



IDH RECOGNITION PROCESS FOR LIVING WAGE BENCHMARK METHODOLOGIES

Version 4.0 – 16/12/20

Introduction

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Recognition Process

Introduction

IDH's Roadmap on Living Wage provides buyers and producers with clear guidance and tools on the topic of living wages.

Companies need reliable living wage benchmarks for every region they source from in order to calculate living wage gaps. IDH is committed to assisting companies in measuring potential gaps between current wages and up-to-date, credible living wage estimates that are relevant to their respective locations. The Anker methodology is widely accepted, and it has played an important role in catalyzing wage improvement in global supply chains. IDH recommends the use of this methodology, which is supported by members of the Global Living Wage Coalition that IDH works with.

Additionally, IDH acknowledges that there are other methodologies available to calculate living wage benchmarks. IDH has developed a process to recognize other robust living wage benchmark methodologies that are available in the market which can be used when an Anker methodology benchmark is not available.

The IDH Recognition Requirements for living wage benchmark methodologies consist of two integral parts:

- Part I: Criteria for Recognizing Living Wage Benchmark Methodologies
- Part II: Recognition Process

The Recognition Process specifies the steps that a living wage benchmark methodology must complete in order to be verified against the criteria as defined in Part I. The organization behind the living wage benchmark methodology is referred to in this document as "the applicant."

Part I: Criteria for Recognizing Living Wage Benchmark Methodologies

The recognition process of IDH is based on the nine criteria. These criteria do not represent a new living wage estimate methodology but provide objective criteria for the minimum elements needed by a living wage benchmark methodology in order to be recognized by IDH. Living wage benchmark methodologies must:

1. Estimate living wage based on data collected through field level research, online surveys, national statistics and/or modelling. Collected data should be representative of the location of the living wage benchmark.
2. Measure the cost of living of a typical family in a region. A typical family in a region means that the size of a family is estimated based on regional (or national) data through family size data or birthrate data.
3. Include in the cost of living, the cost of food based on requirements for good nutrition, housing, education, healthcare, household goods, communication, transportation, personal care, and a small margin for unexpected events.
4. Factor in the expected number of working adults in a family by dividing the total cost of living by 1+ the employment rate.
5. Provide the gross living wage estimate, which is the gross pay required to ensure sufficient net take home pay to cover for the cost of living. This is necessary because net living wage would not account for statutory deductions from pay (such as income taxes, social security taxes, and union fees) which will reduce the take home pay and money available for day-to-day expenses.
6. Are city/region-specific or at least account for urban and rural differences.

7. Must have no inherent conflicts of interests. Methodologies must have sufficient distance from funding sources to maintain integrity. In addition, individual benchmark results must not be influenced by the funding source.
8. Publish a clear and consistent methodology for data collection and calculation elements.
9. Update the estimates yearly for inflation. Estimates can be updated for up to 5 years (considering local circumstances) before a new benchmark is needed.

Important note:

Each living wage benchmark methodology may publish various living wages which are specific to different times and places. And when looking for a living wage benchmark for a certain time and place, it may be the case that more than one benchmark methodology has met the Criteria for Recognizing Living Wage Benchmark Methodologies in a given region. In case of multiple living wage benchmarks available, IDH recommends prioritizing benchmarks in the following order:

1. First, those endorsed or vetted by a legitimate and representative local organization, for instance, through a mechanism for vetting living wage estimates with stakeholders in an open and transparent way.
2. Second, those specific to the area (first location-specific, then urban or rural benchmarks).

PART II: Recognition Process

Application Process

Eligibility Criteria

Applicants must meet the following eligibility criteria to apply for recognition of their living wage benchmark methodology:

- At least one living wage benchmark report has been published using the methodology.
- The living wage benchmark methodology organization has been operational for a period of at least 12 months.
- The applicant is a legally registered body such as an organization or research institution.

Applicants are required to submit supporting evidence that they meet the eligibility criteria together with the completed Expression of Interest Form (see separate document).

IDH, through a designated Technical Manager, will receive the form and reserves the right to reject or return an application back to the applicant, if the quality of the form is poor or if it is incomplete. The applicant may re-apply for recognition once it is able to prove that the reasons for rejection have been fully addressed.

Once IDH signs and accepts the Expression of Interest Form, the applicant will be able to progress with the steps as outlined in this document.

Timeframe for Application

The Recognition Process will take three months on average to complete but must be finalised within a maximum timeframe of one year from the date of application. The recognition is valid for three years. If the applicant does not get recognized within one year, it will be removed from the process. The applicant can immediately re-apply for recognition if so wishes.

