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NORDIC BANKS AND LIVING WAGES IN THE
GARMENT SECTOR

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Abbreviations

BDT	<i>Bangladeshi Taka</i>
GLWC	<i>Global Living Wage Coalition</i>
ILO	<i>International Labour Organization</i>
ITUC	<i>International Trade Union Confederation</i>
SDGs	<i>Sustainable Development Goals</i>
UNGPs	<i>United Nations Guiding Principles on Business and Human Rights</i>
WRC	<i>Workers' Rights Consortium</i>

Summary

This report outlines the investments of Danske Bank, DNB, Handelsbanken, KLP, Länsförsäkringar, Nordea, SEB, Skandia, Storebrand and Swedbank as well as four savings banks (Sparebank 1 Nord-Norge/ SMN/SR/Östlandet) in the Nordic fashion brands H&M, KappAhl, Lindex and MQ. In total, the banks hold shares in H&M to a value of over € 1,4 billion¹. As large owners they have a unique opportunity to influence the company's goals and strategies concerning living wages.

Handelsbanken, Nordea, SEB and Swedbank are the only banks with substantial holdings in KappAhl. Danske Bank, Handelsbanken and Nordea have holdings in Lindex owner Stockmann. Only Swedbank has substantial investments in MQ.

According to the United Nations Guiding Principles on business and human rights (UNGPs), also financial institutions with relatively small and/or passive investments still have an opportunity – and a responsibility – to engage with companies regarding human rights and labour rights violations. The banks are therefore obliged to engage with companies regarding the right to a living wage.

H&M, KappAhl, Lindex and MQ all buy clothes from Bangladesh, where employees in the factories are among the lowest paid in the world. Although the legal minimum wage was raised in December 2018 local trade unions and labour rights activists are worried that suppliers will be unwilling to implement it. Furthermore, the new amount is barely above the World Bank's poverty line. Around 80 percent of the work force is female and the women sewing for the Nordic fashion brands report difficulties to afford food, health care and housing for themselves and their children.

None of the banks in this study with investments in H&M, KappAhl, Lindex or MQ are doing enough to push for living wages in the companies' supply chains.² The findings in each case show that the banks reviewed have failed to identify, analyse and take sufficient action on poverty wages in the supply chains of the four garment companies. More specifically, the banks are not demanding concrete objectives and timetables for raising the wages. The banks have also failed to demand that the fashion brands share the costs of raising the wages with their suppliers. Furthermore, none of the banks are part of any initiative addressing the issue of living wages in the textile sector.

It is especially disappointing that the banks have failed to sufficiently hold H&M accountable for the promise made in 2013 concerning living wages. H&M committed to make sure that the company's strategic suppliers should have pay structures in place to pay a fair living wage to 850 000 workers by 2018. The banks have not taken the opportunity to follow up on whether the promise has led to actual wage increases at H&M's suppliers in countries such as Bangladesh.

1 As of the 31 of March 2018.

2 It should be noted that Danske Bank and Nordea failed to respond to questions concerning dialogue with the companies.

Swedbank, SEB, Storebrand, DNB and Skandia have had some dialogue with H&M concerning living wages. However, none of the banks have demanded that the company should adapt their purchasing practices. H&M could use extended or larger contracts as well as price premiums to factory owners with higher wages as an incentive for raising wages. In addition, none of the banks have followed up on the supplier wage data that H&M has presented on an annual basis. If the banks would have done so, they would have noticed that the average wage in H&M's supply chain are still far from a living wage in Bangladesh and several other countries.^{3 4}

H&M and the other Nordic fashion brands contribute to the Bangladeshi GDP in a positive way and create employment opportunities. By ensuring that the jobs that are created enable workers to live on their wages, the banks can contribute to the fulfilment of the Sustainable Development Goals. If they act, the banks can help the fashion brands lift thousands of women in the garment industry and their children out of poverty.



“Somehow, I manage to survive anyway, but it is difficult to afford good food and clothing. I can’t afford to go to the doctor”, says Faria Mustafi, 36, employed at a factory producing for H&M.

3 H&M. Wage progress at H&M group supplier factories. 2018. http://sustainability.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/2017%20Sustainability%20report/Wage%20progress_180410_FINAL.pdf (Accessed 2018-10-25)

4 Global Living Wage Coalition. Living Wage for Satellite Cities and Districts Surrounding Dhaka, Bangladesh Urban Bangladesh. 2016. <https://www.globallivingwage.org/living-wage-benchmarks/urban-bangladesh-surrounding-dhaka/> (Accessed 2018-11-01)

Recommendations

The recommendations are based on the United Nations Guiding Principles on Business and Human Rights (UNGPs). According to the UNGPs, also financial institutions with relatively small and/or passive investments still have an opportunity – and a responsibility – to engage with companies regarding human rights and labour rights violations. The banks are therefore obliged to engage with companies regarding the right to a living wage.

The banks should:

1. Adopt an investment and lending policy that requires companies to ensure that workers in their supply chains are paid a living wage as a minimum. The definition should be based on international norms and standards, and explicitly state that a living wage:

- Covers the basic needs of the worker and her/his family
- Must be earned in a standard work week of no more than 48 hours
- Should provide some discretionary income

2. Allocate adequate resources and improve sustainable investment processes and methods for human rights due diligence. This includes the proactive identification and thorough analysis of companies' risks, impacts and responsibilities for the right to a living wage. An important part of this process is dialogue with local trade unions and NGOs

3. Demand transparency from investee companies.

- Companies should publish a searchable list of all sites that manufacture the company's products. The list should include the full names of all authorised production units and processing facilities, the site addresses, the parent company of the business at the site, type of products made and the number of workers at each site.
- Companies should publicly disclose the share of the total purchasing value that each production country represents.
- Companies should publicly disclose mapping of wage gaps between prevailing wages and living wage benchmarks in their supply chains. Furthermore, companies should publicly disclose information about which living wage benchmarks they are using as well as the methodology for the calculations.

4. Set time-framed targets for engagement, such as:

- Companies should adopt a living wage strategy with a time-bound and measurable goal for achieving higher wages in the supply chain.
- Companies should provide financial incentives (such as extended or larger contracts and price premiums) to suppliers with higher wages and/

- or collective bargaining agreements.
- When expanding production, they should give preference to suppliers with higher wages and unionised facilities.
- Companies should identify and prevent anti-union policies and practices in supplier factories and communicate to the suppliers that they have zero tolerance of all attempts to prevent trade union activities such as organising of workers.

5. Increase leverage over companies if engagement does not lead to higher wages within the expected time-frame. For example, investors can file, co-file or support shareholder proposals concerning living wages, or make statements at companies' annual general meetings. They can also collaborate with other investors and initiatives, such as the Platform Living Wage Financials⁵.

6. Use exclusion as a tool if a company is not responding to engagement and wage increases in the supply chains is not being observed within the expected time-frame.

7. Communicate strategies, goals and engagement results publicly. Affected parties and other stakeholders should be able to hold the bank accountable and demand improvements. Transparency is also a way of sharing good practice with peers in the financial sector.

⁵ Platform Living Wage Financials is a network initiated by ASN Bank, MN, Triodos IM, a.s.r., Achmea IM, NN IP, Robeco and Kempen which aims to support investee companies in paying a living wage to the workers in their supply chains.

Methods of data collection

Investigation in Bangladesh

This study focuses on four Nordic fashion brands with suppliers in Bangladesh, in which 14 Nordic banks⁶ have invested. These brands are H&M, KappAhl, Lindex and MQ. Eight garment workers were interviewed in Dhaka, Bangladesh, in March and April 2018.⁷ The garment workers are employed at five different factories, in areas surrounding Dhaka, supplying H&M, KappAhl, Lindex and/ or MQ. The interviews concerned wages, working hours, possibilities to join a trade union, working environment and experiences of discrimination and living conditions.

The number of interviewed workers is relatively small and does not constitute a representative sample. However, the wage level of the interviewees is representative of what garment workers in the country generally earn, according to several studies and scholars in Bangladesh.⁸ This has also been confirmed by H&M, KappAhl and Lindex, through their disclosure of the average wage level at their Bangladeshi suppliers.⁹

Anu Muhammad, Professor of Economics at Jahangirnagar University in Dhaka, was interviewed to contribute with findings from his research on the Bangladeshi garment industry. Anu Muhammad confirmed that the wages of the eight interviewed workers are similar to the wage level in general. Workers' Rights Consortium¹⁰ (WRC) and the Bangladesh Garment and Industrial Workers Federation¹¹ were also consulted during the work of the report.

