

Learning and Implementation Community on Responsible Purchasing Practices

Information/ Q&A Session 28th June 2022



Garments and
Textile



International
RBC | SER



ethical
trade
norway



**Ethical
Trading
Initiative**

WEAR **FAIR**

Today's session will cover:

- ▶ What is the **Learning and Implementation Community (LIC)**?
 - ▶ Aims of the community
 - ▶ Benefits to your company
- ▶ Meet the team: **MSI Working Group on Purchasing Practices**
- ▶ What is the **Common Framework for Responsible Purchasing Practices (CFRPP)**?
- ▶ Details of the LIC
 - ▶ Timeline
 - ▶ Expectations of participating members
- ▶ **Q&A**
- ▶ Advice – Getting ready



Learning and Implementation Community (LIC)



- ▶ Hosted by MSI Working Group on Purchasing Practices
- ▶ Apparel/ footwear brands from participating MSIs
- ▶ Support companies to find practical solutions to improving PP
 - ▶ Dynamic peer learning environment
 - ▶ Series of online workshops
 - ▶ Company case studies, expert input, supported dialogue with suppliers
 - ▶ Support from own MSI
- ▶ Free for members of participating MSIs
- ▶ Financed by STITCH (ETI and FW) and IGS (GIZ)
- ▶ About 2 years, starting Sept 2022

Aims of the community

- ▶ Improve purchasing practices to enable
 - ▶ improvement in industry working conditions
 - ▶ and an environment in which workers have access to their human rights
- ▶ Collate and share best practice
- ▶ Learn together - companies taking actions towards the principles of the Common Framework... what works?
- ▶ Learning will be used to strengthen the Framework



Benefits to your company

- ▶ Support with growing internal buy-in
- ▶ Peer learning
 - ▶ what are other companies doing? how have obstacles been overcome?
- ▶ Safe environment to engage with suppliers
 - ▶ discuss challenges and problem solve
- ▶ Learn from experts and other companies – during and between workshops
- ▶ Support from your MSI, to make progress in your areas of focus



Meet the MSI representatives



- Elisa Shepherd – ETI



- Topsy Roedler - Partnership for Sustainable Textiles (PST/GIZ)

- Wilco van Bokhorst and Milena Gropp - Fair Wear



- Tamar Hoek – AGT /Solidaridad



- Marthe Kielland Røssaak - Ethical Trade Norway



The Common Framework for Responsible Purchasing Practices (CFRPP)

- ▶ A reference document

A common language on what good purchasing practices look like

- ▶ Not a compliance or accountability mechanism
- ▶ A tool for companies and policy makers to stimulate discussion, solution finding and action
- ▶ Draft published for consultation (Nov 21- Jan 22)
 - ▶ Received feedback from 34 organisations (companies, trade unions, suppliers, NGOs and academics)
- ▶ Updated version released today



MSI Working Group for CFRPP

The working group has included representatives of:

- ▶ **ETI**
- ▶ **Ethical Trade Norway**
- ▶ **DIEH**
- ▶ **Fair Wear**
- ▶ **German Partnership for Sustainable Textiles (PST)**
- ▶ **Dutch Agreement for Sustainable Garments (AGT)**

and consulted with:

- ▶ **ACT**
- ▶ **Better Work**
- ▶ **Amfori**
- ▶ **Better Buying Institute**
- ▶ **Sustainable Terms of Trade Initiative (STTI)**



Drafting the framework

- ▶ Mapped and used **existing frameworks and documents**
 - ▶ The Joint ETIs Guide to Buying Responsibly
 - ▶ Fair Wear's Brand Performance Check
 - ▶ Ethical Trade Norway's member assessment
 - ▶ ACT's purchasing practices commitments and self-assessment
 - ▶ The Better Buying Institute's supplier questionnaire
 - ▶ Assessment Framework of the Dutch Agreement on Sustainable Garments and Textiles
 - ▶ NYU Stern's Social Metrics for the Apparel Industry
 - ▶ American Bar Association's Responsible Purchasing Code of Conduct
- ▶ Builds on recommendations by the '**Sustainable Terms of Trade Initiative**' (STTI), led by the STAR Network, the International Apparel Federation and The Better Buying Institute, supported by GIZ FABRIC.



The Five Principles

Principle 1: Integration and Reporting

In order to implement changes to purchasing practices, the company seeks senior buy-in and commitment; gains a thorough understanding of existing suppliers and purchasing systems and (possible) negative impact on human rights; and assesses/decides on priorities that feed into an agreed improvement plan.

Responsible purchasing practices are integrated into the commercial and other relevant departments of a business.



Principle 2: Equal Partnership

Purchasing companies and their suppliers respect each other as equal business partners; engage in respectful sourcing dialogue; and pursue win-win situations, with a shared responsibility to improve working conditions.



Principle 3: Collaborative Production Planning

Critical path and production planning is done collaboratively between the purchasing companies and suppliers. Any changes are mutually agreed and cannot be detrimental to the supplier.