Application for Re-Recognition

Applicants may apply for re-recognition if they have made a significant change in their methodology, governance or ownership, or a significant change to its management system, or normative documents, which could compromise the organization’s recognition by IDH. The applicant shall inform IDH when a significant change has taken place. If needed, IDH will consult with the Technical Advisory Group to understand the impact of a significant change.

IDH decides, on a case-by-case basis, on the level of assessment required for re-recognition, e.g. desktop review, Remote investigation, full assessment, and informs the applicant accordingly.

The applicant is required to inform IDH in writing about any significant change and start the re-recognition process within a maximum timeframe of 9 months after the implementation of such change.

Updated Criteria and Transition Period

When IDH publishes an updated version of the Criteria for Recognizing Living Wage Benchmark Methodologies, all existing IDH-recognised living wage benchmark methodologies are required to apply for re-assessment against the latest version of the criteria within nine months of the date of publication of the new version, if they wish to continue to be recognised by the IDH. The Steering Committee of IDH Roadmap on Living Wages may extend this period under special circumstances.

Status on IDH’s Website

Applicants and their status will be displayed on IDH’s website, depending on the status of the recognition process of its living wage benchmark methodology. A recognition has a validity of three years.

| STATUS ON THE IDH WEBSITE | |
|---------------------------|--|
| Recognised | Methodologies that have successfully passed the Recognition Process. |
| In Process | Organizations may choose to have their methodologies be displayed as currently undergoing recognition to show their commitment to meeting industry expectations. The following conditions apply: <ul style="list-style-type: none"> • Application Form filled in and accepted by IDH. • Organizations may stay for a maximum of one year in the “in process” category from the date of application. |
| No information | Organizations may choose not to make public that they have applied for recognition. If recognition is achieved, the organizations will be displayed as “recognised”. |

IDH Recognition Process

The applicant must provide objective evidence that it meets IDH’s Criteria for Recognizing Living Wage Benchmark Methodologies (Part I). The Recognition Process is a pass/fail recognition: a criterion is either met or not; no grades are provided per criterion. All criteria must be met in order to be recognised by IDH. Wording in the applicant’s documents might differ from the wording in the Criteria, but that is acceptable as long as the meaning and scope is the same.

The following section describes the Recognition Process, which is performed by an independent expert, the Recognition Leader. The IDH Technical Manager is responsible for overseeing the Recognition Process, ensuring that the outlined steps are followed throughout the process, as well as supporting the Recognition Leader when necessary.

The Role of the Recognition Leader

The assessment is performed by an independent Recognition Leader, who executes the Recognition Process as described in this document and verifies whether an applicant is compliant with the criteria or not. The Recognition Leader reports to IDH.

The Recognition Leader is the key point of contact for any questions related to the assessment against the Criteria for Recognizing Living Wage Benchmark Methodologies.

The Recognition Leader has been assessed, selected and approved by the Steering Committee of IDH Roadmap on Living Wages to perform assessments. The Recognition Leader undergoes training and annual calibration activities to maintain alignment of the evaluations. The Recognition Leader signs a confidentiality agreement with IDH. The Recognition Leader must declare any potential conflicts of interest and signs an impartiality declaration upon each assignment. An applicant may object to the assignment of the Recognition Leader on the grounds of potential conflicts of interest. The Recognition Leader may perform the assessments (initial recognition and monitoring for continued alignment) for a maximum period of 3 years per methodology. IDH may nominate another Recognition Leader at any time, at his/her discretion, if or when it is deemed necessary.

The Role of IDH

Within IDH, as mentioned above, there will be a Technical Manager that leads the Recognition Process and oversees the implementation of the workplan. He/she maintains the overview of the Recognition Process and ensures that all parties involved are provided with updates and relevant information as necessary.

The Technical Manager is the key point of contact for any procedural questions, any questions regarding (external) communication and any issues that might arise during the process. He/she is also the key point of contact for any external inquiries.

The Role of the Steering Committee of the IDH Roadmap on Living Wages

The Steering Committee of the IDH Roadmap on Living Wages makes the final decision on the recognition of an applicant based on the recommendations of the Recognition Leader. The final decision will be based on the majority of votes of Steering Committee members. Holding a vote is necessary if any member of Steering Committee requests.

The Steering Committee is consulted for conflict resolution and in case of an appeal procedure.