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- 6 Danske Bank, DNB, Handelsbanken, KLP, Länsförsäkringar, Nordea, SEB, Skandia, Sparebank 1 Nord-Norge, Sparebank 1 SMN, Sparebank 1 SR-Bank, Sparebank 1 Østlandet, Storebrand och Swedbank.
 - 7 The interviews were first published 3rd of October 2018 in the Fair Action report "Left behind – How fashion brands turn their back on women in the Bangladeshi garment industry". In the report H&M, KappAhl, Lindex and MQ were asked to answer a questionnaire regarding wages in the supply chain, and how they deal with the risk of wages that are too low to live a decent life in Bangladesh.
 - 8 See for example, Fair Labor Association. Toward fair compensation in Bangladesh. 2018. http://www.fair-labor.org/sites/default/files/documents/reports/toward_fair_compensation_in_bangladesh_april_2018_0.pdf (Accessed 2018-10-09)
 - 9 Lindex confirms that the average monthly wage in their supplying factories is € 70, KappAhl reports the average monthly wage to be € 74,50 and for H&M the average monthly wage is € 81. These figures are just below and just above the World Bank's poverty line of € 75 per month.
 - 10 Workers' Rights Consortium. <https://www.workersrights.org/> (Accessed 2018-10-24)
 - 11 IndustriAll. Affiliates – Bangladesh. <http://www.industrialunion.org/affiliates/bangladesh> (Accessed 2018-11-09)

The banks policies on labour rights and living wage

In the policy section of this report the annual policy score for labour rights for the banks included are presented. In the policy ranking the banks policies are compared to a set of international standards. The assessment results in a score that shows to which extent the banks are fulfilling the international standards included in the Fair Finance Guide criteria.¹² In this report we present the policy score on the theme labour rights and the specific principle of living wage.

The case studies

The banks included in the case studies are the 14 banks covered by the Fair Finance Guide projects in Norway and Sweden with investments in the selected textile companies. The scope was limited to the banks' investment funds according to data accessible in Morningstar¹³ as of the end of March 2018.

Each bank with fund investments in the selected companies was sent a questionnaire about their investments in the companies and how they have acted on the issue of living wage in the supply chain. Banks without investments in any of the selected companies were removed from the study. A preliminary summary table of each bank's assessments with respect to the cases was sent to the banks for fact-checking. The banks also got the opportunity to fact-check the draft texts concerning the banks work with living wage in relation to the four company cases. All banks included in the study except Nordea responded to the questionnaire. Danske Bank chose to only respond on the general questions about their work in relation to living wage, not to company specific questions concerning H&M, KappAhl, Lindex and MQ.

Based on the collected information, the banks' responsibility measures were assessed based on a set of criteria. When banks had investments in the companies, they were assessed on the following aspects:

- Whether the bank engaged with the company on the issue of living wages since 2015.
- The nature and frequency of the contacts concerning living wages.
- The aim of the dialogue and whether there are time-bound and measurable objectives.
- Whether the bank cooperates with other investors to increase its leverage concerning living wages.

12 Fair Finance Guide Sverige. Svenska bankers hållbarhetsbetyg 2018 - rankning av bankernas riktlinjer och öppenhet kring hållbarhetsarbetet (2018). <https://fairfinanceguide.se/media/494489/ffg-policyrapport-2018.pdf> (Accessed 2018-11-09)

13 Morningstar. <https://www.morningstar.se> (Accessed 2018-10-31), <https://www.morningstar.no> (Accessed 2018-10-31)

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- The bank's transparency about their engagement dialogues.
 - The bank's participation in sector initiatives relevant to living wage.

For the cases where banks did not have investments in all selected companies, the following assessment was made in respect to the decision to not invest in a given company:

- If the reason for exclusion was due to violations of labour rights in the company's supply chain.
- If the exclusion had been communicated to the company.
- If the exclusion is communicated in a public list of excluded companies.

A bank could be assessed as fully contributing to push the textile companies to ensure living wages in their supply chains either by:

- demonstrating an active engagement with the company and participating in relevant initiatives to address living wage, or
- by actively excluding the company due to labour rights violations in the supply chain and making this known to the company and announcing it publicly.



– I can't afford to go to the doctor, says Faria Mustafi, who works for a supplier of H&M. The factory doesn't provide health care. They give us some paracetamol for free, but not enough.

Introduction

What is a living wage?

The concept of a wage that is enough for a worker and his/her family to live on is not new. According to the Universal Declaration of Human Rights (1948), *“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”*¹⁴

According to the Fair Finance Guide methodology¹⁵, which draws on international norms and standards, a living wage is considered to consist of the following elements:

- Must cover the basic needs of the worker and her/his family
- Must be earned in a standard work week of no more than 48 hours
- Must provide some discretionary income

Most living wage approaches argue that “basic needs” includes, but are not limited to, nutritious food, clean water, housing, clothes, healthcare, childcare, education, transport and discretionary income. Some discretionary income is important since non-existent savings in combination with a weak social security system makes workers vulnerable to unforeseen events such as illness, and they are then easily indebted.

A living wage should also be based on normal working hours, in line with national labour law and a maximum of 48 hours working week, according to ILO standards¹⁶, excluding over time.

In Bangladesh a minimum wage demand from the workers of BDT 16 000 (€ 161)¹⁷ per month was made by the trade unions during a strike in December of 2016, and was repeated during the wage negotiations in September 2018,

14 United Nations. The Universal Declaration of Human Rights. 1948. [http://www.un.org/en/universal-declaration-human-rights/article-23, paragraph 3](http://www.un.org/en/universal-declaration-human-rights/article-23-paragraph-3) (Accessed 2018-10-09)

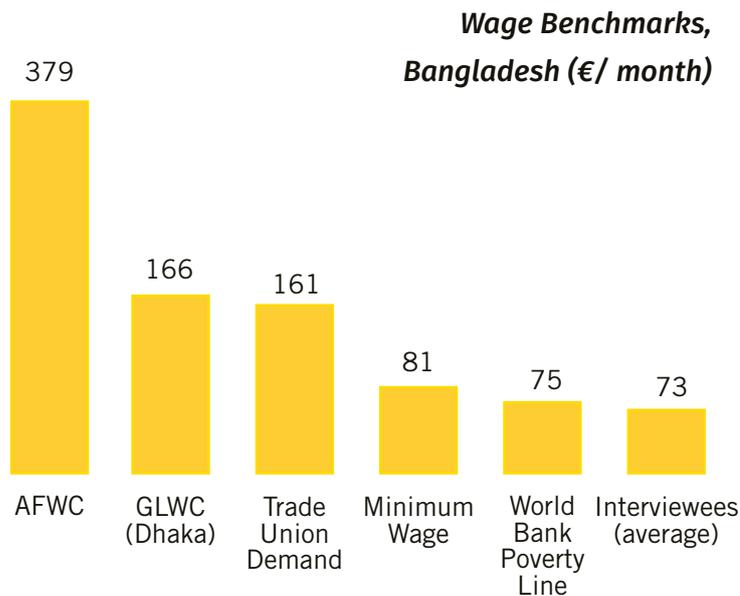
15 Fair Finance Guide International. Fair Finance Guide Methodology 2018 - A methodology for the assessment of responsible investment and finance policies of financial institutions. 2018. <https://fairfinanceguide.org/media/494198/2017-71-ffgi-policy-assessment-2018-methodology-180308-edits-180528.pdf>, p 82 (Accessed 2018-11-14)

16 Oxfam Australia. A sewing kit for living wages. 2017. <https://www.oxfam.org.au/wp-content/uploads/2017/09/A-Sewing-Kit-for-Living-Wage.pdf> p 26-29 (Accessed 2018-10-09) and International Labour Organization (ILO) <https://www.ilo.org/global/standards/lang--en/index.htm> (Accessed 2018-12-03)

17 Exchange rate of June 1 2018 is used in the whole report for wage figures: BDT 1 = € 0,01006, BDT 1 = USD 0,01175, BDT 1 = SEK 0,10344.

and is meant for the lowest paid category of workers. The workers also demand a statutory framework to govern pay grades, promotion and other welfare measures.¹⁸

In recent years, a number of living wage benchmarks have been developed. One of them is the benchmark of the Global Living Wage Coalition (GLWC)¹⁹. In 2016, the GLWC published a living wage benchmark report for the garment industry in Dhaka and surrounding districts²⁰. Their estimations of a living wage are based on the costs of food, housing, other essential needs including education of children, health care, transportation, recreation, clothing, household goods, communication, personal care and a small margin for unforeseen events. These costs make up a basic, but decent, life for a reference size family of two adults and two children. The number of full-time workers per family (1,58) is also taken into account.²¹ GLWC has different estimates of a monthly living wage for Dhaka (BDT 16 460 or € 166), and the surrounding districts (BDT 13 630 or € 137) because the cost of living is higher in the city of Dhaka. The GLWC's living wage benchmarks are more than 70 percent higher than the monthly minimum wage of BDT 8 000 in the garment industry in Bangladesh which came into effect in December 2018.²²



18 IndustriAll. Garment workers call for increased minimum wage. 18-03-05. <http://www.industrial-union.org/bangladesh-garment-workers-call-for-increased-minimum-wage> (Accessed 2018-10-09)

19 The GLWC is made up of ISEAL members Fairtrade International, Forest Stewardship Council (FSC), Good-Weave, Sustainable Agriculture Network (SAN), Rainforest Alliance (RA), UTZ, and Social Accountability International (SAI). Richard Anker and Martha Anker are also partners in this coalition.

