

Solidaridad

ASSESSING RESPONSIBLE PURCHASING PRACTICES

AN OVERVIEW OF APPROACHES AND TOOLS



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INTRODUCTION

There is a growing consensus among companies, civil society organisations, trade unions, and public authorities that suboptimal purchasing practices can contribute to adverse human rights impacts in global supply chains. In the past decade, particularly in relation to the textile and garment sector, we have witnessed the creation of frameworks, assessment methods and other systems for companies that want to improve their purchasing practices. This paper undertakes a systematic review of many of these methods, tools and approaches. Through comparative analysis, we identify common themes across the tools, such as the emphasis on transparency, collaboration with suppliers, fair pricing, and a focus on product design and production planning. We also pinpoint critical questions that the tools consistently address.

In the second section of this paper, we identify six clusters of topics that are present in most of the analysed approaches and tools: (1) due diligence, (2) collaboration, (3) product design and production planning, (4) costing and pricing, (5) payment terms, and (6) integration, documentation and reporting. These topic clusters can serve as basis for the design process of a compatible, streamlined and effective assessment method, particularly for garment brands and their partners.

1. APPROACHES AND TOOLS

1.1 CFRPP Purchasing Practices Initial Risk Assessment Tool

This risk assessment tool is designed to support companies in documenting and assessing their existing purchasing practices in alignment with the Common Framework for Responsible Purchasing Practices (CFRPP).¹ The tool's main objective is to encourage improvements in factory working conditions. By using it, companies can gain insights into their current purchasing operations, assess associated risks, and, with feedback from their suppliers, pinpoint initial action areas. The framework offers guidance to understanding this evaluation process.

The risk assessment tool is a product of the collaborative efforts of the Multistakeholder Initiative Working Group on Responsible Purchasing Practices, which comprises organisations such as the Ethical Trading Initiative, Fair Wear, and the German Partnership for Sustainable Textiles, among others.² The tool offers a structured process for enhancement, beginning with initial internal engagement, understanding existing purchasing practices, obtaining supplier feedback, and culminating in the implementation of actionable

¹ CFRPP (2022). The Common Framework. [online] Purchasing practices initial risk assessment tool. Available at: <https://www.cfrpp.org/s/RPP-risk-assessment-tool-Issue-2.docx> [Accessed 9 Oct. 2023].

² According to information in the tool, it was developed "as part of the 'Learning and Implementation Community' (LIC), supported by the MSI Working Group on Responsible Purchasing Practices and has joint ownership and right to use between the MSIs involved in running the LIC."

steps. The document further details the five foundational principles, enabling users to dive deep into each principle, compare their practices, assess risks, and prioritize actions.

Elements

The CFRPP outlines five principles for responsible purchasing practices. They are:

1. Integration and reporting
2. Equal partnership
3. Collaborative production planning
4. Fair payment terms
5. Sustainable costing

For each principle, practices are presented in two stages - groundwork practices and progress practices - to support a gradual implementation by companies, whatever their starting point. There is a total of 67 groundwork and progress practices, divided across the five principles.

The risk assessment tool follows the framework’s principles and practices. In the tool, users are asked to fill out this table for each of the five principles:

	Current purchasing practices (how do things work currently in this area?) (Based on procurement mapping exercise and comparison with framework)	Supplier engagement/ feedback	Risks/impacts identified (actual and potential)	Initial ideas for actions
Mapping your progress (fill out lines, add new lines as needed)				

Methodology

The risk assessment tool is designed to help companies assess and refine their purchasing practices, ensuring they align with ethical and responsible standards. The following process is loosely based on the six steps of due diligence and is recommended in the tool:

- **Initial internal engagement:** Companies are advised to map internal stakeholders from relevant departments. Recognizing the motivations and challenges of each group allows for meaningful conversations about the importance of responsible purchasing practices. This stage may also involve pitching the business case to senior leadership and conducting training to shed light on how daily

purchasing actions can influence workers' conditions. Supplier feedback can be important during this phase to provide a broader understanding of the impacts of current practices.

