accurate and efficient completion.
- We provide convenient online training sessions to familiarize you with the Salary Matrix or a similar tool to determine the living wage gap. Alternatively, if you prefer hands-on learning, we offer on-site training sessions where our experts will guide you through the salary matrix or a similar tool to determine the living wage gap in person, addressing any questions you may have.
- For personalized assistance, a local consultant can provide on-the-ground support. They will work closely with you, offering tailored guidance and support specific to your organization's needs.

Kindly inform us if you require assistance in filling out the Salary Matrix or a similar tool to determine the living wage gap, and we will connect you with the support solution we provide.

3. Calculation of voluntary contribution in proportion to the sourcing volume

In case of the existence of a living wage gap, we request you to calculate the voluntary contribution in proportion to the sourcing volume. We require you to use the tools listed below (as a buying organization, please decide which one is the most accurate depending on the industry type). Carry out the calculation and provide us with the results.

[GIZ Living Wage Costing](#) for agriculture industry

[Fair Wear labour-minute costing tool](#) for apparel industry

[Fairtrade Living wage differential](#)

[Rainforest Alliance Sustainability investment and sustainability differential](#)

4. Completion of questionnaire on social dialogue for production location:

We request you to inform us on the current practice of social dialogue in your company. Please find attached a questionnaire that focuses on the social dialogue within your organization. Your insights will aid us in understanding the current state of workers' wellbeing and engagement in your facilities.

Data Privacy: We ensure the data privacy and protection rights of individuals and companies are not compromised (In case you as a buying organization source produce via an intermediary, instruct the respective first tier(s) to agree on not starting to source directly from the producer upon receiving the data from the production location, another option is to anonymize data).

We are confident that by working closely together and implementing targeted interventions, we can make significant strides towards ensuring fair and livable wages for all workers involved in our supply chain.

Thank you for your cooperation and dedication to this cause. We look forward to a fruitful collaboration that will bring positive change to the lives of the workers in our supply chain.

Best regards,



Letter of intent for advanced level of engagement on living wages

Dear [first-tier supplier's name],

Subject: Commitment to addressing living wage gaps in our supply chain through voluntary contributions

We are reaching out to let you know about our commitment to address living wage gaps in our supply chain. Upon identifying actual living wage gaps, we will make voluntary contributions in proportion to the sourcing volume, directed to the affected workers at the production location(s), to work towards better worker's incomes.

Addressing living wage gaps is not only a social imperative but also a compelling business incentive. Leveraging opportunities in human rights helps mitigate risks related to underpayment of workers in supply chains, the use of forced labor, or child labor. It also assists in meeting due diligence and reporting requirements and contributes to achieving sustainable development goals. Additionally, it enhances brand value, builds a stronger reputation, and ensures supply security, favoring productivity, increasing turnover, minimizing absenteeism, and maintaining quality. Recognizing this importance of these factors, we are committed to assessing the wage situation of workers involved in the production of the products we source.

To ensure the success of this commitment and enhance the well-being of the workers in our supply chains, we kindly request your cooperation in carrying out the following four matters.

1. Mapping of supply chain including individual locations:

We kindly request you to map the supply chain, including individual locations involved in the production processes of the products you supply us with. Understanding the entire chain will enable us to identify specific areas that require attention. The option is to anonymize individual locations.

2. Living wage e-learning for production location:

It is important to have a clear understanding of the concept of living wages. As a production company, it is also vital to promote ethical labor practices, support sustainability efforts, and comply with upcoming legislations.

Below are links to online formation related to living wages. We request the production location(s) to go through them.

[Salary Matrix E-Learning Site](#)

[IDH Roadmap on Living Wages](#)

3. Completion of salary matrix or a similar tool to determine the living wage gap for production location and verification of the result.

It is crucial to identify the existence of a living wage gap, emphasizing the necessity for us to make voluntary contributions. To do this, understanding the wage situation of your production location and the individual locations involved in the production processes of the products you supply is imperative.