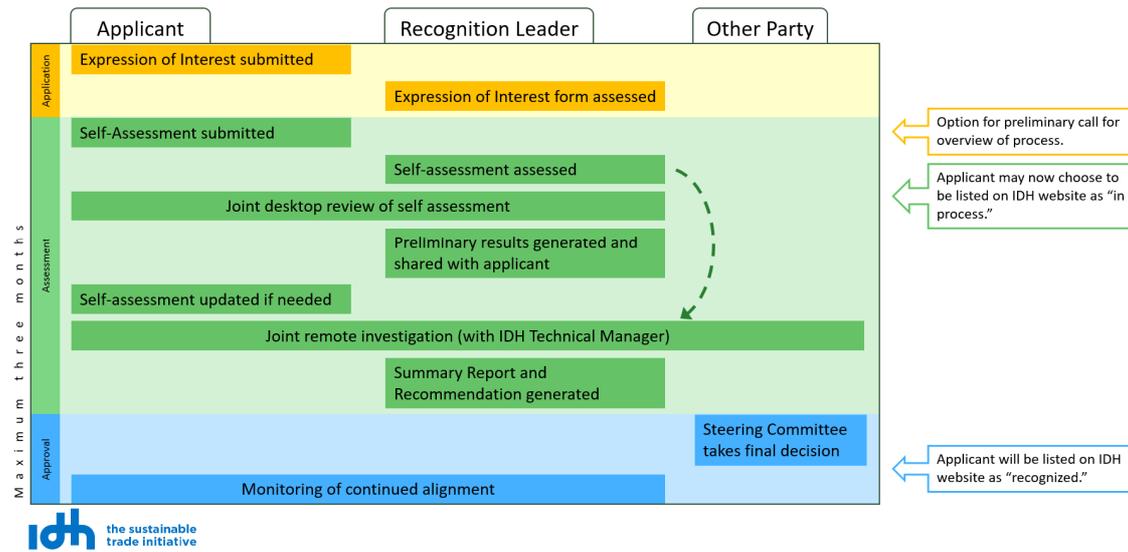
Key Procedural Steps

The Recognition Process shall be carried out in accordance with the following key procedural steps:

- Expression of Interest Submitted by applicant
- Expression of Interest assessed by Recognition Leader and applicant informed
- Introductory Call
- Self-Assessment submitted by applicant
- Self-Assessment reviewed by Recognition Leader
- Joint Desktop Review of Self-Assessment
- Preliminary Assessment drafted by Recognition Leader and shared with applicant
- Joint Remote Investigation
- Summary Report and Recommendation generated by Recognition Leader
- Recognition Decision by IDH Steering Committee
- Monitoring of Continued Alignment

The graph below provides an overview of the Recognition Process. Please refer to appendix 1 for the detailed workplan.

LIVING WAGE BENCHMARK METHODOLOGY RECOGNITION PROCESS



Expression of Interest

The applicant downloads the Expression of Interest Form from [IDH's website](#), completes the form, signs the agreement, and submits these documents to IDH via email.

The applicant is encouraged to ensure that the eligibility criteria are met before submitting the Expression of Interest Form, and that the form is complete and is submitted with all the necessary supporting documents.

Self-Assessment

The objective of the Self-Assessment is for the applicant to demonstrate that their living wage benchmark methodology meets the latest version of the Criteria for Recognizing Living Wage Benchmark Methodologies.

IDH will provide a Self-Assessment form that the applicant can use to self-evaluate if and how the Criteria is covered by their methodology. Clear and precise justification on how the applicant meets each criterion is expected in the Self-Assessment form, including the exact reference to objective evidence (document name, page and clause) covering each criterion.

Desktop Review

Once the applicant submits the completed Self-Assessment for review, the Recognition Leader performs a Preliminary Desktop Review under the supervision of IDH. The Recognition Leader reviews the evidence provided by the applicant to verify if it fully meets each criterion.

The Recognition Leader takes note if additional information is needed and if there is agreement or not with the information provided by the applicant. These notes need to be supported by comprehensive explanations. All these findings are sent back to the applicant in writing and form the basis of the conference call.

Desktop Review/Conference Call

The Recognition Leader and IDH discuss the findings from the Desktop Review together with the applicant. The objective of the call is to clarify any questions regarding the outcome of the desktop review and what additional information/documents are required. The call also gives the applicant an opportunity to further clarify the

evidence submitted. During the conference call, the timeframe to update the Self-Assessment and, potentially, the workplan, is agreed.

Remote Investigation

The Remote investigation is conducted by the Recognition Leader and IDH's Technical Manager. The Remote investigation takes place at a time and date agreed with the applicant. The purpose of the remote investigation is to verify the evidence provided in the Self-Assessment through a sample record review and interviews with several staff members to investigate the implementation of the evidence.

