

# INVESTOR STATEMENT IN SUPPORT OF THE PAY YOUR WORKERS AGREEMENT

With growing concerns over wage and severance theft in the Textile, Garment, Shoe and Leather (TGSL) industry, investors recognise the pressing need for meaningful action and collaborations to address the exploitation of workers. We, the undersigned investors, welcome the Pay Your Workers-Respect Labour Rights (PYW-RLR) Agreement as a vital step towards ensuring wage and severance payments, as well as freedom of association, in global supply chains.

The PYW-RLR Agreement, endorsed by over 280 organisations, is an initiative aimed at reducing and mitigating wage and severance theft risks in the TGSL sector, as well as protecting the right to freedom of association and collective bargaining. This legally binding and enforceable agreement will support stronger social protections for workers related to unemployment and severance benefits, in line with the relevant ILO conventions, through the establishment of a Severance Guarantee Fund (SGF).

The PYW-RLR Agreement aligns with the social objectives of sustainable investment funds, such as Article 9 funds under the EU Sustainable Finance Disclosure Regulation (SFDR). Wage and severance theft is a form of labour exploitation and perpetuates ongoing inequality, and investments in companies that are linked to these practices do not align with the social objectives of Article 9 Funds. Investee companies that do not address this risk should therefore not be included in these funds.

Supporting the PYW-RLR Agreement can provide long-term financial benefits by addressing a systemic problem and reducing the likelihood of wage and severance theft cases in the future. By contributing to national social protection systems through the agreement, investees in the TGSL sector can expect to pay less in the long run, contributing to a more sustainable and financially stable global economy.

We trust that our investee companies and fellow investors will seize this unique opportunity to support the PYW-RLR Agreement. By addressing the systemic problem of wage and severance theft, we can create long-term financial stability and mitigate risks associated with labour rights violations. As the impacts of the COVID-19 pandemic and increasing inequality continue to threaten workers' rights, it is essential that we adopt a proactive approach that demonstrates our commitment to responsible investing and the protection of labour rights.

As investors, we call upon our investee companies to support and actively participate in the PYW-RLR Agreement. The agreement is an effective instrument to identify and mitigate risks related to wage and severance theft. It can be used as a means to seek compliance with due diligence regulations, as it provides a comprehensive framework to address wage and severance theft in global supply chains, and to stop union repression. By adopting the agreement as part of a due diligence strategy, investees in the TGSL industry can better comply with existing and forthcoming due diligence regulations. The agreement is a cost-effective due diligence solution that addresses several critical aspects of supply chain management, risk mitigation, and legal compliance.

We encourage fellow investors to:

- Sign this statement expressing support for the PYW-RLR Agreement and share it with investee companies.
- Invest in companies that are signatories to the PYW-RLR Agreement.
- Include participation in the PYW-RLR Agreement as a criterion or indicator when appraising a (potential) investee's ESG performance.

- Support initiatives that aim to raise awareness and support for the PYW-RLR Agreement among companies and consumers. This can include engaging with companies to encourage them to become signatories to the Agreement, as well as educating clients and investees about the importance of fair and sustainable labour practices in the TGSL industry.
- Support resolutions promoting workers' rights.
- Engage with workers' rights organisations and campaign groups to gain a deeper understanding of the issue of wage and severance theft and the importance of freedom of association.

By taking these steps, investors can help to promote labour rights, support sustainable development, build a more transparent and robust capital market that benefits all stakeholders, and make the S in ESG more concrete.

We trust that our investee companies and fellow investors will seize this unique opportunity to support the PYW-RLR Agreement. By addressing the systemic problem of wage and severance theft together, we can create long-term financial stability and mitigate risks associated with labour rights violations.