We kindly request you to provide a detailed and verified salary matrix (or a similar tool to determine the living wage gap) outlining the wage structures for all workers within your organization and the workers at individual locations. Completing the salary matrix (or a similar tool to determine the living wage gap) will provide us with insights into the actual living wage gap – how much workers' wages deviate from the reference living wage benchmark value and how many workers are affected. After the salary matrix has been completed, we request to conduct a living wage audit (will be paid by us the buying organization). We request to provide us with the average living wage gap, the living wage gap of the lowest-paid workers, and the number of workers in scope separated by gender.

Verification: You as a buying organization determine which of the viable options should be selected to verify that the salary matrix has been completed correctly.

- Desktop verification by a second or third party. Verify the inserted data through a desktop verification.
- Living wage audit, either as a stand-alone process or as an add-on to a social compliance audit. Conduct a comprehensive living wage audit, which involves in-depth analysis and evaluation of wage structures against living wage standards and benchmarks.
- On-the-ground verification of the living wage gap conducted either by you as a buying organization or a dedicated partner. Physically visit the production site or engage a partner to assess the living wage gap directly, providing firsthand insights into the workers' actual conditions.

Assistance:

We also provide assistance for the effective utilization of the salary matrix/ces or a similar tool to determine the living wage gap (choose from the following options - pick-and-mix approach)

- Our local partner, X, is available to assist the production location in completing the Salary Matrix/ces or a similar tool to determine the living wage gap. They have the expertise to assist you comprehensively, ensuring accurate and efficient completion.
- Our partner X provides convenient online training sessions to familiarize the production location with the Salary Matrix tool. Alternatively, if you prefer hands-on learning, we offer on-site training sessions where our experts will guide you through the salary matrix in person, addressing any questions you may have.
- For personalized assistance, a local consultant can provide on-the-ground support. They will work closely with the production location, offering tailored guidance and support specific to the organization's needs.

Kindly inform us if you require assistance in filling out the Salary Matrix or a similar tool to determine the living wage gap, and we will connect you with the support solution we provide.

4. Calculation of voluntary contribution in proportion to the sourcing volume

In case of the existence of a living wage gap, we request you to calculate the voluntary contribution in proportion to the sourcing volume. We require you to use the tools listed below (as a buying organization, please decide which one is the most accurate depending on the industry type). Carry out the calculation and provide us with the results.

[GIZ Living Wage Costing](#) for agriculture industry

[Fair Wear labour-minute costing tool](#) for apparel industry



[Fairtrade Living wage differential](#)

[Rainforest Alliance Sustainability investment and sustainability differential](#)

5. Completion of questionnaire on social dialogue for production location:

We request you to inform us on the current practice of social dialogue in your company. Please find attached a questionnaire that focuses on the social dialogue within your organization. Your insights will aid us in understanding the current state of workers' wellbeing and engagement in your facilities.

Data Privacy: We ensure the data privacy and protection rights of individuals and companies are not compromised (In case you as a buying organization source produce via an intermediary, instruct the respective first tier(s) to agree on not starting to source directly from the producer upon receiving the data from the production location, another option is to anonymize data).

We are confident that by working closely together and implementing targeted interventions, we can make significant strides towards ensuring fair and livable wages for all workers involved in our supply chain.

Thank you for your cooperation and dedication to this cause. We look forward to a fruitful collaboration that will bring positive change to the lives of the workers in our supply chain.

Best regards,

[Your name]

[Buying organization's Name]



Template 3 - Social dialogue questionnaire

Social Dialogue Questionnaire	
1. Total number of workers:	
2. Number of female workers:	
3. Number of male workers:	
4. Does your organization have effective social dialogue practices in place, allowing workers to express their preferences and voice their needs and concerns openly? Specify details.	
5. Please specify the social standards your organization follows (e.g., Fairtrade, Rainforest Alliance, ETI-SMETA, or any other social standard that includes social dialogue criteria).	
6. Describe how these standards promote social dialogue and open communication within your organization.	
7. Is there a worker representative or union representative present at the workplace? If yes, please specify.	
8. Are the worker representative(s) part of the management or paid by the management in your organization? If yes, please specify.	