20 The Global Living Wage Coalition. Living Wage Report- Dhaka, Bangladesh and Satellite Cities - Context: The Garment Industry. 2016. https://www.isealalliance.org/sites/default/files/resource/2017-12/Dhaka_Living_Wage_Benchmark_Report.pdf (Accessed 2018-11-01)

21 Ibid, p 17-18

22 Ibid, p 9

Another living wage benchmark for Bangladesh is the Asia Floor Wage, estimated by the Asia Floor Wage Alliance (AFWA), an international alliance of trade unions and labour rights activists who are working together to demand that garment workers are paid a living wage. Their estimation of a monthly living wage (BDT 37 661 or € 379 in 2017) is more than four times higher than the BDT 8 000 minimum wage effective from December 2018.²³

Through **the Sustainable Development Goals**²⁴ world leaders agreed on a common approach to end poverty, fight inequality and stop climate change. The Goals were adopted at the United Nations Sustainable Development Summit on 25 September 2015. It covers 17 goals with a total of 169 targets that should be reached by the year 2030.

Living wage as a concept is not mentioned specifically in the Sustainable Development Goals, but the issue is closely linked to many of the goals, especially goal number 1 (no poverty), 2 (zero hunger), 5 (gender equality), 8 (decent work and economic growth) and 12 (responsible consumption and production).

In addition, goal 17, “Partnership for the Goals” underlines the importance of a stronger commitment to partnership and cooperation from all actors, including multi-stakeholder partnerships. Thus, the business sector has an important role to play in achieving the Global Goals.²⁵

Banks and living wages – responsibility according to international standards

Financial institutions, just like other companies, have a responsibility to respect human rights. Banks are crucial in selecting which companies should survive through the provision of financial capital. Thus, banks are in a powerful position vis-à-vis companies and can require commitment to human rights and improvement of human right practices to finance a given company.

The responsibility of investors is formalised in several international agreements and standards. One of the most prominent is the United Nations Guiding Principles for Business and Human Rights (UNGPs), which states that the responsibility of investors extends to their business relationships. Furthermore, specific guidance on how the UNGPs are to be interpreted in the financial sector has been provided by the Office of the United Nations High Commissioner for

23 Asia Floor Wage Alliance. Asia Floor Wage- What is it and why do we need one? 2017. <https://asia.floorwage.org/what> (Accessed 2018-10-18)

24 United Nations. About the Sustainable Development Goals. 2015. <https://www.un.org/sustainabledevelopment/sustainable-development-goals/> (Accessed 2018-10-24)

25 Ibid

Human Rights.²⁶ Other international guidelines include the OECD's Responsible Business Conduct for Institutional Investors²⁷ and the UN PRI initiative²⁸. Thus, all financial institutions are expected by the international community to integrate human rights issues in their investment practices.

Banks, in their role as large asset owners, who are shareholders in these companies, can therefore have a significant effect on the policies and activities of the investee companies and on their impacts on human rights. There are several ways in which a bank can affect the policies and activities of these companies. As a shareholder and as a creditor, banks can use public or private dialogue, voting, shareholder proposals, blacklisting and divestment to influence companies. When investors join forces in their engagement dialogue with companies, they can increase their leverage and have significant impact.

Turning our focus to the textile sector, poverty wages are indeed found in the supply chains of large textile and garment industry companies. With growing globalisation, these supply chains have become more complex. Companies buy products from countries where there is limited protection of labour rights, let alone a living wage. Banks should require serious commitment from textile and garment companies to continue the financing of their operations.

To provide a concrete example, in the Netherlands a number of investors have taken some steps to address the issue of living wage. In 2016 ASN Bank established a long-term goal that all garment companies in its investment universe should have introduced a living wage by 2030. ASN Bank is also together with MN, Triodos IM, a.s.r, Achmea IM, NN IP, Robeco and Kempen one of the founders of the recently launched Platform Living Wage Financials which aims to support investee companies in the implementation of living wages in their supply chains.

In showing that poverty wages are unacceptable, financial institutions can contribute to making it possible for thousands of workers to afford decent housing, nutritional food and school fees for the children. Ultimately, living wages is about creating societies where people are not only seen as cheap labour, but as citizens that can contribute to creating sustainable societies.

26 See for example OHCHR response to request from BankTrack for advice regarding the application of the UN Guiding Principles on Business and Human Rights in the context of the banking sector. 2017. <http://www.ohchr.org/Documents/Issues/Business/InterpretationGuidingPrinciples.pdf> (Accessed 2018-10-09)

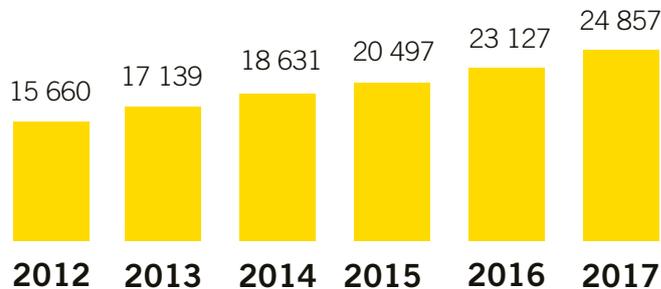
27 OECD. Responsible business conduct for institutional investors Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises. 2017 <https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf> (Accessed 2018-11-09)

28 UN PRI, website. <https://www.unpri.org/> (Accessed 2018-11-09)

– If my son gets sick I have to borrow money from the neighbors to take him to the doctor, says Syeda Talukdar, 19 years old, who is employed at a factory producing for KappAhl.



Big business – the garment sector in Bangladesh



Swedish garment imports from Bangladesh (Tonnes)

Bangladesh is the world's second largest garment export country after China.²⁹ Bangladesh doubled their world market share between 1995 and 2012 and more than doubled in value in the last five years. According to the World Bank, the garment industry in Bangladesh accounts for 75 to 80 percent of Bangladesh's export earnings.³⁰ In 2017, there were 4 482 garment factories in the country employing 4 million workers. Garment imports to Sweden from Bangladesh have increased with almost 60 percent since 2012.³¹

Despite accelerated growth in the past years the pace of poverty reduction has slowed down. Today, one in four Bangladeshis live in poverty and 13 percent of the population live in extreme poverty.³²

The fast expansion of the garment sector has benefited an elite within the Bangladeshi society. There are close connections between the garment sector and the political power in the country, according to Professor Anu Muhammad. *“Most members of parliament have connections to the garment industry, directly or through family members, and they protect the factory owners. The industry has a huge influence on parliament, and even on the cabinet. A number of ministers have connections to the factory owners.”*³³

29 World Bank. Bangladesh - Country snapshot. 2017. <http://documents.worldbank.org/curated/en/375181507886096515/pdf/120416-WP-PUBLIC-CountrySnapshotBangladesh-CompleteFinal.pdf>, p 1

30 Ibid p 35

31 Import data from Statistics Sweden (SCB), processed by Fair Action. <https://www.scb.se/en/finding-statistics/statistics-by-subject-area/trade-in-goods-and-services/foreign-trade/foreign-trade---exports-and-imports-of-goods/> (Accessed 2018-10-26)

32 World Bank. Bangladesh continues to reduce poverty but at a slower pace. 17-10-24. <http://www.worldbank.org/en/news/feature/2017/10/24/bangladesh-continues-to-reduce-poverty-but-at-slower-pace> (Accessed 2018-10-09)

33 Muhammad, Anu; Professor of economics, Jahangirnagar University. Interview 2018-03-20 and Fair Labor Association. Toward fair compensation in Bangladesh. 2018

However, the booming garment sector is not reflected in the price paid to the garment factories by international fashion brands. Recent research also indicates that prices paid to suppliers have dropped on average by 13 percent and lead times for production have shortened by 8 percent on average, between 2011 and 2015.³⁴

– I am giving my life to the garment industry, I can't let my daughter do the same, says Barsha Islam, 25, who works for a supplier of H&M. It is a big sacrifice and I am suffering, I want something better for her.