- **Identify champions:** Within every department or function, it is crucial to have individuals who are advocates for responsible purchasing practices. These champions can rally their teams and drive momentum for the cause.
- **Understand current purchasing practices:** Representatives from different departments collaboratively map out the existing procurement cycle. This collective exercise can involve workshops, policy reviews, and discussions. The CFRPP serves as a benchmark for comparison, highlighting gaps and areas for improvement.
- **Supplier feedback:** the framework puts a strong emphasis on understanding the perspectives of suppliers. They provide first-hand insights into the repercussions of purchasing practices. Collecting feedback can be achieved through surveys or continuous dialogue. Given the potential power dynamics, it is essential to ensure that suppliers can provide feedback anonymously or with guarantees of non-retribution.
- **Assess current purchasing practices:** Once feedback is gathered, an initial risk assessment is conducted. This assessment examines supplier feedback, integrates data from Human Rights Due Diligence sources (like feedback from workers, external stakeholder opinions, and audit reports), and identifies potential links between existing purchasing practices and observed impacts.
- **Prioritize ideas for action:** After understanding risks and impacts, the next step involves brainstorming solutions. Collaborating with various departments, companies decide on immediate actions, focusing on areas with significant potential impacts.
- **Trial actions:** Before broad implementation, any new purchasing practice or change should be tested. This iterative approach ensures that any adjustments are effective and in alignment with the overarching goal of better working conditions.
- **Implement changes:** After validating the changes, they are integrated into the company's daily operations. This might involve adjustments to KPIs, training programs, regular progress reviews, and more.
- **Ongoing engagement with suppliers:** Continuous communication with suppliers is essential. This step ensures that any changes proposed are feasible for suppliers and do not inadvertently introduce other problems.

Throughout the process, the tool encourages companies to refer to the five principles of the CFRPP.

1.2 ACT's Purchasing Practices Self-Assessment (PPSA) Tool

ACT (Action, Collaboration, Transformation) is an initiative that unites brands, manufacturers, and trade unions to work towards improving working conditions and wages in the textile and garment industry. Their aim is to transform the industry through collective bargaining at an industry level, linked to purchasing practices. ACT's PPSA tool offers a comprehensive framework for evaluating the ethical and responsible

purchasing behaviour of its member brands. Covering 16 sections, this tool emphasizes transparency, fairness, and responsibility from sourcing to sales. With its extensive set of questions and numeric scoring system, PPSA aims to help brands ensure that their purchasing practices align with ACT's vision of a just and sustainable garment and textile industry.

Elements

The tool contains 16 sections with a total of 71 questions for brands and 61 for suppliers. This is an overview with a brief summary of each section:

1. Sourcing strategy

This section emphasizes the importance of thorough evaluation and establishment of agreements before order commitments are made. Brands are expected to conduct audits and confirm capacity agreements with suppliers. Furthermore, it specifies that a responsible exit strategy be mutually agreed upon.

2. Forecasting and capacity

The section underscores the necessity of providing and reviewing accurate production forecasts against actual supplier capacity. This ensures that the suppliers are adequately equipped and prepared to meet the production demands, thereby facilitating smoother operations and minimizing potential for production bottlenecks or resource wastage.

3. Price quotations

The tool encourages transparency in pricing by ensuring that brands utilize a detailed cost modelling approach. This involves itemizing both direct and indirect labour costs, which brings clarity to pricing structures and promotes fair compensation for labour and resources utilized by suppliers.

4. Price negotiation

Price negotiations are positioned as being transparent, fair, and mutually understood. This involves an equitable discussion and agreement between brands and suppliers to ensure neither party is disproportionately burdened nor advantaged.

5. Product development

This section requires that the sampling approval process must be clearly defined, timely executed, and transparent. It assures that any product development, adjustments, or customizations are conducted in a structured, communicative, and collaborative manner.

6. Sampling

Brands are required to provide feedback on delayed or rejected samples, and they must actively monitor the conversion rate of requested samples to orders.

7. Order placement

The order placement process mandates the agreement of a critical path and requires brands to evaluate the ethical trade practices of suppliers before placing orders.

8. Changes to orders

This section prioritizes stability in order management by ensuring that changes or cancellations to orders are exceptions rather than the norm. Should changes be necessary, adjustments in delivery time and costs are to be clearly communicated and managed.

9. Re-orders

For consistency and continuity in supply, this segment insists that production sites for re-orders are agreed upon well in advance.

10. Production and lead time

A focus on fair and transparent management of production timelines ensures that lead times are agreed upon prior to order placement and any subsequent changes are treated fairly, ensuring suppliers are not unjustly burdened and that brands manage their inventory and retail planning effectively.

11. Sales and transparency

Brands are encouraged to share information with suppliers and factories on their products' sales performance.

12. Terms of payment

This section mandates that payment terms are clear, fair, and timely, with all wider terms and potential penalties explicitly agreed upon and documented.

13. Training, awareness and corporate culture

Acknowledging the importance of ethical trade and responsible purchasing, this segment insists that brand employees and suppliers are both adequately trained on these topics. Moreover, responsible purchasing practices should be included in the brand's KPIs and in job role competencies.