<p>9. Describe your organization's current practices regarding workers' representation and engagement in decision-making processes.</p>	
<p>10. How frequently does your organization engage in collective bargaining with workers' representatives?</p>	
<p>11. Are there existing mechanisms for workers to voice their concerns and grievances within your organization? If yes, please provide details.</p>	
<p>12. What measures does your organization take to ensure transparency and openness in communication with workers regarding wage-related matters?</p>	
<p>13. Could you provide examples of initiatives or programs your organization has implemented to enhance workers' well-being and living standards?</p>	

Signatures

First-tier manager, producer, worker representative



Template 4 - Self-assessment on living wage gap estimate calculations of level 1

Self-assessment on living wage gap estimate calculations of level 1	
Workforce in scope:	<i>lowest paid OR full workforce</i>
Number of workers:	
1. Sum of monthly gross wages*:	
2. Sum of monthly bonuses**:	
3. Sum of in-kind benefits***:	
4. Sum of all three above components:	X
5. Divided by 12:	X/12
6. Living wage benchmark reference value****	
7. Difference between point 5. And 6.*****	<i>Living Wage Gap Estimate</i>

*Before summing up all monthly gross wages for the entire workforce, some adjustments are necessary:

- For full-time workers who have worked the entire year: consider only the wage received within the legal maximum hours – deduct all remuneration generated because of overtime.
- For part-time workers or those who only work during specific periods: adjust these wages as if they had worked full time and consider only the wage received within the legal maximum hours – deduct all remuneration generated because of overtime.
- Take the above results, sum them up, and divide by the total number of the workforce.
- Divide the result by 12 to obtain the monthly gross wage and insert it into the table under "Sum of monthly gross wages."

** Before summing up all monthly gross bonuses for the entire workforce, some adjustments are necessary:



- For bonuses the same as above is applicable in adjusting all the bonuses for part-time workers or those who only work during specific periods.
- Have a look at [this](#) e-learning to understand which bonuses are eligible and can be included.
- Overtime is not considered a bonus; do not include it.
- Add the total amount of bonuses and divide by 12 to determine the monthly bonus.

*** Before summing up all monthly in-kind benefits for the entire workforce, some adjustments are necessary:

- For in-kind benefits the same as above is applicable in adjusting all the in-kind benefits for part-time workers or those who only work during specific periods.
- Have a look at [this](#) e-learning to understand which in-kind benefits are eligible and can be included.
- Include all in-kind benefits if applicable and divide by 12 to have the monthly in-kind benefit.

**** Living wage benchmark reference value:

Use the living wage benchmark reference value applicable to the region where your facility is based.

*****Difference between point 5. And 6.

Calculate the difference between the average monthly gross wage and the living wage benchmark reference value. The result is the living wage gap estimate. This calculation can be applied to the entire workforce to obtain the average living wage gap. As well, this approach is applicable to workers classified with the lowest-paid contracts by considering only those as part of the workforce.



Template 5 - Social dialogue workers' preferences questionnaire

This Social dialogue workers' preferences questionnaire template offers a framework for drafting your questionnaire as a producer. It is recommended to tailor it to your specific situation.

1. What is your preference for receiving the voluntary contribution?
 - Cash
 - In-kind benefits
 - Combination of both (specify ratio)

2. If you prefer in-kind benefits, please select the type(s) you would find most beneficial and provide details about what exactly the specific in-kind benefit should support.
 - Transport
 - Housing
 - Food
 - Health care
 - School

3. Further thoughts:



Template 6 - Contractual agreement template

This voluntary contribution agreement template offers a framework for drafting your agreement as a buying organization. It is recommended to tailor it to your specific situation.