34 Center for Global Workers' Rights (CGWR). Binding Power: The Sourcing Squeeze, Workers' Rights, and Building Safety in Bangladesh Since Rana Plaza. 2018. <http://lser.la.psu.edu/gwr/documents/CGWR-2017ResearchReportBindingPower.pdf> (Accessed 2018-10-09)

What workers say about their wages – findings from interviews

– *If my son gets sick I have to borrow money from the neighbors to take him to the doctor*, says Syeda Talukdar³⁵, 19 years old, who is employed at a factory producing for KappAhl. Syeda's wage excluding overtime is € 68 per month, which is below the World Bank Poverty Line of € 75.³⁶ Syeda's situation is not unique, the eight workers we have interviewed earn on average € 73 per month, excluding overtime. This amount is in line with what workers generally earn in the country's exporting factories, according to experts.³⁷ As a result of the new minimum wage of € 81 that came into effect from 1 December 2018, garment workers' wages will increase once it is implemented at the suppliers. However, trade union leaders and labour rights activists argue that the amount is only half of what they had demanded and far from enough for living a decent life.³⁸

The interviewees all work six days a week, although two of the workers reports that they sometimes must work on their day off if the factory gets a big order. Work days range from 10 up to 13 hours. The workers average wage - including overtime pay - is € 107 per month. Despite the number of extra hours, workers testify to a constant struggle to afford basic necessities such as food, housing and medical care.

Syeda's story

Name: Syeda Talukdar

Age: 19

Works for: A supplier of KappAhl

Two and a half years ago, Syeda moved to Dhaka from her home district Bogra in northern Bangladesh. Her older sister already worked in a garment factory and

35 For safety reasons, Fair Action is not using the workers' real names.

36 The Global Living Wage Coalition. 2016. p 44

37 Muhammad, Anu. Interview 2018-03-20 and Fair Labor Association. *Toward fair compensation in Bangladesh*. 2018 http://www.fairlabor.org/sites/default/files/documents/reports/toward_fair_compensation_in_bangladesh_april_2018_1.pdf (Accessed 2018-10-25)

38 Nagaraj, Anuradha. Pay more for your clothes, Bangladesh workers tell global fashion brands. *Thomson Reuters Foundation*. 18-09-17. <http://news.trust.org/item/20180917114539-7i6lp/> (Accessed 2018-10-25)



– We work for twelve hours a day. When the workday is done I am tired and feel weak, and my hands and feet often ache, says Syeda Talukdar , 19 years old, who is employed at a factory producing for KappAhl.

her husband wanted to move to the capital to find a job. The heavy workload is already taking its toll: “We work for twelve hours a day. When the workday is done I am tired and feel weak, and my hands and feet often ache”, says Syeda. Fridays are usually a chance to rest. Syeda was planning to spend this Friday with her two-year-old son Anik, that she barely has time to see. Syeda sees Anik a short while before she goes to work, when she gets home he is already asleep.

– We are supposed to have Friday’s off, but today we were ordered to work anyway. That often happens if the workload is high”, says Syeda.

The kids are not alright – lack of money to provide for children

The five female garment workers we interviewed all have children, either living with them or with relatives in their home village. The women report difficulties to afford food, clothing, medical care and school tuition fees for their children.

– The salary is too low compared to the workload. I would need to make € 151 to 161 to pay my own expenses and the cost of education for my kids, says Sanjana Chowdhury, 35, employed at a factory producing for Lindex. € 151 to 161 is about twice Sanjana’s wage excluding overtime.

Several workers also report that if they earned more their priority would be paying for education or buying clothes or other basic necessities for their children.

– If my salary was increased, the first thing I would do is to invest in my son’s future”, says Syeda Talukdar, 19, employed at a factory producing for KappAhl

Nazir Miah, 26, employed at a factory producing for H&M, does not have children. He states that his low wage makes it difficult: “I would like to marry and settle down, start a family in my home village, but it’s not possible right now. I don’t have enough money.”

Three of the workers clearly state that they do not want their children to work in the garment industry:

– I am hoping for a better future for my daughters, I will attempt to do something good for them. So that they don’t end up with the kind of life that I am living, says Dina Uddin, 28 years old, employed at a factory producing for KappAhl.”

Stuck in poverty – unhealthy debts and non-existent savings

The workers report that they spend everything they earn on rent, food and other necessities. Two of the interviewees state that they regularly borrow money at the end of the month: “I am forced to borrow € 10 at the end of each month just to make ends meet”, says Saiful Ahmed, 20 years old, who works in a factory producing for Lindex.

Several workers highlight the difficulties of affording to go the doctor if they fall ill:

– I don’t earn enough to pay for health care if I get sick. It has happened a couple of times, then I have had to borrow money”, says Nazir Miah, 26, employed at a factory producing for H&M.

The workers are also unable to save money as a safeguard if they become ill or face other unforeseen events. Many of the workers express a wish to be able to save money for buying a house, a piece of land or starting a small business.



– If my salary was higher I would try to save money for a couple of years, buy a little bit of land in my village and start farming. That is my dream, says Sanjana Chowdhury, 35, employed at a factory producing for Lindex

– I would like to make a little bit more money so that I could save some, says Ahnaf Lashkar, 23, who works at a supplier of MQ.



– Now, normally, I have to spend everything I earn, says Ahnaf Lashkar, 23 who works at a supplier of MQ.

– If I could manage to save some money I would move back to the village, maybe try to open a local business there. I know how to drive so maybe I could be a chauffeur or open a local transport business.

Lousy housing – unsanitary living conditions

The workers interviewed by Fair Action live either in corrugated iron shacks or small rooms in concrete buildings. The rent depends on how close to the factory the accommodation is located and is often a substantial share of the workers' monthly costs. One of the workers shares four toilets and one kitchen with 24 other people. Another worker reports sharing an 8 m² room, with a ceiling covered in mold, with two other workers. On each floor of the multi-story building there is only one toilet and one gas stove for cooking.

Saiful's story

Name: Saiful Ahmed

Age: 20

Works for: A supplier of Lindex

Saiful has been working in the garment industry for a year now. He moved to Dhaka from Rajshahi in northwestern Bangladesh. One of his cousins helped him find the job. The working days in the factory are long:

– We start at 8 AM in the morning and usually work until 10 PM each night, says Saiful.

His monthly salary is € 65, which is below the World Bank Poverty Line of € 75. The rent for the iron shack in the narrow alley, where he lives with his wife, is € 30. Including overtime, he makes € 111 per month.



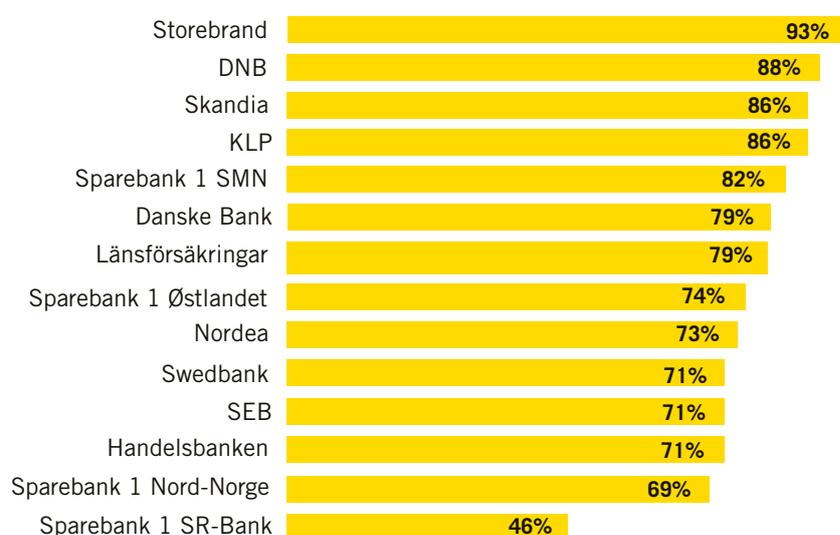
– My biggest problem is the salary level, says Saiful Ahmed, 20, who works at one of Lindex' suppliers.

What are the banks doing?

The banks' policies on labour rights and living wage

Fair Finance Guide examines a total of 14 policy themes³⁹. Labour rights is one of the themes where the banks in general have detailed policy commitments that fulfil many of Fair Finance Guide's assessment criteria. In 2018 the banks supported on average 76 percent of the key labour rights principles listed in the Fair Finance Guide methodology. Storebrand tops the list as the only bank complying to over 90% of the key labour rights principles of the Fair Finance Guide methodology.

The banks policy scores on labour rights



The graph shows the percentage of key labour rights principles, listed in the Fair Finance Guide methodology, that the banks committed to regarding their investments in 2018.

39 Fair Finance Guide. Teman. 2018. <https://fairfinanceguide.se/banks/teman/> (Accessed 2018-11-07)

Many banks support international standards and conventions such as the UN Global Compact, the UNGPs, the ILO Conventions⁴⁰ or/and the OECD Guidelines for Multinational Enterprises⁴¹ that to a varying extent incorporate living wage indirectly. The majority of the banks do not refer explicitly to a living wage in their policy documents.