Principle 4: Fair Payment Terms

Purchasing companies and suppliers agree on fair and transparent payment terms that include all relevant information regarding the payment procedure and do not place a disproportionate burden on one party. Contractual obligations are honoured at all times. Payments are made in full and on time.



Principle 5: Sustainable Costing

The costing procedures and levels of the purchasing company reflect and support wage increases and sustainable production. Prices cover all costs of compliant production and allow for a reasonable and maintained supplier profit.



Detailing practices

Recommended practices to achieve each principle, split into:

(1) **Groundwork Practices**

(2) **Progress Practices**

Principle 2: Equal Partnership

The purchasing company and their suppliers respect each other as equal business partners; engage in respectful sourcing dialogue; and pursue win-win situations, with a shared responsibility to improve working conditions.

Groundwork Practices

- 2.1 **Commitment:** The purchasing company actively informs suppliers about their commitment to RPP as well as other key procedures and expectations. This includes stating that the company's aim is to develop and maintain stable, long-term business relationships and that all negotiations and agreements will be conducted in a fair manner that represents equal partnership.
- 2.2 **Strategic partnership:** The purchasing company defines their strategic suppliers and evidences a higher level of transparency, including sharing strategic plans.
- 2.3 **Dialogue:** The purchasing company establishes processes for regular two-way communication and feedback with suppliers. Communication and feedback addresses business processes such as lead and delivery times and dialogue on avoiding negative impact on and improving working conditions. Feedback is actively used to improve purchasing practices.
- 2.4 **Force majeure:** Force majeure can only be invoked on mutually agreed and legally valid grounds, and respects the transfer of ownership and risks defined elsewhere in the contract. If there is a force majeure event, then costs already incurred by the manufacturer for the order are paid by the purchasing company.

Progress Practices

- 2.5 **Stable, long term business relationships:** The purchasing company and suppliers work together to develop and maintain stable, long-term business relationships. The company can show that there is an increase over time in the % of their suppliers who have had a supplying relationship for more than 5 years.
- 2.6 **Purchasing company and supplier agreement:** The purchasing company and the supplier agree on a mutual, written agreement regarding responsible practices (e.g. a 2 way code of conduct), which includes practices such as business conditions, provision of materials and payment terms. The agreement is signed by both parties and is legally enforceable.
- 2.7 **Number of suppliers, leverage and dependency:** The purchasing company takes action to keep the amount of facilities in their supply chain at a level that allows effective implementation of the framework principles, working to expand existing supplier relationships wherever possible, rather than adding new facilities. (Building leverage with key suppliers, in order to meaningfully influence working conditions, does however need to be carefully balanced, to protect suppliers from over dependency and vulnerability to purchasers' buying decisions.)
- 2.8 **Direct sourcing and intermediaries:** The purchasing company aims to have direct sourcing relationships with production facilities, where possible. If intermediaries are used, the purchasing company requires that intermediaries uphold the same policies as the purchasing company they represent and is transparent about where production takes place.
- 2.9 **Evaluating and incentivising suppliers:** The purchasing company evaluates suppliers' responsible business conduct alongside other factors such as quality, cost, delays etc, moving towards equal weight in decision making. Evaluations occur when starting a business relationship as well as on a regular basis. There are incentives in place for suppliers who perform well and the incentives are meaningful in business terms. Evaluations are shared and discussed with suppliers.
- 2.10 **Responsible exit strategy:** When a business relationship is terminated by the purchasing company, they follow a responsible exit strategy that takes into account and mitigates negative impacts on the supplier and its workers.



Implementing the Framework

Don't be overwhelmed!

- ▶ The practices are useful reference points
- ▶ Stimulus for problem solving and action
- ▶ Not all practices will apply to all business models and sizes
- ▶ Start where you can gain traction and make an impact

Different MSI's approaches

- ▶ Fair Wear and PST will integrate the Framework into existing mechanisms, for all members
- ▶ ETI will not hold members accountable to the Common Framework, but use it to support progress