This Voluntary Contribution Agreement is entered into on [Date], by and between:

Buying organization:

First-tier supplier:

Worker representative:

Agreement on voluntary contribution

Agreed voluntary contribution to workers per trade unit (if applicable: average voluntary contribution and lowest-paid workers voluntary contribution)

Total voluntary contribution in agreed period:

Estimated tax deduction:

Estimated net voluntary contribution in agreed period:

Period of voluntary contribution: x year(s)

Voluntary contribution integrated OR separated from workers' wage structure:

Workers' preferences on nature of voluntary contribution

Cash payment (specify amount of workers who have chosen this and the economic value.):

X women X men

Total value:

In-kind benefits (specify amount of workers who have chosen this, type of in-kind benefit and the economic value.):

X women X men

Type of in-kind benefit

Total value:

Timeline and distribution of voluntary contribution

Explanation of all money transfer steps and actors involved from the buying organization's account to the reception of the voluntary contribution by workers, along with a timeline.

Payment option: *select between Fairtrade, Fair Trade USA, Rainforest Alliance, or others, or direct payments to the producer.*



Verification of voluntary contribution

Accountancy statement (mention which entity/authority carries it out)

Voluntary contribution self-assessment by the first-tier supplier / producer

Third-party IDH voluntary contribution stand-alone audit or add-on audit on-site, hybrid or remote including worker interviews and check on social dialogue (mention which certification body carries it out)

Voluntary contribution verification carried out by the buying organization

Signatures

Signature from retail manager, retail buyer, first-tier manager, first-tier buyer, producer, worker representative



Template 7 - Self-assessment on voluntary contribution

General Information	
<i>FACILITY DETAILS</i>	<i>COMPANY ANSWER</i>
<i>Name of facility(ies):</i>	
<i>Address(es) of facility(ies):</i>	

Voluntary contribution	
<i>Requirement</i>	<i>Company answer</i>
Agreed voluntary contribution to workers per trade unit - or other type of variable used for the calculation described in the contract - in agreed period:	
Total voluntary contribution in agreed period:	
Agreed voluntary contribution for lowest-paid workers (if applicable):	
Agreement on distribution of voluntary contribution (specify dates of money transfer, if direct money transfer, or intermediaries in-between):	
Agreed nature of voluntary contribution – specify if cash, in-kind benefit, or a combination of both and the proportion.	
<i>WORKER DETAILS</i>	
<i>Total number of average earning workers in scope of agreement of voluntary contribution:</i>	



<i>Total number of lowest-paid workers in scope of agreement of voluntary contribution (if applicable):</i>	
---	--

Social Dialogue	
Requirement:	COMPANY ANSWER
Social dialogue practices: Describe the current and active social dialogue practices being implemented and practiced.	
Social dialogue practices: How have workers within the scope expressed their preferences regarding the receipt of the voluntary contribution, and were these preferences taken into account? Please provide specific details.	
Were the preferences regarding the nature of voluntary contributions gathered through the voluntary contribution questionnaire?	
Is there a registered trade union, and/or are workers represented by a different type of workers' organization (such as a workers' council)?	

Signatures

Signature from first-tier manager, producer, worker representative

Template 8 – Template implementation and monitoring plan

Name Farm:

Name buyer:

Step 1

Agreed contribution to workers per trade unit: Jan 2023 – Jan 2024

Starting point for contribution: XXX

Period of contribution: XXX

Number of trade units purchased in period: XXX

Estimated total contribution in agreed period: XXX

Tax deductions: Yes/No

Estimated tax deduction: XXX

Estimated net contribution in agreed period: XXX

Step 2 – Worker's choice

Cash payment: Monthly/Yearly

In-Kind Benefits:

- Food
- Transportation
- Housing
- Healthcare
- Child education
- Child care

Step 3 – Monitoring & evaluation

Agreed evidence of distribution: XXX

Agreed date(s) of sending evidence: XXX

Evidence will be sent to: ...@

6. Parallel Steps

The purpose of the voluntary contributions made by you as a buying organization is to provide temporary assistance in partially addressing living wage gaps. Nevertheless, the ultimate goal is for workers to earn living wages negotiated through social dialogue and collective bargaining agreements. Addressing the root cause of the human rights issue related to living wage gaps, specifically the widespread use of one-year trade agreements, is crucial for achieving this long-term structural resolution.

