



Nestlé Good food, Good life

Nestlé's Salient Issue Action Plan:

# LIVING WAGE

February 14, 2023

[nestle.com/sustainability/humanrights](https://www.nestle.com/sustainability/humanrights)

This action plan is one of a series that forms part of our [Human Rights Framework and Roadmap](#). You can find all our action plans, which address Nestlé's salient issues, on our [dedicated human rights webpage](#).

These plans guide our due diligence approach and enable us to act as a force for good. They articulate our strategy for embedding, assessing, addressing and reporting on each salient issue, defining what we need to do across our value chain, as well as what collective action can be taken.

We harnessed the strengths and capacities of each Nestlé department to define the action areas we will focus on in the years to come, in consultation with external partners and stakeholders. With collaboration built into each action plan, we hope to spark new engagement and inspire collective action with peers, business partners, civil society, non-governmental organizations (NGOs) and governments. This way, we can work together to tackle the root causes of our salient issues and create positive impact at scale.

We want these action plans to be dynamic and reflect the evolution of stakeholders' expectations and of the contexts in which we operate. Input and feedback are welcome and can be sent to us by email: [humanrights@nestle.com](mailto:humanrights@nestle.com).

We will report on progress against the indicators identified in each action plan by the end of 2025.



<sup>1</sup> Nestlé throughout this document refers to the Nestlé Group.

# EXECUTIVE SUMMARY

## Definition of the issue

A living wage is the minimum wage required by workers to cover their family's basic needs, including food, water, housing, education, health care, transportation, energy, clothing and provision for unexpected events.

## Geographical priority

Global for Nestlé employees. Pilot countries for living wage interventions for on-site contractors and direct suppliers will be identified through further risk analyses.



## Why it matters

Poverty is recognized as the root cause of many global social and environmental problems. Ensuring workers are paid a living wage is a critical lever for alleviating poverty while also building resilient, more productive workforces and supply chains.

## Key actions

- Continue our *Living Wage Program* for Nestlé employees worldwide
- Launch living wage pilots for on-site contractors
- Engage and support prioritized direct suppliers to address living wage risks and impacts in their own operations
- Collaborate with peers and stakeholders to help address systemic issues and develop common approaches and tools on living wage

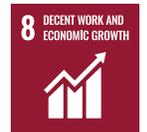
## Value chain priority



We recognize the importance of listening to and consulting workers on issues that affect them. As we implement this action plan, we will engage with them to strengthen our understanding of risk and the impact and sustainability of our actions.

## Contribution to Sustainable Development Goals (SDGs)

The actions laid out in this action plan will contribute – directly and indirectly – to SDGs 1, 5, 8, 10 and 17.



# BACKGROUND

## What we are talking about

A living wage is the minimum wage required by workers to cover their family's basic needs, including food, water, housing, education, health care, transportation, energy, clothing and provision for unexpected events.<sup>i,ii</sup>

There are a variety of methodologies and approaches to calculate a living wage, but it is generally agreed that a living wage is:

- Aligned with the social and cultural expectations of the community and country wherein the individual or family is located.
- Earned within standard working hours, with some leeway to include overtime depending on the country and nature of work.

### The difference between living income and living wage

"The concepts of living wage and living income are both about achieving a decent standard of living for households. The idea of a living wage, however, is applied in the context of hired workers (in factories, on farms, etc.), whereas living income is discussed in the context of any income earner, such as self-employed farmers."<sup>iii</sup>

Living income is used in agriculture to gauge decent standards of living for farmers' households, particularly smallholder farmers.

Earning a living wage is considered a human right. This was first acknowledged in 1948 in the Universal Declaration of Human Rights (UDHR):

- Article 23(3): "Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity..."
- Article 25(1): "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, housing and medical care and necessary social services..."<sup>iv</sup>

The concept of living wage was reinforced in 1966 by the International Covenant on Economic, Social and Cultural Rights.<sup>v</sup>

Living income, a separate but related topic based on a farmer's ability to afford a decent standard of living, has its own [Living income salient issue action plan](#).