Only two out of the 14 banks are explicitly writing out “living wage” in their policies, these banks are Sparebank 1 Nord-Norge and Sparebank 1 SMN. Sparebank 1 Nord-Norge is the only bank that is including the predefined components of a living wage⁴² in its policy.

Compliant: These banks are including living wage and its components in its policies	Partly compliant: These banks are including living wage in its policies	Non-compliant: These banks are not including living wage in its policies
Sparebank 1 Nord-Norge	Sparebank 1 SMN	Danske Bank DNB Handelsbanken KLP Länsförsäkringar Nordea SEB Skandia Sparebank 1 SR-Bank Sparebank 1 Østlandet Storebrand Swedbank

Compliance to Fair Finance Guides living wage criteria 2018.

The banks policy commitments in the area of labour rights are often detailed and in line with international standards. Despite generally high policy scores on labour rights, most banks lack a specific policy commitment concerning living wages.

40 International Labour Organization (ILO). <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm> (Accessed 2018-10-31)

41 Organisation for Economic Co-operation and Development (OECD). <http://www.oecd.org/corporate/mne/> (Accessed 2018-10-31)

42 According to international norms and standards, a living wage must cover the basic needs of the worker and her/his family. Must be earned in a standard work week of no more than 48 hours. And must provide some discretionary income.

Case studies of investments in the garment sector

The case studies are based on a questionnaire sent out to the 14 banks with investments in the selected textile companies, seven of the respondents are based in Sweden, seven in Norway. One of the Swedish respondents (Nordea) decided not to respond, one (Danske Bank) did not respond to the company-specific part of the questionnaire. Of the seven Norwegian respondents four are savings banks (Sparebank1 Nord-Norge, Sparebank1 SMN, Sparebank 1 SR-Bank and Sparebank1 Østlandet). These banks received the questionnaire but forwarded it to ODIN Fondene for additional input. ODIN is an asset management company wholly owned by the Sparebank1 Gruppen, of which the four Sparebank1 banks included in this study owns 70,9 percent. Because the investment in H&M was made through ODIN Fondene, and not by one of the four savings banks directly we are referring to the savings banks as one respondent when presenting the cases.

H&M – lack of implementation of living wage strategy

Turnover 2017	Share of sourcing value - Bangladesh	First tier supplier factories in Bangladesh
€ 22 505 million	Declined to disclose, but besides China, Bangladesh is the most important sourcing market for H&M	271

Living wage in code of conduct

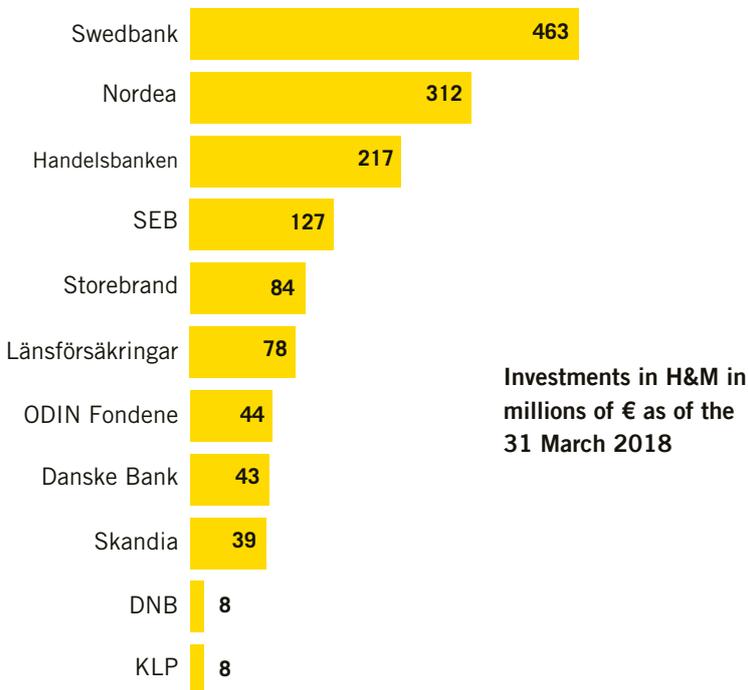
“A fair living wage should always be enough to meet the basic needs of employees and their families, and provide some discretionary income”

In 2013 H&M made a commitment to enable fair living wages for 850 000 garment workers at their strategic suppliers by 2018. However, according to H&M's own data the average wage in the company's supplier factories in Bangladesh was still only € 86/month in 2018. This is just slightly above the World Bank's € 75/month poverty threshold. In a report from 2017 several workers at H&M's Bangladeshi suppliers claim that their children need to work in order to supplement the family's income.⁴³ H&M is the biggest buyer of garments from Bangladesh and can therefore have significant influence on for example the factory owners' attitudes against trade unions. Currently, trade unions are present at less than seven percent of H&M's suppliers in Bangladesh, and a collective bargaining agreement is in place only at one supplier. H&M has a system to reward suppliers that have better sustainability performance. The reward consists of long-term commitment from three to five years planning and volume commitment. However, the specific wage level at a supplier is not a part of these criteria⁴⁴.

43 SOMO. Branded Childhood - How garment brands contribute to low wages, long working hours, school drop-out and child labour in Bangladesh. 2017. <https://www.somo.nl/wp-content/uploads/2017/01/Branded-childhood-web.pdf> (Accessed 2018-10-25)

44 Fair Action. 2018.

The banks' investments in H&M



All the banks that are part of this report are invested in H&M. All banks except Länsförsäkringar, KLP and ODIN Fondene has H&M included in their ethical/sustainability funds. KLP invests in H&M only through index funds, ODIN Fondene invests only through actively invested funds.

The banks' responses concerning H&M and living wage

All nine banks responding to company-specific questions acknowledge living wage as a supply chain risk at H&M. Of the nine banks Storebrand, Swedbank, DNB, SEB and Skandia are reporting on a dialogue with the company specifically about living wage since 2015. Swedbank, SEB and Storebrand report on direct physical meetings.

Swedbank's dialogue with H&M was in 2018 focused on responsible marketing and living wage. Swedbank reports that they do not evaluate wage increases at specific suppliers in H&M's supply chain. Swedbank states that the bank follows the progress of H&M's strategic work on critical aspects of their fair living wage work such as its targets and actions. For example, their supplier engagement on transparent wage systems and democratically elected worker representatives as well as collective bargaining agreements at industry and country level.

SEB reports having been in dialogue with H&M on the issue of living wage since 2015 directly and through their engagement consultant. The consultant reports on five contacts with H&M specifically on the issue of living wage since 2015.

The dialogue with H&M on the issue is still ongoing as of October 2018. SEB comments H&M's work on living wage: "SEB believes that H&M works in a structured manner with this complicated issue and has respect for it taking time"⁴⁵.

Storebrand reports dialogue with H&M about living wages during 2015. The dialogue stopped, however after H&M was launching its roadmap to fair living wages and the company subsequently reported improvements. Storebrand now states it will restart its engagement with H&M because Storebrand sees H&M as walking away from their commitment to a living wage and starting to use the term "improved wages" instead.

DNB reports being engaged with H&M regarding living wages before the launch of the company's roadmap to a fair living wage 2013, which was partly adopted on the back of investor pressure according to the bank. Furthermore, DNB reports being in dialogue with H&M on general sustainability issues, including living wage issues, since 2015 through consultants.

Skandia reports being engaged in dialogue on the issue of living wage with H&M through consultants. In total Skandia reports that 11 e-mails have been sent to H&M through its consultants since 2015. Skandia does not provide any information on results from the engagement.

ODIN replied that they held several meetings with H&M since 2015. While sustainability and corporate social responsibility issues were raised, ODIN did not specify whether the issue of living wage was addressed in these meetings.

KLP reports being in dialogue with H&M on sustainability and corporate social responsibility issues through consultants and the Nordic Engagement Cooperation⁴⁶. KLP did not specify whether the issue of living wage was addressed in these meetings.

Länsförsäkringar states that they have been in contact with the company and analysed their sustainability work in general but have decided not to engage on the specific issue of living wage.

Handelsbanken reports no engagement activities with H&M since 2015.

Nordea and **Danske Bank** did not respond to questions about engagement with the company.

None of the banks in dialogue with H&M have reported making concrete demands concerning living wage, nor do they have measurable goals or timelines in place to push the company to raise the wages in the supply chain.