To further bolster ethical purchasing practices, it is recommended that, while implementing voluntary contributions, one lays the groundwork for more comprehensive and sustainable solutions. This ensures a systematic, long-term structural transformation towards achieving living wages. The establishment of sustainable, long-term purchasing relationships based on fair prices is indispensable, and any deviation from this framework is likely to prove unsustainable in the pursuit of lasting change.

While the scope of these buyers' guidelines is to provide practical support for implementing voluntary contribution mechanisms, the sharing of some inspirational considerations for achieving long-term structural living wages in your supply chains is also pursued. The following are some key considerations:

- Embed responsible purchasing practices in corporate policy ([IDH Sustainable Procurement Kit](#)).
- Embrace long-term commitments, such as 5-year contracts.
- Offer long and stable forecasting.
- Incorporate labor costs, considering a decent standard of living, into product pricing calculations; product prices should allow for good working conditions and be inclusive of living wages.
- Foster collaboration among buying organizations to achieve meaningful and lasting change.
- Strengthen social dialogue and collective bargaining as primary drivers for sustainable change. Living wage programs can be reinforced by you as the buying organization, in collaboration with supporting organizations and unions through initiatives that enhance worker representation, ensuring both management and worker representatives have the capacity and knowledge to engage in productive dialogue.
- Offer financial incentives for high performance on human rights and sustainability in general.
- Share lessons learned to accelerate implementation, for example, in precompetitive networks, initiatives, or partnerships. These may be on a national level, industry level, or cross-sectoral.
- Engage in joint advocacy to make living wages part of legislation in producer and consumer countries, helping to level the playing field.

Some publicly shared strategies on living wages for learning and inspiration:

[GIZ study: Assessing the influence of purchasing practices of grocery retailers on producers](#)

[Fair Wear Foundation: Common Framework on Responsible Procurement Practices](#)

[Fair Labor Association: Agriculture Supply Chain Principles for responsible sourcing](#)

[ETI: Guide to buying responsibly](#)

[Fairphone's Guide to paying living wages in the supply chain](#)



[IDH Roadmap on Living Wages – Step 4: Living Wage Action Guide](#)

[Fairtrade Foundation's approach to Living wages](#)

[Aim Progress: Living Wage for FMCG supply chains](#)

[CNV Internationaal and the Platform Living Wage Financials: A living wage throughout the cane sugar supply chain](#)

[TruStone's Guidance Regarding a Living Wage](#)

[PVH Living Wage Strategy](#)



7. Glossary

First-tier supplier

A first-tier supplier is a company that directly supplies goods or services to the buying organization at the top of a supply chain. Buying organizations can have a direct contractual relationship with vendors or the actual producers. This depends on the complexity of the supply chain and the number of upstream suppliers involved.

Social dialogue

Social dialogue refers to the process of negotiation, consultation and exchange of information and views between employers, workers and their representatives (unions or other workers' organizations) and the government. It provides a platform for these key stakeholders to discuss and address issues of employment, workers' rights, working conditions and social and economic policy.

Social dialogue plays a crucial role in shaping labor and employment policies and in improving working conditions and promoting social justice.

What is a living wage?

Earning a living wage means the basic cost of living for a family is attainable by the adult wage earners each month. A living wage is paid when a worker receives remuneration that is sufficient to afford a decent standard of living for the worker and her or his family in their location and time. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

What is a living wage gap?