## Why it matters

More than 700 million people worldwide still live in poverty and 19% of all workers do not earn enough to escape poverty.<sup>vi,vii</sup> Due to low wage levels, workers around the world are extremely vulnerable and inequality is worsening. Poverty is recognized as a root cause of many other social and human rights issues, such as gender inequality and forced labor.

Living wage is a key lever for achieving five of the 17 UN SDGs.<sup>viii</sup> Promoting living wages in their own operations and supply chains will help companies contribute to meet these global goals. Companies are called to "act[ing] on wages where low pay is an identified risk or impact on the enjoyment of workers' rights – including in their supply chain"<sup>ix</sup> through the UN Guiding Principles on Business and Human Rights (UNGPs), which outlines companies' corporate responsibility to respect human rights.

## Why this issue is relevant and important for us

As a company that employs approximately 267,000 people, we aim to make sure that we provide a living wage to all our employees worldwide.

Living wage helps build resilient operations and value chains. Earning a living wage contributes to worker well-being, which in turn leads to better labor relations, higher productivity and more economically and socially stable communities.

Reduced staff turnover, absenteeism and training costs along with improvements in productivity, quality, reputation and access to new markets are a few of the benefits that contractors as well as suppliers gain. Data has proven that a business thrives when it has a healthy and engaged workforce across its value chain.<sup>x</sup>

## The challenges in addressing this issue

Low wages are prevalent in global supply chains and there is a lack of government regulation and enforcement in this area.

There is also a lack of industry collaboration. To achieve living wage in supply chains, multiple actors within an industry must work together. Suppliers have many buyers, and if only a few require living wages or if the definition of living wage is not consistent across all buyers, living wage will not be implemented.<sup>xi</sup>

Finally, there is also a lack of alignment on living wages. While many agree on the rationale for paying supply chain workers enough to cover their basic needs, there is debate over the appropriate methodology to calculate living wages. This lack of alignment across multi-stakeholder initiatives creates confusion for all actors in the value chain, particularly suppliers who may be requested by different companies to adhere to a variety of living wage figures.

# NESTLÉ'S VISION AND APPROACH

## Our vision and approach

We are committed to providing our employees all over the world with good working conditions and flexible employment possibilities that support a better balance of private and professional life.

Our *Living Wage Program* helps us ensure that all our employees worldwide, including temporary workers, earn a living wage.

Building on the learnings of our *Living Wage Program* so far, we want to develop, test and start implementing an approach to support living wages for our third-party contractor workforce in our own facilities and direct suppliers

## How we are currently addressing this issue

Living wage is governed at the highest level of the company by the Human Resources Leadership Team.

Since 2013, Nestlé has been implementing a *Living Wage Program* to ensure that all our employees, including those on temporary contracts, earn a living wage. We work with our partner Business for Social Responsibility (BSR) to help us define the living wage threshold in each country where we operate. We use this information to identify and address cases where our lowest level of compensation and legal minimum wages are not sufficient for workers to fulfill basic needs. These figures are updated on a regular basis to ensure that our employees continue to be paid at or above the living wage.

Nestlé has a long-standing commitment to promoting living wages. These rights are integrated in several of our policies, including:

- Our *Employee Relations Policy* states that we offer competitive wages and benefits that allow our employees to cover their needs according to local standards of living.
- Our *Responsible Sourcing Standard* states that suppliers "shall aim to meet basic needs for employees and their entitled official dependents and to provide some discretionary income. Where living wages have been objectively calculated, progress should be made to close any gaps between current wages and living wages."

In the UK, Nestlé was the first major manufacturer back in 2014 to pledge the living wage to all its employees, and in 2017 extended the commitment to cover all contractors across all its sites.



# NESTLÉ'S ACTION PLAN (2023–2025)<sup>2</sup>

## Embed: Policies and processes

### Objectives

- Mainstream living wage in our governance structure, policies and control systems related to contractors, manufacturers and suppliers.
- Clarify and strengthen Nestlé's commitments on living wage in line with existing and emerging best practice and in consultation with rights holders and stakeholders.