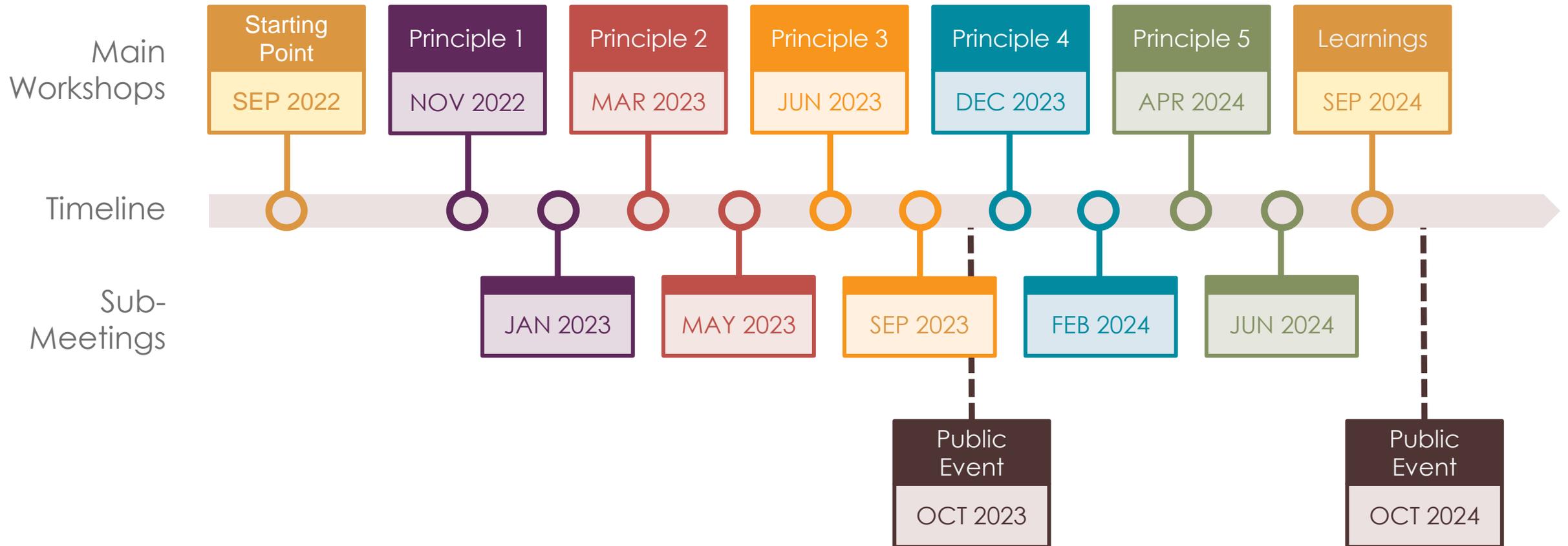


LIC, the details

- ▶ Spread over 2 years
- ▶ 7 online workshops (2 overview + 1 for each principle)
 - ▶ Expert input, case studies, facilitated discussion groups and activities
- ▶ 5 optional sub-meetings
 - ▶ Deep-dive on specific topics, supplier participation, finding practical solutions
- ▶ Support from own MSI
- ▶ Peer learning – connections between companies involved
- ▶ First session will be 20th September 2022



Workshops are spread across 2 years



- ▶ Meetings roughly every two months, sub-meetings are optional

LIC - What's expected of participating companies?

- ▶ Commit to the 5 overarching Principles of the Common Framework
- ▶ Commit to improving RPP, including trialling changes during the LIC
- ▶ Attend the main workshops and relevant optional sub-meetings
- ▶ Assign individual from CSR/RS and an individual in commercial to work on action plans
- ▶ Commitment from leadership/ decision makers to engage on progress at regular intervals
- ▶ Throughout LIC, discuss RPP with suppliers and work with them to find solutions
- ▶ Sharing case studies and learnings (not sensitive info)
- ▶ Engage with MSI rep to discuss progress



LIC and ACT, Better Buying and TIWW



▶ The Industry We Want (TIWW)

- ▶ Focused on developing industry-wide metrics, to track progress (includes purchasing practices)
- ▶ Spotlights efforts that support improvement in the metrics e.g., Better Buying and CFRPP/LIC

▶ ACT

- ▶ Companies make commitments to improve RPP and are held accountable by TUs and NGOs
- ▶ Significant focus on collective agreements and pricing for living wages
- ▶ Being part of the LIC will help companies practically implement RPP, to be able to meet their ACT commitments

▶ Better Buying

- ▶ Surveys suppliers to get feedback on companies' PP, to motivate action

Getting ready – Training

Build buy-in internally by sharing foundational RPP training

- ▶ PST/GIZ
 - ▶ Video training. Free on YouTube, developed with Aldi South (English and German)
- ▶ ILO Better Work
 - ▶ E-learning, online simulation game, highlighting PP impacts through garment supply chain
 - ▶ 8 modules (10 mins each), videos and quizzes
 - ▶ Good for sustainability and commercial staff
 - ▶ Available at a fee (English, French, Vietnamese)
- ▶ Better Buying
 - ▶ The e-Learning – a step deeper
 - ▶ 45 mins
 - ▶ Covers Visibility, Stability, Time, Financials, and Shared Responsibility.
 - ▶ Charged at a fee



Getting ready...

Understanding your company's PP

There will also be time to do this once the LIC starts, but if you can, spend some time getting to know the detail of how your company buys

- ▶ How does sampling work, and confirming the teck pack?
- ▶ How is the critical path decided? Is internal adherence to deadlines checked?
- ▶ How are buyers evaluated and rewarded?
- ▶ How does forecasting work and how is this communicated with suppliers?
- ▶ Are there agreements/contracts - what are the terms?
- ▶ What are the payment terms (# days)? How are any penalties decided?
- ▶ How is costing built up? Do costing teams factor in labour costs specifically?



Getting ready – Surveys

Gaining feedback from suppliers on your PP is a good place to start, to understand your current impact and to use results to gain internal buy-in

- ▶ Better Buying
 - ▶ Two different surveys of different depths and costs
 - ▶ Collated report
- ▶ Your own survey





Thank you!

If you would like to join the Learning and Implementation Community, or if you have any questions:

reach out to your MSI

or contact us via info@cfripp.org