The living wage gap is how far away workers are from earning a living wage. This means comparing a living wage benchmark (estimate) to the current remuneration in a production location. Identifying the living wage gap is a starting point for working on closing the living wage gap.

Rationale behind living wages

Poverty has a large impact on people's lives. Globally, 1.2 billion people are multidimensionally poor, of which 579 million people live in Sub-Saharan Africa. This is directly linked to people not earning living wages (UNDP; OPHI, 2022).

Not earning a living wage is linked to other social issues we find in supply chains. Some workers may be compelled to (ILRF, n.d.):

- Work excessive overtime hours or multiple jobs to make ends meet.
- Work even when they are sick, because they cannot afford to take time off
- Put their children into work instead of school to contribute to the household
- Become bonded laborers.
- Work in unsafe conditions, because they cannot afford to stay away.
- Be denied their basic human rights to food, shelter, nutrition, health, housing and education and suffer social deprivations such as being unable to take part in cultural events.
- Not fight for better wages, because they might lose their jobs if they demand their rights or join a union.

Calculation of the Living wage gap

The Dutch Sustainability Trade Initiative IDH has developed a living wage roadmap that is supported by many retailers, brands and producing organizations around the world. This roadmap includes the IDH Salary Matrix that allows farmers and producers to calculate the difference between what they pay their workers (including in-kind benefits and bonuses) and what they should be paid to earn a living wage, following the Anker & Anker methodology. This difference is called the Living wage gap.



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9. Annex

9.1 Annex 1: Selection tool for suppliers

Question	Level 1	Level 2	Level 3	Note
In your category, is the share of the product in your product category or assortment sufficient/significant?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	In order to ensure resources, priority and commitment in the buying organization, it is helpful when the share of a product in that product category or assortment that you are responsible for is significant.
Do you buy a significant volume of that product/from that supplier (>5%)?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	If the volume purchased of a supplier is limited, it can become more difficult to request time and financial investments from your supplier.
Is the relationship with the supplier (of this product) stable?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	A stable relationship is a precondition for all levels. In the case of level 1, it is possible to still get an understanding of the wage situation. For example when the buying organization has an internal commitment to collect living wage data.
Does the supplier directly produce for me?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	If the answer is no, this means the need for supply chain mapping, to eventually collect (accurate) data on production location level, is a required step.
Is there one country of origin?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	The amount of countries of origin shows the diversity in living wage benchmarks and the potential need for different solutions because of differences in legal implications.
Is there full transparency until individual farming locations?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	Yes: high potential for level 3 on the short-term. No: on the short-term more potential for level 1 or level 2.
Is the supplier already certified against a social standard and did the supplier already share the audit report or certificate with you?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	Yes: high potential for level 2 or 3 on the short-term, because of the existence of social compliance structures. No: Level 1 and 2 are on the short-term more likely, because these require no verification.
Does the supplier have knowledge on the topic living wage or is he/she aware about the concept?	Yes: ● No: ●	Yes: ● No: ●	Yes: ● No: ●	If a supplier is completely new to the topic and concept living wage, level 3 shows no potential on the short-term.



Did the supplier already provide you with the outcome of the Salary Matrix or similar tool calculated living wage gap per individual location?	Yes: 	Yes: 	Yes: 	Yes: high potential for level 2 or 3 on the short-term, because of experience with calculations and tools. No: Level 1 and 2 are on the short-term more likely.
Is the outcome of the Salary Matrix or similar tool verified by an audit body or standard owner?	Yes: 	Yes: 	Yes: 	Yes: high potential for level 3. No: Level 1 and 2 are on the short-term more likely.
Does the supplier have installed a structure that allows social dialogue for workers for each location? Did you receive evidence of such a structure?	Yes: 	Yes: 	Yes: 	When this is lacking and a supplier has to start the implementation of social dialogue practices, level 3 is unrealistic (on the short-term).