

Outline of the presentation of the AGT at the Round Table 'Purchasing Practices and its Implications'

at the Dutch Embassy in Dhaka, Bangladesh on November 4, 10.00 hrs
delivered by Jef Wintermans, Coordinator Dutch Agreement on Sustainable Garments and Textile

- 1) **AGT is based on cooperation between stakeholders**, since problems cannot be solved by one single party by and on its own: 2 labour unions, 3 industry and retail branch organizations, 4 Ministries and 5 ngo's. Naturally, we tap into the networks of all these organizations whenever possible. Throughout our work, we look for practical cooperation with and welcome support from what is now called 'supporting organizations', like FWF, FLA, ETI, amfori BSCI / BEPI, ZDHC and SAC. Internationally, we closely work together with our colleges in Germany at the Partnership for Sustainable Textiles at GIZ and BMZ, as well as with the OECD. An international group of pension fund asset managers has expressed support for our work as well.
- 2) **Change needs to come from everybody doing what is within their reach**, irrespective of what others do or don't do
- 3) **AGT based on OECD due diligence** and hence also UNGP's. AGT secretariat supports and assesses due diligence performance of participating companies (brands and retailers)
- 4) **Due diligence** = know your chain, your products and the processes needed; ***know the related risks (on negative impact on human rights, environment and animal welfare), INCLUDING the risks related to the company's buying / purchasing practice***; proper prioritization of the risks (based on severity and likelihood); define goals and actions to prevent, reduce and mitigate the negative effects; monitor and report publicly; establish and adjust policies
- 5) **Companies taking part in the AGT must annually execute due diligence and submit an Action Plan to the Secretariat**, which will assess its' content. Over time, demands go up.
- 6) **AGT approach to buying / purchasing practice is a broad one** and includes: sourcing strategy, policies and practice, developing products, practices related to price negotiating, order placing, general conditions of trade including payment terms and actual paying practice. Experience shows buying / purchasing practices have enormous impact on working- and environmental conditions at suppliers and thus also on the possibility of addressing negative impacts. For more detail, see the ETI 'Guide to Buying Responsibly' (2017)
- 7) **The relationship between RBC and buying / purchasing practices is scrutinised in the yearly assessment meeting**. In direct talks with the CEO, the chief buying officer and the chief RBC officer, the AGT secretariat addresses whether the way the company has formulated its policies and procedures actually do allow for RBC and sufficiently allow all involved in buying / purchasing to take (the most salient) risks into account in line with due diligence requirements
- 8) **The experience of the AGT thus far** is that within participating companies (brands, retailers):
 - ***There is in general a lack of knowledge which internal decision relating to buying / purchasing cause or contribute to negative impacts on humans, environment or animals***. It is perceived as being something 'extremely big', overlooking the small, incremental steps that can be taken by the company (brand/retailer itself) to improve the buying / purchasing practice and thereby improving the RBC content of the business. The understanding that suppliers / manufacturers could and should be involved as partners to increase insight and create a win-win situation, is generally lacking.
 - If the general awareness of the overall influence of buying / purchasing practice on RBC is present, ***there almost invariably is an awareness and a knowledge gap as to what responsible buying / purchasing means and implies between the buying / purchasing departments and the CSR / RBC departments***

- **Buyers most often do** have commercial / margin KPI's set for them which steer their behaviour and performance, but **no RBC related KPI's**. This leads to continuation of price pressure being the dominant factor in this globally highly competitive sector, preventing or at least slowing down the necessary change
 - **CSR / RBC officers in all but a few cases not being in a position (within the company) to exercise direct influence over buying / purchasing practices**, or only having limited influence over these practices
- 9) **Apart from that, we observe most companies:**
- Most companies **still use a 'one-way' Code of Conduct**, telling suppliers / manufacturers what they are expected to do, **rather than make use of 'two-way' Codes of Conduct**, like the one developed by ETI, which also addresses specific responsibilities for buyers (brands and retailers) concerning elements related to buying / purchasing practices such as lead times, style changes, price adjustments following increase of local minimum wage or changes in environmental legislation in the production country, exit strategies, et cetera.
 - **Most companies do not (yet) make use of available opportunities to involve suppliers / manufacturers in improving insight into the effect of their own buying / purchasing practices** and the (negative) impacts thereof, for instance via the 'Better Buying' program
 - **More transparency does not lead automatically to better (working / environmental) conditions and / or better buying / purchasing practices**
- 10) **The solutions the AGT works with or recommends to companies (brands, retailers) are:**
- **Integrate RBC in all relevant departments**, with as minimum: design, product development, sourcing, buying; implement the necessary changes in the management of the company / organisation: structure, processes, IT support, KPI's for RBC related tasks of buyers
 - **Improve insight in and understanding of all relevant staff on this matter**, at least staff from design, product development, sourcing, buying departments, via training, making use of existing programs as much as possible, like ACT's PPSA tool
 - **Make use of a 'two-way' Code of Conduct**, for example the one developed by ETI
 - **Critically analyse the (negative) impacts of your buying / purchasing practices, making use of existing programs as much as possible**, such as the AGT's 'buyer training' developed in cooperation with AGT Parties Solidaridad and Modint
 - **Involve your suppliers / manufacturers in a critical analysis of the (negative) impacts of your buying / purchasing practices**, for instance via like the Better Buying program
 - **Support suppliers / manufacturers via trainings**, such as the FWF costing seminars to help transform the relationship into a partnership which is a win-win for all
 - **Intensify cooperation with likeminded msi's and support scaling up of due diligence based RBC**