

Special Resolution for consideration at Sainsbury's PLC 2022 AGM Living Wage accreditation

Special Resolution Wording

To promote the long-term success of the Company, given developing expectations on rewarding key workers, the opportunities and risks associated with the increased costs of living for workers in the UK, and growing expectations that responsible businesses pay the real Living Wage, we as shareholders direct the Company to accredit as a Living Wage Employer by July 2023¹.

A commitment to pay the real Living Wage to all workers is in line with recent investments by Sainsbury's in direct employees' pay. This should be done at reasonable expense and nothing in this resolution should be read as limiting the Board's discretion to take decisions in the best interests of the Company.

Supporting Statement

As a large retail group, operating over 600 supermarkets and 800 convenience stores throughout the UK and the Argos and Habitat brands, Sainsbury's directly employs more than 189,000 workers. Investors recognise the company's stated aim - to "always focus on doing the right thing for our people²" and its recent progress on basic hourly rate of pay for directly employed staff.

1 The 'real Living Wage', as overseen by the Living Wage Foundation, is based on the cost of living in the UK and is voluntarily paid by 50 FTSE 100 companies amongst over 9,000 employers. The rates are currently £9.90 per hour in the UK and £11.05 in London.

2 <https://www.about.sainsburys.co.uk/-/media/Files/S/Sainsburys/documents/reports-and-presentations/esg-event-2021.pdf>

In January 2022, Sainsbury's uplifted rates for directly employed staff to £10.00 per hour outside of London (exceeding the real Living Wage rate of £9.90) and matched the Living Wage rate for employees in inner London (£11.05).

Nonetheless, gaps remain compared with the real Living Wage standard and there is no ongoing commitment to match the real Living Wage.

To promote the long-term success of the company, this resolution asks Sainsbury's to become an accredited Living Wage Employer.

Investor expectations of supermarket retailers

During the Covid-19 lockdowns of 2020-21, supermarket workers were designated 'key workers', in recognition of their role in ensuring people across the UK could keep food on the table. As a result, there are strong public expectations that they should be rewarded appropriately.

Yet workers in the sector are one of the largest groups of low-paid workers in the UK. 42% of all supermarket workers (366,000 people) earn less than the real Living Wage, with female and ethnic minority workers disproportionately affected. 49% per cent of female workers and 44% of minority workers earn less than the real Living Wage, compared to 35% of men and 41% of white workers³.

With the combination of higher National Insurance contributions, Universal Credit cuts and a freeze on the income tax personal allowance, the average supermarket worker will be £1,040 worse off in 2022⁴. In the current high-inflation environment, price increases will have a disproportionate impact on lower paid households, who spend a larger proportion on items such as gas, electricity, and food.

Living Wage accreditation is a public commitment that all staff who work for a company, directly and indirectly, will earn a wage sufficient to live on. There are already more than 9,000 accredited Living Wage Employers across the UK, including 50 FTSE100 companies and the large retailer IKEA.

Investors recognise that, despite tight profit margins in the sector, there is a strong business case for adopting higher base rates of pay. Research by the MIT Sloan School of Management shows that retailers adopting a Good Jobs Strategy⁵, including base rate pay

3 <https://www.livingwage.org.uk/news/over-two-fifths-all-supermarket-workers-earn-below-real-living-wage>

4 <https://www.theguardian.com/politics/2021/sep/13/higher-taxes-low-paid-frontline-workers-worse-off>

5 <https://goodjobsinstitute.org/what-is-the-good-jobs-strategy/>

above minimum wages, can drive increased service quality, productivity, and a reduction of costs in the long term. Research from the Cardiff Business School has shown that 93% of accredited Living Wage Employers have reported business benefits on issues such as recruitment, retention, and productivity⁶.

Supermarkets are facing a challenging horizon, with rising prices due to increasing raw material costs and supply chain challenges. Nonetheless, investors believe that all supermarkets should set ambitious and supportive reward strategies with base pay at or above the real Living Wage and ensure that all workers routinely providing a service are covered.

Ultimately, low pay and the income inequality it drives are a drag on national economic output and growth and drive political polarisation and societal instability. As such, low pay creates costs to society that are ultimately borne elsewhere by highly diversified investors.

Investor expectations of the company

Investors remain concerned that the company has not matched Living Wage rates in outer London nor extended its commitment to cover third-party contract staff, who regularly provide a service. Third-party staff such as cleaners are amongst the lowest paid, most vulnerable workers in the most insecure work⁷. Furthermore, without accreditation, there is no ongoing commitment to pay the Living Wage for any workers.

Research conducted by Organise found that 1 in 3 Sainsbury's workers regularly worry about putting food on the table⁸. Living Wage accreditation would make a huge difference to Sainsbury's workers throughout the country, guaranteeing them a wage that covers the cost of living, meaning they can live a life of dignity.

Investors believe it is in the company's best interests to become an accredited Living Wage Employer and, specifically, to:

1. Ensure all direct workers, in all areas of London and across the UK, are paid at least the real Living Wage rate now and in future;
2. Conduct an analysis (by July 2023) of third-party contractors used by the company to find out how many workers earn below the real Living Wage rate for their region and agree a timescale for contracts to be uplifted to the real Living Wage;

6 https://www.livingwage.org.uk/sites/default/files/Cardiff%20Business%20School%202017%20Report_2.pdf

7 <https://api.shareaction.org/resources/reports/Insecure-work-in-insecure-times-briefing-final.pdf>

8 <https://www.livingwage.org.uk/news/over-two-fifths-all-supermarket-workers-earn-below-real-living-wage>

3. Work with third-party contractor providers to lift all subcontracted workers to the real Living Wage rate by July 2026 and to agree a wage floor of the real Living Wage on an ongoing basis.

Nothing in this resolution precludes the company continuing to set different rates for inner and outer London, providing these both at least match the real Living Wage for London.

Investors understand that Sainsbury's will need to undertake work to understand the cost implications of third-party contractors matching the Living Wage. Recognising this, Living Wage accreditation allows for Living Wage rates for contractors to be implemented over a period of up to three years as the contracts come up for renewal.

Real Living Wage rates are re-calculated each year based on cost of living data and taking into account changes in public policy that may have an impact on workers' ability to meet those costs (e.g. tax and benefits)⁹. To help with sustainability and affordability there is a cap of CPI+3% increase for the Living Wage in a year. The calculations are overseen by the Living Wage Commission, which includes representatives from business, unions, civil society and academics. Part of the remit of the Commission is to manage any rate volatility. The approach offers greater predictability than employers enjoy with respect to rises in the national minimum wage.

9 <https://www.resolutionfoundation.org/publications/calculating-the-real-living-wage/>

63/66 Hatton Garden
Fifth Floor, Suite 23
London UK
EC1N 8LE

info@shareaction.org
+44 (0)20 7403 7800

UK registered charity number:
1117244

EU Transparency Register
number: 75791956264-20

Belgian organisation number:
Fairshare Educational
Foundation 0672.921.563

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