

## AGT Pitch for Panel ‘Purchasing practices and their impact on suppliers’

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### ‘Buyers must integrate their Responsible Business Conduct (RBC) policies and requirements into their purchasing policies and practices.’

AGT participants (companies: buying brands and retailers, traders, importers, wholesalers etc.) commit themselves to doing due diligence in line with OECD Guidelines and Guidance, in order to improve their Responsible Business Conduct (RBC).

After three year, we are progressively paying more attention to the purchasing practices within the buying company. Whereas we started with emphasising policy, integration and risk analysis, we are now in a position to address concrete measures companies might take, like organising and formalising company commitments, such as the five *Action, Collaboration, Transformation (ACT)* global purchasing commitments, introducing ‘two way’ Code of Conducts, such as developed by *Ethical Trading Initiative (ETI)*, improving supplier manuals, amend pricing policies to be able to isolate labour costs which will allow for taking wages and wage increases resulting from changes in minimum wages into account, introduction of Key Performance Indicators (KPI’s) related to specific Corporate Social Responsibility (CSR) / Responsible Business Conduct (RBC) related tasks for purchasers, and the like. We support the necessary change of behaviour by organizing obligatory trainings for CSR staff and buyers on issues like living wages and costing, by promoting use of tools like the *Purchasing Practices Self-Assessment Tool (PPSA) tool based on ACT* and offering companies to make use of *Better Buying*.

Two aspects are important:

- 1) Within the buying company, **top management commitment is key** to drive change in behaviour of designers, product developers, sourcing staff, planners, buyers, merchandisers and all other staff involved. **What is needed internally is coherence between the stated RBC policies and the translation thereof in the daily business practices.** In order to improve the situation, training might be needed for purchasing staff to better understand what impacts their decisions have on conditions and practices taking place at the manufacturing plant. But also investments are often needed to adapt IT infrastructure. In many cases, the position and responsibilities of the CSR manager need to be enforced vis-à-vis the chief purchasing officer.
- 2) At the same time, **also in its’ external relations, the buying company must be (or become) coherent.** Ever higher demands from manufacturers in terms of RBC which are not backed by KPI’s that allow buyers to reflect the higher costs of manufacturers – while respecting the commercial nature of the relationship – are not durable.

**Buying companies must integrate their Corporate Social Responsibility (CSR) / Responsible Business Conduct policies in their buying / purchasing policies, procedures and practices.**

**Suppliers / manufacturers should be able to address any inconsistencies in buyers’ CSR / RBC demands and their purchasing practices, without having to fear losing their clients. Ideally, such a sourcing dialogue takes place between all individual buyers and suppliers / manufacturers. But we must recognize we are not there yet and therefore it might be a good idea to collectively take steps in the right direction and explore what might work in this respect.**