The applicant ensures that all resources including expert staff members, documentation and records are readily available to support the Remote investigation and criteria verification process.

A Summary Report that clearly outlines any non-alignment(s) with the criteria and any observations is signed by the applicant, the Recognition Leader and IDH.

Based on the desktop review and the Self-Assessment, the Recognition Leader prepares a Summary Report.

If non-alignments are found between the applicant documentation and the criteria, the applicant prepares a corrective action plan. The applicant, the Recognition Leader and IDH agree on a timeframe to address the non-alignments. All open non-alignments must be closed before an applicant can be recognised.

The Recognition Leader prepares a recommendation to the Steering Committee of IDH's Roadmap on Living Wages to proceed to recognition or to discontinue to Recognition Process.

Final Decision

Based on the final recommendation for recognition by the Recognition Leader, the Steering Committee takes a decision by consensus. If a vote is indicated to be necessary by any member of the Steering Committee, the Steering Committee determines the final decision by majority of votes. Records are kept of the numbers of votes for, against and abstaining. The Steering Committee's decision is communicated in writing to the applicant by IDH, as soon as feasible after the Steering Committee's decision has been issued.

If the final decision of the Steering Committee is the non-recognition, the reasons for the decision are clearly documented and communicated to the applicant. The applicant has the right to appeal against the Steering Committee's decision.

If the Steering Committee approves the recognition, the confirmation on recognition gets communicated to the applicant. Any public communication on the recognition decision by IDH or the applicant and the timing of these announcements is agreed between the applicant and IDH. IDH will publish a news release announcing the recognition in cooperation with the applicant. The applicant is expected to issue a similar news release.

Monitoring for Continued Alignment with Criteria

IDH will check continued alignment on an annual basis. The monitoring is performed by the independent Recognition Leader who performed the initial assessment, under the supervision of IDH.

Elements and frequency of the inspection program

IDH Inspection Program consists of two elements:

1. Remote investigation once a year
2. Complaint investigation incident driven

Annual remote investigation

The focus of the annual Remote investigation is to check the implementation of the organization's research framework with respect to the Criteria. The Recognition Leader will randomly select two living wage benchmark studies performed under the respective methodology at the beginning of the Remote investigation. The check includes:

- An investigation of the findings of the random record review (if applicable)
- Interviews with staff members
- All mandatory Criteria for Recognizing Living Wage Benchmark Methodologies - Part I
- The implementation of the corrective action plan from the previous Remote investigation (if applicable)
- Use of IDH logo

For further information and support, please contact: livingwagematrix@idhtrade.org

Complaint Investigation

IDH must investigate any serious complaint or suspected non-alignment of any IDH-recognised living wage benchmark methodologies. The investigation may take the form of a desktop investigation and/or a remote investigation.

If IDH receives a complaint regarding the non-conformity of a recognized living wage benchmark methodology organization as related to the Criteria for Recognizing Living Wage Benchmark Methodologies, the Manager will promptly acknowledge, in writing, the receipt of the complaint or report to the party concerned.

When a complaint is received, IDH will initiate an investigation to verify the accuracy of the complaint.

The Manager shall ensure that the details of the complaint are clearly understood and documented and that any claims or comments made by the complainant are properly authenticated and appropriately documented. This authentication shall be verified as being accurate and correct by independent sources, in addition to the complainant itself. It is the responsibility of the complainant to provide information that can be appropriately authenticated. It is at the discretion of IDH to appoint the Recognition Leader or an independent assessor at any stage during the investigation process. IDH must ensure impartiality and confidentiality.

If the Recognition Leader or an assessor is appointed, he or she shall carry out a thorough investigation of the complaint and, where possible, provide a resolution for the issues, fully document the complaint process, and provide a detailed report to IDH.

Suspension and Withdrawal

The monitoring for continued alignment may lead to suspension for recognized methodologies and therefore withdrawal of the status on the IDH Website. IDH will inform key stakeholders in the Steering Committee and the Technical Advisory Group. If evidence of non-conformity against the requirements specified in the Criteria for Recognizing Living Wage Benchmark Methodologies is found by a Recognition Leader during the annual investigation, IDH shall promptly contact the organization concerned. IDH shall fully document the process of investigation and decision-making, shall take a decision after the review of the submitted evidence and will either:

1. take no action against the recognized living wage benchmark methodology, or
2. convene the Steering Committee to agree on one of three possible outcomes: continued recognition, temporary suspension of the recognition, or the withdrawal of the recognition.

Irrespective of the decision taken by the Steering Committee, the applicant and the Steering Committee members shall be informed in writing of the decision, including a full explanation of the actions taken.