### Action

### Scope

#### Governance and incentives

Leverage the Human Resources Leadership Team and Human Rights Community to foster cross-departmental exchange.	Global
Identify and train all relevant employees and staff on living wage.	Global
Reflect the actions laid out in the action plan in relevant employees' objectives.	Global

#### Policies and control systems

Review and update policies to align with best practices on living wage, as relevant.	Global
Review to what level monitoring and audit schemes can provide assurance that living wages have been respected through Nestlé site and direct supplier audits.	Global
Review and support emerging sector-level commitments on living wages, as relevant.	Global

<sup>2</sup> Our action plan will be reviewed and updated as necessary as we increase our understanding of impacts and risks, and monitor the effectiveness of actions taken in delivering on our vision and approach.

## NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

### Assess: Our risk exposure

Prevention and mitigation of living wage gaps in our value chain starts with understanding the nature and scale of risks and impacts we may cause or contribute to through our own activities, or which may be directly linked to our operations or products by our business relationships.

- Our approach to living wage in our own operations is global, based on living wage benchmarks established by a third-party organization, and covers all the countries where we operate.
- For on-site contractors, pilots will inform us on the current situation, possible gaps and the way forward.
- With regard to suppliers, we will generate specific risk information through our Supplier Human Rights and Environmental Due Diligence (HREDD) Assurance Framework, grievance information and other channels of information to prioritize suppliers for engagement or support to help them close living wage gaps within their operations.

**We understand the value of multiple tools to assess our exposure to living wage gaps and the importance of a dynamic system that periodically updates our understanding of risks and issues.**

#### Objective

- Further strengthen our capacity to understand and address risks where living wage gaps may exist across our operations and direct suppliers.

Action	Scope
Continue to assess potential living wage gaps for Nestlé employees as part of our current <i>Living Wage Program</i> .	Global
Continue to calculate living wage benchmarks for priority countries where Nestlé operates and sources from.	Global
Combine results of risk analysis and living wage benchmarks to identify pilot countries and initiate living wage gap assessments for on-site contractors.	Pilot countries
Use information gathered through our Supplier HREDD Assurance Framework to better understand direct suppliers' risks related to living wage and prioritize those we need to engage and support.	Prioritized suppliers

## NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

### Address: Our priority actions

#### Nestlé: Taking action within our value chain

Nestlé plans to take action within our own operations and work with our direct suppliers to ensure they are also committed to respecting the right to a living wage in their own operations.

### Employees and on-site contractors

#### Objective

Build on existing systems for assessing living wage gaps for Nestlé's employees in order to create systems to address current and potential impacts, and mitigate risks of living wage gaps for our on-site contractors.

#### Action

#### Scope

Continue our current <i>Living Wage Program</i> for all Nestlé employees.	Global
Define scope of application of the action plan when it comes to pilots and on-site contractors.	Pilot countries
Consult with recruitment agencies we work with in pilot countries to understand their key challenges, needs, initiatives and systems.	Pilot countries
Harness insights to develop approaches for closing living wage gaps in collaboration with recruitment agencies.	Pilot countries
Use learnings to refine our <i>Living Wage Program</i> for on-site contractors, including developing recruitment agency engagement tools that can be used at scale.	Global

## NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

### Direct suppliers

#### Objectives

- Engage direct suppliers on Nestlé's commitments on living wage as part of our broader engagement on human rights and environmental due diligence.
- Engage and support prioritized direct suppliers in taking actions to address living wage in their own operations.
- Effectively use and help strengthen voluntary certification as a tool for suppliers to demonstrate the assessment, mitigation, remediation and monitoring of living wage issues.

#### Action

#### Scope

##### Strengthen supplier engagement and capacity building

Engage and support direct suppliers prioritized through our Supplier HREDD Assurance Framework process on improving practices and addressing risks, impacts and grievances on living wage (e.g. action plan development, capacity building, project co-funding).