45 Ek, Hans, Head of Staff, Corporate Governance and ESG, SEB Investment Management AB. E-mail 2018-10-31.

46 Nordic Engagement Cooperation which includes KLP, Folksam, Illmarinen, and PFA.

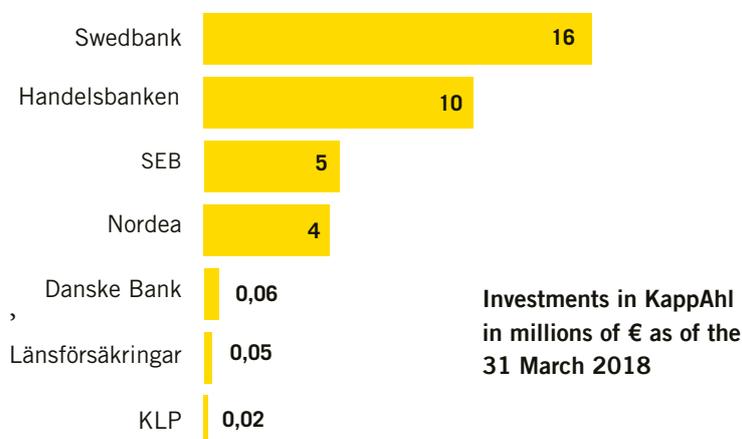
KappAhl – lack of strategy for raising low wages in the supply chain

Turnover 2017	Share of sourcing value - Bangladesh	First tier supplier factories in Bangladesh
€ 476 million	Approximately 40%	29

Despite the company's dependence on Bangladesh as a sourcing market, KappAhl has not set any clear goals or strategies concerning living wages. According to KappAhl the average monthly wage at their Bangladeshi suppliers is € 73.⁴⁷ This is just below the World Bank Poverty Line of € 75. KappAhl's efforts to promote freedom of association and collective bargaining at its Bangladeshi suppliers are also insufficient, as only one of KappAhl's 29 suppliers have a collective bargaining agreement. The low unionisation rate makes it difficult for workers to demand better wages. KappAhl also lacks a strategy for prioritising and providing financial incentives to suppliers that are willing to raise wages, thereby missing the opportunity to promote better wages through its purchasing practices.

Living wage in code of conduct
Wages should be "sufficient to cover basic needs for the employee and their family as well as provide some additional income"

The banks' investments in KappAhl



All Swedish respondents except Skandia are invested in KappAhl. All of the Swedish respondents with holdings in the company are actively investing in KappAhl. Only Handelsbanken and SEB are also passively investing in KappAhl, the same banks also have KappAhl included in their ethical fund range. KLP is the only of the Norwegian banks invested in the company, their holding is passively invested. None of the banks are reporting that they are actively excluding KappAhl due to labour rights violations in the company's supply chain.

47 Högberg, Charlotte. 2018. KappAhl doesn't turn its back on anyone. KappAhl blog. 2 October. <https://kappahlblog.com/2018/10/02/kappahl-doesnt-turn-its-back-on-anyone/> (Accessed 2018-10-24).

The banks' responses concerning KappAhl and living wage

Four out of the seven banks (Handelsbanken, Länsförsäkringar, Swedbank and KLP) with holdings in KappAhl report having identified living wage as a supply chain risk. However, only Swedbank reports an active dialogue with KappAhl specifically on the issue of living wage.

Swedbank reports three dialogue meetings with KappAhl since the beginning of 2015. The last time Swedbank specifically raised the living wage issue in dialogue with KappAhl was in 2015.

Swedbank comments on their dialogue with KappAhl: "In general an annual follow up meeting or a call has been performed, with e-mail correspondence in between meetings whenever called upon by either party or due to a specific pressing issue."

Swedbank states that the focus of the dialogue is to follow up on the overall company strategy and targets. Swedbank considers KappAhl to have sufficient sustainability risk management in its supply chain. Swedbank states that they do not evaluate wage increases at specific suppliers in KappAhl's supply chain. Until the 30 of April 2018 Swedbank was represented in the KappAhl's nomination committee.⁴⁸

Handelsbanken is represented in KappAhl's nomination committee with the purpose being, according to the bank, to ensure that the board has the right composition as well as the right competence to tackle for instance ESG⁴⁹-issues.

KLP has not engaged with KappAhl on the basis of suspected labour- or human rights violations.

SEB does not report on any engagement with the company.

Länsförsäkringar reports that they are due to sell their holding in KappAhl and have not engaged with the company.

Nordea and **Danske Bank** did not respond to questions about engagement with the company.

None of the banks are making any concrete demands concerning living wages nor do they set any measurable goals or timelines to push the company to raise wages in the supply chain.

48 Kapp Ahl. Nomination Committee. 2018. <https://www.kappahl.com/en-US/about-kappahl/investors/corporate-governance/nomination-committee/> (Accessed 2018-11-07)

49 ESG refers to environmental, social and governance as the three central factors in measuring the sustainability and ethical impact of an investment in a company.

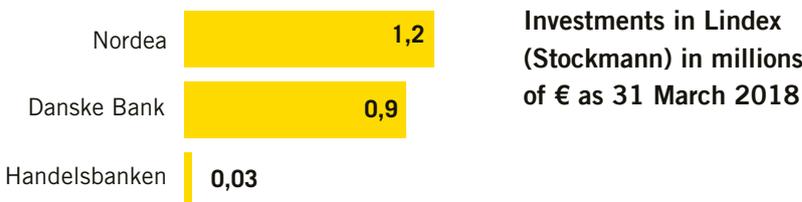
Lindex (Stockmann) – development of living wage strategy initiated

Turnover 2017	Share of sourcing value - Bangladesh	First tier supplier factories in Bangladesh
€ 606 million	Approximately 42%	29

The average wage at Lindex Bangladeshi suppliers is € 70/month including some allowances, according to the company's own data as of April 2018. This is below the World Bank's € 75/month poverty threshold. Lindex is currently developing a wage strategy based on its learnings from a pilot project the company conducted in 2016 and 2017 with the Fair Wage Network⁵⁰ and Solidaridad.⁵¹ Lindex has not yet published any objectives related to raising wages in its supply chain. Only two of Lindex' 29 Bangladeshi suppliers have a collective bargaining agreement in place. The low unionisation rate makes it difficult for workers to demand better wages. Lindex also lacks strategy for prioritising and providing financial incentives to suppliers that are willing to raise wages, thereby missing the opportunity to promote better wages through its purchasing practices. Lindex is a member of Amfori BSCI⁵² and requires its suppliers to comply with Amforis' Code of Conduct.

Living wage in code of conduct
Workers should have wages that are "sufficient to provide them with a decent living for themselves and their families"

The banks' investments in Lindex



Only Nordea, Danske Bank and Handelsbanken of the banks in the report have holdings in Lindex' Finnish owner Stockmann. Handelsbanken has its holding in an ethical/sustainable index fund. Danske Bank and Nordea are the only banks with actively managed fund holdings in Lindex/Stockmann. No bank would give any specific reason for not investing in the company.

50 Fair Wage Network, website. <http://www.fair-wage.com/> (Accessed 2018-12-04)

51 Solidaridad, website. <https://www.solidaridadnetwork.org/> (Accessed 2018-12-04)

52 Amfori BSCI is a business association with over 2 000 members. The members are retailers, importers, brands and associations from more than 40 countries. As a member you commit to a joint Code of Conduct. Amfori BSCI provides social audits and other tools for their members to manage their supply chains. <https://www.amfori.org/> (Accessed 2018-11-20)

The banks' responses concerning Lindex and living wages

Handelsbanken as the only bank answering specific questions regarding Lindex does identify living wage as a supply chain risk. Handelsbanken has not reported any dialogue with Lindex.

Nordea and **Danske Bank** did not respond to questions about engagement with the company.

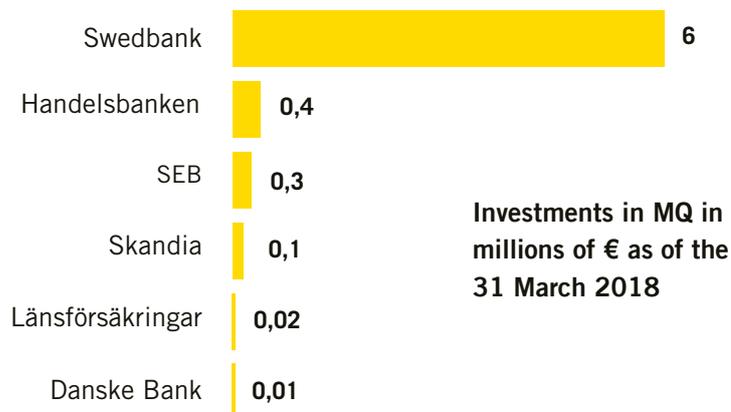
MQ - lack of strategy for raising low wages in the supply chain

Turnover 2017 (Euro)	Share of sourcing value - Bangladesh	First tier supplier factories in Bangladesh
€ 151 million	Approximately 16%	10

Living wage in code of conduct
Workers should have wages that are "sufficient to provide them with a decent living for themselves and their families"

The company has not published data on the development of average wages at suppliers nor any clear goals or strategies related to raising wages in its supply chain. MQ is currently mapping wages at their suppliers. None of MQ's ten Bangladeshi suppliers have a collective bargaining agreement in place. The low unionisation rate makes it difficult for workers to demand better wages. MQ also lacks strategy for prioritising and providing financial incentives to suppliers that are willing to raise wages, thereby missing the opportunity to promote better wages through its purchasing practices. MQ is a member of Amfori BSCI and requires its suppliers to comply with Amfori's Code of Conduct.