14. Incentives and compliance scoring

This section aims to motivate suppliers by incentivizing adherence to high standards and compliance with ethical and quality benchmarks.

15. Buyer-supplier Relations

The emphasis here is on maintaining clear, transparent, and mutually beneficial relationships between brands and suppliers. This involves active grievance mechanisms, clear communication channels, and confidential avenues for communication to ensure a healthy, constructive, and progressive relationship.

16. Strategy and alignment

This section underscores the imperative of a business strategy that prioritizes full supply chain traceability beyond the initial tier of suppliers. It should also involve forging enduring relationships with suppliers and factories, ensuring the incorporation of a business integrity policy to obviate corruption and favouritism during the buying process, and leveraging apt indicators to assure the alignment and efficacy of CSR and purchasing strategies.

Methodology

- The tool consists of 71 questions for the brand survey and 61 for the supplier survey (Purchasing Practices Assessment (PPA) by suppliers' tool).
- Answers are attributed numeric values for effective analysis.

- Scores are aggregated using average values without weighted averages.

The PPSA serves as a detailed roadmap for brands, “guiding them toward a sustainable and fair purchasing ecosystem”.³

1.3 Fair Wear’s Brand Performance Check Guide

Fair Wear's Brand Performance Check Guide adopts a layered approach to performance checks, which allows for flexibility in accommodating different risks, priorities, and strategies in a brand's supply chain. This approach defines a basis that all members must adhere to, while also allowing frontrunners to advance further. It prioritizes certain topics based on risks and requires remediation that is relevant to the specifics of a member's supply chain. The guide emphasizes the importance of responsible purchasing practices, including the need for written, binding agreements between brands and suppliers that ensure fairness and decent work across the supply chain. It encourages members to have a Responsible Business Conduct (RBC) policy that is communicated to suppliers and integrated into contracts, agreements, purchasing terms and conditions, and supplier manuals. The guide also highlights the concept of "commercial compliance", which refers to purchasing practices that do not misuse buying power to the detriment of manufacturers. It emphasizes the need for stable and long-term orders, fostering business relationships, and providing financial stability and predictability for suppliers.

Elements

The guide contains five indicators that are directly related to responsible purchasing practices:

2.13

Indicator 2.13 assesses the support of Fair Wear's Code of Labour Practices and human rights due diligence in written contracts with suppliers. It evaluates the extent to which a member company's written contracts with suppliers emphasize fair payment terms and support the implementation of the Code of Labour Practices and human rights due diligence.

2.14

This indicator evaluates whether a member company has formally integrated responsible business practices and the possible impacts on human rights violations into their decision-making processes. It assesses the level of information sharing and collaboration between different departments, such as Corporate Social Responsibility (CSR) and purchasing, to promote responsible business practices. Advanced efforts include active sourcing dialogues with suppliers and the inclusion of responsible business practices in the job role competencies and Key Performance Indicators (KPIs) of sourcing and/or purchasing staff.

³ ACT on Living Wages. (2021). ACT Purchasing Practices Survey by Brands and Suppliers 2021 - ACT on Living Wages. [online] Available at: <https://actonlivingwages.com/what-we-do/act-purchasing-practices-survey-by-brand-and-suppliers-2021/> [Accessed 8 Sep. 2023].

2.15

This indicator assesses whether a member company's purchasing practices support reasonable working hours. It focuses on the collaboration between the member company and the supplier in planning, monitoring, and evaluating the production process. Advanced efforts involve effective collaboration to ensure proper production planning based on realistic assessments of production capacity. This indicator is important because poor production planning can lead to excessive overtime and other labour standard violations.

2.16

Indicator 2.16 assesses the link between a member company's buying prices and wage levels at production locations by evaluating the member company's knowledge and awareness of the labour costs of garments. It examines the member company's costing process and pricing policy to determine whether they understand the labour component of their buying prices.

The indicator also looks at whether the member company's pricing policies allow for the payment of at least the legal minimum wages in production locations. It assesses whether the member company knows the labour cost component of the price they pay and if they ensure that production locations are paid enough to cover minimum wage payments.

2.17

Indicator 2.17 serves as a measure of how well member brands of Fair Wear ensure that their sourcing intermediaries actively uphold the Code of Labour Practices (CoLP) and maintain transparency about production locations.

Methodology

Fair Wear's Brand Performance Check methodology evaluates the working conditions in the supply chains of its member companies. This evaluation underscores the intertwined nature of factory conditions and brand business practices, emphasizing that brands play a pivotal role in influencing factory environments. The methodology prioritizes human rights due diligence, assessing member companies based on the risks and required remediation within their supply chains. Using a tailored approach, the Brand Performance Check looks into how well these companies have integrated human rights principles into their core business operations. The findings from these checks are then made publicly available for transparency and accountability.