Prioritized suppliers

##### Review and help strengthen relevant certification and verification schemes

Review to what level different certification and verification schemes can provide assurance that living wages have been respected (e.g. Sedex Members Ethical Trade Audit, SMETA).

Global

Contribute to improving practices in the sector, starting with the social compliance schemes already used:

- Work with SMETA and other social compliance programs to incorporate living wage verification into social compliance audits.
- Regularly share living wage benchmark analysis with suppliers and hold conversations on progress and feedback.
- Incorporate ongoing supplier feedback – whether from wage data analysis conversations and/or from pilot efforts – into internal cross-functional working group meetings and strategy decisions.

Global



## NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

### Collective action: Helping tackle root causes with relevant stakeholders

Many of the issues and challenges around respect for the right to a living wage are complex and linked to a wide range of factors (as outlined in *The challenges in addressing this issue* section on page 3) that cannot be addressed by Nestlé on our own.

Tackling these issues and their root causes requires collaboration between many different stakeholders, including workers themselves, companies, governments, and multilateral, non-governmental and civil society organizations. We are therefore committed to collaborating with rights holders and stakeholders both in specific landscapes in production countries as well as at global and sectoral levels to promote and help strengthen living wages for workers in our value chain.

### Global and sectoral collaboration and advocacy

#### Objectives

- Collaborate with peers and stakeholders at global and sector levels to address systemic issues and develop common approaches for respecting living wage.
- Raise awareness of, and advocate for, the respect and strengthening of living wages for all workers within the sectors Nestlé is involved in.

#### Action

Identify and prioritize sector initiatives where Nestlé can advocate or support respect for the right to a living wage (e.g. certification schemes or sector collaboration groups).

**Scope**

Global

Identify and leverage collaborative initiatives that are developing common approaches and tools on living wage in order to promote and support the development and collective uptake of strong, effective tools to mitigate, address and remediate living wage gaps (see *Key partners* section on page 12).

Global

### Grievance mechanism

#### Objective

- Support access to remedy via safe and effective grievance mechanisms for Nestlé employees, on-site contractors and direct suppliers' workers affected by our operations or business relationships.
- Address grievances on living wage linked to us through our supply chains, and help remediate such grievances as appropriate.

#### Action

Further promote Speak Up (Nestlé's grievance mechanism) among employees, their representatives and third-party contractors working on our sites to enable them to raise any grievances to Nestlé directly.

**Scope**

Global

Ask direct suppliers to have grievance mechanisms and management systems in place.

Global

Engage in collaborative approaches to manage and address grievances at sector-wide level, including supporting the development of common tools and approaches for identifying and engaging suppliers on grievances.

Global

## NESTLÉ'S ACTION PLAN (2023–2025) CONTINUED

### Monitor and report on indicators, overall performance and challenges

We are committed to transparently communicating our progress in implementing this action plan, as well as sharing our learnings and the challenges we face.

We will publicly report on the following indicators in relation to this action plan by the end of 2025.



### Cross-cutting indicators:

#### 1. Audit performance

- Number of material non-conformities related to living wage identified through third-party audits of our own operations and addressed.

#### 2. Grievance mechanism performance

- Number of material grievances received through Speak Up related to living wage, of which number of material grievances substantiated and addressed.
- Number of material grievances received through other channels related to living wage, of which number of material grievances under investigation and number addressed.

#### 3. Sustainable sourcing

- Number of direct suppliers with mature Human Rights and Environmental Due Diligence (HREDD) systems.

#### 4. Impact on people

- Number of cases employees, on-site contractors and workers in our supply chains benefited from our interventions on living wage.

### Issue-specific indicator:

- Percentage of Nestlé employees earning a living wage.

As we progress toward implementation of this plan, we will develop more impact-focused indicators.

## CONNECTION WITH OTHER SALIENT ISSUE ACTION PLANS

Living wage is fundamental for ensuring that workers are able to meet their basic needs. It is intrinsically linked to multiple salient human rights issues that Nestlé has identified, in particular:

#### Gender equity, non-discrimination and non-harassment

The majority of impoverished people around the world are minorities and females. Thus, the payment of a living wage to all workers will reduce inequality across gender, race and ethnicity.