The banks' investments in MQ



Six banks out of eleven have holdings in MQ. Of these six banks, Swedbank, Skandia and Länsförsäkringar are investing in actively managed funds.

Swedbank and SEB have MQ included in their ethical/sustainable fund range. None of the five banks not invested in MQ states that it is a matter of active exclusion due to labour rights violations in the company's supply chain.

The banks' responses concerning MQ and living wages

Four out of six banks with holdings in MQ (Swedbank, Skandia, Länsförsäkringar and Handelsbanken) identify living wage as a supply chain risk for the company. Of these banks only Swedbank reports being in dialogue over the living wage issue.

Swedbank states that they hold an annual follow-up meeting with MQ. In 2018 the following issues were addressed: climate, education, public reporting and living wages. Swedbank comments on MQ's response to the dialogue as follows: "We consider MQ to have sufficient processes in place to manage their specific business-related risks in the supply chain."

When asked what improvements they have seen from the company regarding the living wage issue Swedbank gives the following response: "We do not measure wage increases in detail in the supply chains of the fund's holdings." When asked about Swedbank's objectives with their engagement with MQ and the issue of living wage they suggest that the company could "publish results from work on human rights and social sustainability issues, including wages" and "extend public reporting on actions and improvements at their suppliers".

Skandia reports that they have no engagement with MQ due to the comparatively small investment and the potentially small leverage on the company.

SEB and **Handelsbanken** does not report on any engagement with the company.

Länsförsäkringar reports that they are due to sell their holding in MQ. They have not engaged with the company.

Danske Bank did not respond to questions about engagement with the company.

None of the banks are making any concrete demands to MQ to set measurable goals or time lines to raise wages in the supply chain.



– It is a difficult life. Everyday when I get home from work I am very tired, says Barsha Islam, 25, who works for a supplier of H&M.

Conclusions

Not prioritising living wages means not prioritising women

To be able to live on your salary is a basic human right, as expressed in the United Nations Universal Declaration of Human Rights⁵³. Furthermore, low wages are the root cause of other serious violations of workers' rights such as excessive overtime. Employees at garment factories in Bangladesh often work 10 to 13 hours per day six days a week to make ends meet. Women are generally more hardily hit by low wages than men, as they are over-represented in low-skilled and low-paid sectors, such as the garment industry. For example, 80 per cent of the work force in the Bangladeshi textile sector are women. Living wage is therefore a key to promote gender equality.

Even though the minimum wage was raised from € 53 to € 81 per month in December 2018, life will continue to be a struggle for the garment workers in Bangladesh. Trade union leaders and labour rights activists argue that the new minimum wage is only half of what the workers need to cover basic costs for themselves and their families.⁵⁴ They are also worried that it will take time until the suppliers implement the increased legal minimum wage. Furthermore, critics fear that the historical inflation of five to seven percent annually and rising rents will eat into the wages and decrease garment workers purchasing power.⁵⁵ After the last minimum wage revision in 2013, rents in Dhaka's slum, where many garment workers live, increased sharply.⁵⁶

The banks need to adopt policies concerning living wages

Only two of the banks are explicitly including a reference to the term "living wage" in their policies. Sparbank 1 Nord-Norge is the only bank that is including living wage with all its components in its policies. The other banks lack of commitment stands in contrast to their detailed policies on labour rights in general. It is important that the banks policies signal to investee companies that employees earning a minimum wage is not enough, since the legal minimum wage is only half of what local unions consider to be needed for living a decent life.

53 United Nations. 1948.

54 Nagaraj, Anuradha. 18-09-17.

55 Ovi, Ibrahim Hossain. 18-09-13.

56 Swedwatch. 44 children – With parents working in the textile industry dream of a better life. 2014. <http://www.swedwatch.org/wp-content/uploads/2014/09/44children-Swedwatch.pdf>, p 9 (Accessed 2018-10-25)

A missed opportunity

All banks, except Nordea and Danske Bank have demonstrated openness about their work with living wage in the specific company cases. They have all identified living wage as a supply chain risk, demonstrating some understanding of the importance of working with the living wage issue. Despite this, none of the banks with investments in H&M, KappAhl, Lindex or MQ have actively excluded a company due to labour rights violations in the supply chain. Neither has any of the banks done enough to push for living wages in their supply chains. More specifically, the banks are not demanding concrete objectives and timetables for the implementation of living wages in the textile companies' supply chains. Neither does the responses from the banks indicate any current joint dialogue towards the textile companies to further increase the banks leverage on the issue. Furthermore, none of the banks are part of any initiative addressing the issue of living wages in the textile sector although KLP is part of an initiative that has the capacity to address the issue, the Nordic Engagement Cooperation.

It is especially disappointing that the banks have failed to sufficiently hold H&M accountable for the promise the company made in 2013 concerning living wages. H&M committed to make sure that the company's strategic suppliers have pay structures in place to pay a fair living wage to 850 000 workers by 2018. The banks have not taken the opportunity to follow up on whether the promise has led to actual wage increases at H&M's suppliers in countries such as Bangladesh.

With that said, some of the banks are doing more. Swedbank has had and are continuing to have direct physical meetings with H&M concerning living wages. Storebrand reports dialogue with H&M about living wages until (and during part of) 2015 and is now committing to return to direct dialogue to follow up on H&M walking away from the commitment to implement living wage and instead using the term "improved wages". Just as Storebrand is following up on H&M's weaker commitment regarding living wage, Fair Finance Guide will follow up on Storebrand's commitment to restart dialogue with the company.

Although it is positive that banks are including living wage as a point on the agenda when meeting with H&M, the total lack of concise goals and time frames are a clear missed opportunity. Furthermore, the banks that have engaged in dialogue with H&M concerning living wages since 2015 have not reported that they have discussed the company's purchasing practices. Extended or larger contracts as well as price premiums to factory owners with higher wages could create an important incentive for raising wages. In addition, none of the banks have followed up on the supplier wage data that H&M has presented on an annual basis. If the banks would have done so, they would have noticed that average wages in H&M's supply chain are still far from a living wage in Bangladesh and several other countries.

A way forward

None of the banks are at the vanguard when it comes to living wages. Internationally however, there is good practice available. In 2016 Dutch ASN Bank established a goal that all garment companies in its investment universe, including H&M, should have introduced a living wage by 2030. ASN Bank is also together with eight other banks founders of Platform Living Wage Financials which aims to support investee companies in paying a living wage to the workers in their supply chains. ASN Bank also launched a step-by-step-manual for the implementation of living wage for the investee companies in 2017.⁵⁷ We hope to see Nordic banks follow this example and take the opportunity to be a positive force. In working for living wages, investors can make an important contribution towards fulfilling SDG 5⁵⁸ on gender equality. H&M and the other Nordic fashion brands contribute to the Bangladeshi GDP in a positive way and create much needed employment opportunities. Investors could help unleash the brands' potential to not only create jobs, but also lifting thousands of women and their children out of poverty.

*Recommendations to the banks – in brief*⁵⁹

- 1) Adopt policies that requires companies to ensure that workers are paid a living wage.
- 2) Allocate adequate resources and improve sustainable investment processes and methods.
- 3) Demand transparency from investee companies.
- 4) Set time-framed targets for engagement.
- 5) Banks should increase leverage if engagement does not lead to higher wages.
- 6) Exclusion can be the right tool when a company is not responding to engagement.
- 7) Communicate strategies, goals and engagement results publicly.

57 ASN Bank. Garment companies and living wage - A practical implementation tool for companies. 2017. <https://www.asnbank.nl/web/file?uuid=c8a66f90-272d-4b3a-b227-825c4d4e53af&owner=6916ad14-918d-4ea8-80ac-f71f0ff1928e&contentid=813> (Accessed 2018-10-25)

58 United Nations. Sustainable development goal 5 - Achieve gender equality and empower all women and girls. 2015. <https://sustainabledevelopment.un.org/sdg5> (Accessed 2018-10-31)

59 For the complete recommendations to the banks, read "Recommendations", p 7.

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Appendix 1 – Questionnaire to the banks

A. Questions about the bank's 60 policy, internal processes and engagement with the garment sector.

- 1) Does the bank take the issue of living wage into account in investment decisions concerning companies in the garment sector? If so, please describe your routines.
- 2) Is the bank active in any initiative that addresses living wages in the garment sector? If so, please name the initiative and describe the objectives.
- 3) Has the bank set any objectives related to living wage for its investments in the garment sector? If so, please describe the objectives.
- 4) Has the bank tried other avenues to influence garment companies concerning living wages, such as voting? If so, please provide documentation.