If following the review of the evidence gathered and submitted by IDH and consultation with the living wage benchmark methodology organization, the Steering Committee considers that a withdrawal of recognition is required, the corresponding organization shall be informed of this decision.

If IDH recognition is withdrawn, IDH shall issue a news release and its website shall clearly specify the details and conditions of the withdrawal. IDH reserves the right to create additional procedures when needed.

IDH Appeals Procedure - IDH Recognition

The applicant has the right to appeal against any decision made by the Steering Committee, IDH or any person contracted by the IDH in relation to the Recognition Process, associated systems and procedures. Only the applicant to which the decision relates to has the right to appeal to the Steering Committee.

The applicant shall submit a written appeal to IDH within 30 days of the matter in dispute occurring and shall provide a full explanation together with substantive evidence to support the thorough investigation of the appeal.

When the appeal procedure is initiated, the status of the applicant shall be amended on IDH's website to reflect that the applicant is subject to an appeal.

Any appeal shall be heard by a Committee (the Appeals Committee), which is a body specifically assembled by the Steering Committee for the purposes of hearing an individual appeal. The Steering Committee shall ensure that such an Appeals Committee should not include any person or IDH staff member involved with the decision that is being appealed. The Appeals Committee shall be assembled with at least three members of the Steering Committee. IDH shall ensure that the investigation is conducted in an impartial and professional manner and without any actual or perceived conflict of interest.

The outcome of the investigation by the Appeals Committee shall be communicated to and upheld by the Steering Committee.

The decision submitted to the Steering Committee by the Appeals Committee shall be conveyed to the applicant that has raised the appeal. The decision of the Appeals Committee shall be final, and the appeal process will then be closed.

Appendix I

Workplan

| PROCESS STEP | RESPONSIBILITY | DESCRIPTION | TYPICAL TIMESCALE FOR ACTIVITY | WORKING DOCUMENTS |
|--|--|--|---|-----------------------------|
| Expression of Interest | Applicant (Living wage benchmark methodology organization) | Submit Expression of Interest Form | Due at time of application | Expression of Interest Form |
| | Recognition Leader with support from Technical Manager | Assess Expression of Interest Form and applicant informed | 2 weeks after receipt of Expression of Interest | Expression of Interest Form |
| Introductory Call | Recognition Leader | Offer introductory call to explain recognition process | With prior step | n/a |
| Completion of Self-Assessment | Applicant | Submission of Self-Assessment | 1-2 months | Self-Assessment Form |
| Review of Self-Assessment | Recognition Leader | Review Self-Assessment to assess if Desktop Review is needed | 2 weeks | Self-Assessment Form |
| Joint Desktop Review of Self Assessment | Recognition Leader and Applicant | Completion of desktop review | 2 weeks | Self-Assessment Form |
| Preliminary Assessment | Recognition Leader | Drafted and shared with applicant | 2 weeks | Self-Assessment Form |
| Update of Self-Assessment (if needed) | Applicant | Submit final Self-Assessment based on preliminary Assessment by Recognition Leader | 2 weeks | Self-Assessment Form |

| | | | | |
|--|----------------------------------|---|---|------------------------|
| | Recognition Leader | Review final Self-Assessment | 1 week, depending on changes | Self-Assessment Form |
| Remote Investigation Planning | Recognition Leader and applicant | Agree on agenda, select interviewees, schedule, etc. | 2 weeks ahead of the Remote Investigation | n/a |
| Remote Investigation | Recognition Leader and Applicant | Completion Remote Investigation | 2 days | n/a |
| | Applicant | Submission Corrective Action Plan to Recognition Leader | Typically 2 weeks after Remote investigation | Corrective Action Plan |
| | Recognition Leader | Completes Summary Report and shares with Applicant | 2 weeks after Remote investigation | Summary Report |
| Opportunity for Corrective Action | Applicant | Based on the Summary Report, may apply for opportunity for corrective action. Details must be agreed upon with Recognition Leader | Varies * Note: Implementation required before recognition will be granted. | n/a |
| Final Recommendation | Recognition Leader | Generates Summary Report and Recommendation shared with IDH Steering Committee | 2 weeks | Summary Report |
| Steering Committee Decision & Communication | IDH Steering Committee | Decision on recognition of living wage benchmark methodology organization by majority vote | 2 weeks after submission of recommendation | Summary Report |
| | Applicant/IDH team | In case of recognition: Publication of infographic and update website | 1 weeks after decision | n/a |
| | Applicant | In case of non-recognition: Option to appeal to the Steering Committee | Up to 4 weeks after decision | n/a |