#### Freedom of association and collective bargaining

Freedom of association and collective bargaining allows workers to advocate for better pay. Without addressing this issue, living wages risks will continue to persist.

#### Living Income

Living income and living wage risks typically occur at different levels of the supply chain. While living wage is an issue for hired workers (often in factories) in own operation and at direct suppliers' level, living income risks occur further up the supply chain at the farm level where raw materials are produced.

#### Right to food and access to nutritious, affordable and adequate diets

Inflation can have a serious impact on people's lives and their right to food by making it less affordable. Earning a living wage can help people have access to nutritious and affordable diets.

# CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDGs)

As the global community strives to achieve the UN SDGs by 2030, living wage is fundamental for achieving five of the 17 goals. The actions laid out in this action plan will contribute – directly or indirectly – to the SDGs as follows

## Goal



**End poverty in all its forms everywhere**

**Target 1.2:** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.



**Achieve gender equality and empower all women and girls**

**Target 5.1:** End all forms of discrimination against all women and girls everywhere.



**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

**Target 8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.



**Reduce inequality within and among countries**

**Target 10.2:** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



**Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development**

**Target 17.17:** Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

# GOVERNANCE FOR THIS ISSUE

## Nestlé Executive Board

Approves all the salient issue action plans.

## Nestlé Human Resources Leadership Team

Provides strategic leadership and execution for this topic.

## Nestlé ESG and Sustainability Council

Provides strategic leadership and execution on this topic in relation to direct suppliers.

## Employee Relations and Compensation teams

Are responsible for the implementation of the action plan in our own operations.

## Nestlé ESG Climate and Sustainable Sourcing Workstream

Is responsible for the implementation of the action plan in our supply chains.

## Nestlé Global Advocacy Coordinating Committee

Provides strategic leadership and execution on the engagement and advocacy strategy related to this action plan.

## Nestlé Human Rights Community

Leads the human rights agenda throughout the company. It coordinates and monitors the implementation of *Nestlé's Human Rights Framework and Roadmap* throughout the value chain.

## Nestlé Markets

Support the implementation of this action plan in relation to our country operations, in alignment with the global team.



# KEY PARTNERS

## Main implementing partners

Partner	Activities
<b>Business for Social Responsibility (BSR)</b>	Provides strategic advice to Nestlé on the development and implementation of this action plan and our <i>Living Wage Program</i> in particular.

## Main industry and multi-stakeholder collaborations

Platform	Workstreams	Nestlé's involvement
<b>AIM-Progress</b>	Human Rights Steering Group	We are a member of AIM-Progress's Human Rights Steering Group to ensure alignment around living wage among other priorities.

# REFERENCES

- i [UN Global Compact – Living Wages](#)
- ii [Global Living Wage. 'What is a Living Wage?'](#)
- iii [Global Living Wage. 'Living Income'](#)
- iv [Universal Declaration of Human Rights](#)
- v <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights>: Article 7 asserts that living wage is "...the right of everyone to the enjoyment of just and favorable conditions of work which ensure, in particular: 1) Remuneration which provides all workers, as a minimum, with 2) fair wages and equal remuneration for work of equal value..." and Article 11 acknowledges that "The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement in living conditions."
- vi [World Bank. 'Decline of Global Extreme Poverty Continues but Has Slowed'](#)
- vii [International Labour Organization \(ILO\). World Employment and Social Outlook: Trends 2020](#)
- viii [SDG Benchmark. '100% of Employees Across the Organization Earn a Living Wage'](#)
- ix [UN Guiding Principles on Business and Human Rights – Introduction](#)
- x [United Nations Global Compact. 'Improving Wages to Advance Decent Work in Supply Chains'](#)
- xi [United Nations Global Compact. Living Wage – 4.6 Scaling Good Practice](#)
- xii [SDG Benchmark "100% of Employees Across the Organization Earn a Living Wage"](#)

## Disclaimer

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