B. Questions about the cases (the same question for each case/ company: H&M, KappAhl, Lindex and MQ)

Our research shows that your bank invests in at least one of the companies in this study. For those companies below where the bank had no investments as of the 31 March 2018, please answer the last question for that company.

Questions to the bank about possible actions regarding living wages

(if no investments, please answer question 7):

- 1) Have you engaged with the company regarding living wages in the supply chain? Please describe your engagement actions since January 2015. Indicate which activities have been conducted by a consultant. Please include also:
 - a) Number of meetings (physical or conference calls). Please provide dates of meetings and the names of your contact persons.

- 
- b) Number of emails sent regarding the issue.
- 2) How do you assess the company's response? Is there a sufficient action plan in place?
 - 3) What improvements have you noted in terms of wage increases?
 - 4) What are your engagement objectives? Please describe your plan and if the objectives are time-bound and measurable.
 - 5) Have you collaborated with other investors to leverage your pressure? Please describe in what way as well as outcomes.
 - 6) Do you report regularly about your engagement process with this company to the public? If so, please provide the link.

If no investments

Is the reason for not investing in H&M due to violations of labour rights in the company's supply chain? If so, please present documentation verifying this.

- a) Is the exclusion of H&M communicated to the company?
- b) Is the exclusion announced publicly? Please provide a link or other documentation.

Appendix 2 - list of the banks' funds that invest in the companies¹

H&M

Danske Invest Aktiv Förmögenhetsför.	DNB Grønt Norden
Danske Invest Alloc Horisont Aktie	DNB Global Indeks
Danske Invest Alloc Horisont Balanserad	DNB Global Lavkarbon
Danske Invest Alloc Horisont Försiktig	DNB Fund Nordic Equities
Danske Invest Eng Flexinvest Aktier	Folksam LO Sverige (Swedbank)
Danske Invest Eng PP Pens Aktieallok.	Folksam LO Västfonden (Swedbank)
Danske Invest Engros GI Equity Solution	Handelsbanken Europafond Index
Danske Invest Engros Global Restricted	Handelsbanken Fonder AB
Danske Invest Europa Indeks	Handelsbanken Glbl Dyn Alloc Pres 90
Danske Invest Europa Indeks BNP	Handelsbanken Global Index Criteria
Danske Invest Global Eq. Solution	Handelsbanken Norden Index Criteria
Danske Invest Global Equity Solution	Handelsbanken Sverige Index Criteria
Danske Invest Global Indeks Udb	Handelsbanken Sverige OMXSB Index
Danske Invest Global Indeks Valutasikret	Handelsbanken Sverigefond
Danske Invest Global Index	Handelsbanken Sverigefond Index
Danske Invest Nordic	KLP AksjeNorden Indeks
Danske Invest Online Glbl Akt Indeks	KLP AksjeGlobal indeks 1 A
Danske Invest SRI Global	KLP AksjeEuropa Indeks I
Danske Invest Sverige	KPA Etisk Aktiefond (Swedbank)
Danske Invest Sverige Beta	KPA Etisk Blandfond 2 (Swedbank)
Danske Invest Sverige Europa	Länsförsäkringar Europa Index
Danske Invest Sweden	Länsförsäkringar Fossilsmart
DNB Norden (III)	Länsförsäkringar Global Index
	Länsförsäkringar Sverige Aktiv
	Länsförsäkringar Sverige Index
	Länsförsäkringar Trygghetsfond
	Nordea Allemansfond Alfa

1 As of the 31 of March 2018

Nordea Allemansfond Olympia	Skandia SMART Försiktig
Nordea Avtals Pensionspar Midi	Skandia SMART Offensiv
Nordea Discretionary Swedish Equity	Skandia Sverige
Nordea Donationsmedelfond	Skandia Sverige Exponering
Nordea Eurooppa Indeksirahasto	Skandia Sverige Hållbar
Nordea Indexfond Sverige	Skandia Världsnaturfonden
Nordea Inst Aktie Sverige	SPP Generation 60-tal (Storebrand)
Nordea Invest Globale Aktier Indeks	SPP Generation 70-tal (Storebrand)
Nordea Invest Nordic Stars	SPP Generation 50-tal (Storebrand)
Nordea Maailma Indeksirahasto	SPP Sverige Plus (Storebrand)
Nordea Pohjoismaat	SPP Generation 80-tal (Storebrand)
Nordea Swedish Ideas Equity	SPP Generation 40-tal (Storebrand)
Nordea Swedish Stars	SPP Aktiefond Europa (Storebrand)
ODIN Norden	SPP Global Plus (Storebrand)
ODIN Sverige	Storebrand Global Indeks
SEB Ethical Global Index Fund	Storebrand Global ESG Plus
SEB Fund 1 - SEB Europe Index Fund	Storebrand Indeks - Alle Markeder
SEB Hållbarhetsfond Sverige Index	Storebrand Global ESG
SEB Stiftelsefond Sverige	Swedbank Robur Access Europa
SEB Strategy Balanced	Swedbank Robur Access Global
SEB Strategy Defensive	Swedbank Robur Access Sverige
SEB Strategy Growth	Swedbank Robur Aktiefond Pension
SEB Strategy Opportunity	Swedbank Robur Allemansfond
SEB Sustainability Fund Sweden	Komplett
SEB Sustainability Global Index Fund	Swedbank Robur Ethica Sverige
SEB Sverige Indexfond	Swedbank Robur Ethica Sverige MEGA
SEB SverigeExpanderad	Swedbank Robur Humanfond
SEB Sverigefond	Swedbank Robur Mix Indexfond
SEB Swedish Value Fund	Sverige
SEB Total Expansiv	Swedbank Robur Mixfond Pension
SEB Total Försiktig	Swedbank Robur Nordenfond
SEB Total Potential	Swedbank Robur Sverigefond MEGA
SEB Trygghetsfond Ekorren	Swedbank Robur Sweden High
Skandia Cancerfonden	Dividend
Skandia Europa Exponering	Swedbank Robur Talenten Aktiefond
Skandia Global Exponering	MEGA
Skandia Idéer För Livet	Swedbank Robur Transfer 50
Skandia Norden	Swedbank Robur Transfer 60
Skandia SMART Balanserad	Swedbank Robur Transfer 70

Swedbank Robur Transfer 80
Swedbank Robur Transfer 90
Swedbank Robur-Sverigefond
Xact Nordic 30 (Handelsbanken)
Xact Nordic High Div Low Vol
(Handelsbanken)
Xact OMXS30 ETF (Handelsbanken)
Xact OMXSB (Handelsbanken)
Wealth Invest AKL SEB Globale Aktier
SRI (SEB)

KappAhl

Danske Invest Alloc Horisont Aktie
Danske Invest Alloc Horisont
Balanserad
Danske Invest Eng PP Pens Aktieallok.
Folksam LO Västfonden (Swedbank)
Handelsbanken Norden Index Criteria
Handelsbanken Nordenfond
Handelsbanken Nordiska Småbolag
Handelsbanken Sverige Index Criteria
Handelsbanken Sverigefond Index
KLP AksjeGlobal Small Cap Indeks I
Länsförsäkringar Trygghetsfond
Nordea Donationsmedelfond
Nordea Inst Aktie Sverige
SEB Europafond Småbolag
SEB European Equity
SEB Generationsfond 70-tal
SEB Hållbarhetsfond Sverige Index
SEB Sverige Indexfond
SEB Sverige Expanderad
SEB Trygg Placeringsfond
SEB Trygghetsfond Ekorren
Swedbank Robur Sverigefond MEGA
Swedbank Robur-Sverigefond

Lindex (Stockmann)

Danske Invest Suomi Osinko Plus
Handelsbanken Norden Index Criteria
Nordea Pro Suomi
Nordea Suomi Small Cap

MQ

Danske Invest Eng PP Pens Aktieallok.
Handelsbanken Sverige Index Criteria
Handelsbanken Sverigefond Index
KPA Etisk Aktiefond (Swedbank)
Länsförsäkringar Trygghetsfond
SEB Hållbarhetsfond Sverige Index
SEB Sverige Indexfond
Skandia SMART Försiktig
Swedbank Robur Ethica Sverige
Swedbank Robur Ethica Sverige MEGA
Swedbank Robur Humanfond
Swedbank Robur Talenten Aktiefond
MEGA