Upon evaluation, brands are categorized based on their performance, considering both their benchmarking score and the percentage of their own production under monitoring. The categories are as follows:

- **Leader:** This category is for companies that score exceptionally well and operate on an advanced level. Leaders have made substantial progress in implementing human rights due diligence, including strong

risk assessments and remediation strategies. They demonstrate responsible purchasing practices and best practices in areas such as living wages and freedom of association.

- Good: Companies in this category are making a serious effort to implement the CoLP. They have set up strong systems and policies and are progressing towards meeting all Fair Wear membership requirements. They engage in remediation efforts and are recognized for their efforts.
- Needs Improvement: Companies in this category face challenges that prevent them from fully implementing the required steps or demonstrating sufficient evidence of improvement. They have one year to earn a “good” rating or they may face demotion to the Suspended category.

Tailored recommendations are provided post-check, ensuring brands have a clear pathway for improvements.

For the five indicators related to responsible purchasing practices, scoring is as follows:

Indicator	Points			
	0	2	4	6
2.13 Member company's written contracts with suppliers support the implementation of Fair Wear's Code of Labour Practices (CoLP) and human rights due diligence, emphasising fair payment terms.	Insufficient: member company has no written contracts with suppliers, or contracts hinder human rights due diligence.	Intermediate: Member company's written contracts partially support the implementation of human rights due diligence.	Advanced: Member company's written contracts clearly lay out the shared responsibility of CoLP implementation, including fair payment terms.	
2.14 Member company has formally integrated responsible business practices and possible impacts on human rights violations in their decision-making processes.	Insufficient: Relevant information remains in the CSR department and is not actively shared within the organisation.	Basic: CSR actively informs other relevant departments necessary for responsible business practices.	Intermediate: CSR and other relevant departments actively share information leading to coherent responsible business practices.	Advanced: CSR and other relevant departments actively share information leading to responsible business practices and active sourcing dialogues with suppliers. Responsible business practices are included in job role competencies and KPIs of sourcing and/or purchasing staff.

Indicator	Points			
	0	2	4	6
2.15 Member company's purchasing practices support reasonable working hours.	Insufficient: Inadequate systems in place.	Basic: Member company effectively plans and monitors the production process.	Intermediate: Member company collaborates with the supplier to effectively plan and monitor the production process.	Advanced: Member company collaborates with the supplier to effectively plan, monitor, and evaluate the production process.
2.16 Member company can demonstrate the link between its buying prices and wage levels at production locations.	Insufficient: Member company only knows buying prices, meaning there is no understanding of wage part and/or labour costs of the product.	Basic: Member company can demonstrate some form of open costing with a labour cost component.	Intermediate: Member company can demonstrate some form of open costing and applies a plausibility check to its buying prices against wage levels.	Advanced: Member company can demonstrate a clear understanding of the labour cost component of its buying prices. Labour costs are fixed (not negotiable).
2.17 All sourcing intermediaries play an active role in upholding Fair Wear's Code of Labour Practices and ensure transparency about where production takes place.	Insufficient: Member has not sufficiently informed intermediaries to support the implementation of the CoLP.	Intermediate: Intermediaries are informed about the requirements of the CoLP and inform suppliers about CoLP requirements.	Advanced: Intermediaries are informed about the requirements of the CoLP and actively support CoLP implementation. OR Member's sourcing model purposely excludes the use of intermediaries.	

1.4 Fair Labor's principles, benchmarks, and key performance indicators

The Principles of Fair Labor and Responsible Sourcing and Production set by the Fair Labor Association (FLA) outline the responsibilities affiliate companies have towards their workers and provide a clear framework for ethical practices in sourcing and production. There are 10 principles. Each Principle is executed by companies by upholding a number of benchmarks and key performance indicators. Principle 2 is about responsible purchasing practices.⁴

Elements

The benchmarks and KPIs under "Principle 2: Responsible Purchasing Practices" provide a roadmap for companies to ensure that their purchasing decisions are in line with ethical workplace standards. The

⁴ Fair Labor Association. (2022). Manufacturing Principles - Fair Labor Association. [online] Available at: <https://www.fairlabor.org/accountability/standards/manufacturing/mfg-principles/> [Accessed 12 Sep. 2023].

primary focus of this principle is to ensure that FLA affiliates' purchasing practices, including their decisions on buying products and services, align with their commitment to workplace standards and do not inadvertently create or exacerbate issues for workers. For this principle, there are four benchmarks with a total of 10 KPIs:

- Benchmark 2.1: Company Affiliate has formal, written policies and procedures for production planning that:
 - 1) articulate the many complexities involved in their global supply chains, including different customer (buyer) business models and
 - 2) require relevant internal representatives to work with customers (buyers) to reduce negative impacts on working conditions.These policies and procedures shall address the alignment of sales and workplace standards.
- Benchmark 2.2: Company Affiliate holds relevant staff accountable for the implementation of planning and sales practices that help avoid negative impacts on workers and working conditions.
- Benchmark 2.3: Company Affiliate staff responsible for sales and planning decisions engage with their labour compliance colleagues, top management, facility general managers, customers, other relevant suppliers or agents/intermediaries, as well as the FLA, in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.
- Benchmark 2.4: Company Affiliate incentivizes and supports its facilities to produce in a socially responsible and sustainable manner.

The KPIs for principle 2 revolve around a company's approach to integrating labour rights considerations into their purchasing decisions, fostering internal and external collaboration, and ensuring consistent documentation and review processes to safeguard workers' rights.

Methodology

The FLA assesses whether affiliate companies meet the KPIs under Principle 2: Responsible Purchasing Practices using various methods:

1. **Document review:** The FLA checks for the presence of specific policies, procedures, and documented systems that align with each KPI. For example:
 - KPI a under Benchmark 2.1 requires "Policies and procedures that address various elements including sales, capacity, workplace standards, and responsible retrenchment."
 - KPI a under Benchmark 2.2 requires the company to have "documented metrics and procedures in place to measure and assess the performance of systems and staff responsible for production and planning practices."
 - KPI a under Benchmark 2.4 requires "A documented system to evaluate owned facilities."

2. **Evidence gathering:** The FLA looks for evidence that demonstrates actions, outcomes, or processes in place that align with each KPI. Examples include:
 - KPI b under Benchmark 2.2, which asks for "Evidence of actions, outcomes, or solutions demonstrating multiple departments are held accountable."
 - KPI c under Benchmark 2.3 requires "Evidence facilitation of dialogue between relevant staff, top management, general facility managers, customers, and other relevant parties."
 - KPI d under Benchmark 2.3 seeks "Evidence of continuous measured improvements through open dialogue with relevant parties."
3. **Frequency checks:** Some KPIs involve checking the frequency or regularity of certain activities or reviews. For instance:
 - KPI b under Benchmark 2.1 speaks to the "Frequency of review by senior management to assess impacts of planning and purchasing on compliance."
 - KPI b under Benchmark 2.3 asks for the "Frequency of relevant cross-department dialogues."
4. **Measurement and analysis:** Certain KPIs require a measurement or percentage to gauge the level of implementation. An example is:
 - KPI c under Benchmark 2.4, which inquires about the "percentage of owned facilities receiving incentives."

To effectively assess these KPIs, the FLA would likely conduct a combination of document reviews, interviews with relevant company staff and stakeholders, observations, and perhaps even site visits or audits to gather the necessary evidence and information. However, it is worth noting that while the provided information gives an overview of the KPIs and benchmarks, the FLA's detailed assessment methodology, criteria, and scoring protocols are not publicly available.⁵

1.5 SAC's Brand and Retail Module

SAC's Higg Brand & Retail Module (Higg BRM) is an assessment tool tailored for the textile, apparel, and footwear industry. Developed by the Sustainable Apparel Coalition, the Higg BRM allows brands and retailers to comprehensively measure the environmental, social, and governance (ESG) impact of their operations. By aligning with leading industry frameworks and regulations, it offers a platform for businesses to benchmark their sustainability performance, communicate with stakeholders, and adopt best practices.⁶

⁵ Ibid.

⁶ SAC (2023). Learn about the BRM – User Resources: How To Higg. [online] Howtohigg.org. Available at: <https://howtohigg.org/brm-user-selection/brm-brand-and-retailer-users-landing/learn-about-the-brm/> [Accessed 7 Dec. 2023].

Elements

The Brand and Retailer Module (BRM) is structured around three primary pillars that encompass the broad spectrum of sustainability concerns within the apparel, footwear, and textile industry. These pillars are Environment, Social, and Governance. Each of these pillars contains specific impact areas, which delve deeper into distinct topics and issues:

Pillars	Impact area	Topics
Environment	General	Risk management and policies connected with environmental impact areas
	Climate	Energy, GHG emissions
	Water	Water scarcity, water quality
	Waste	Waste generation and impacts, waste management, circularity (product, packaging, other)
	Chemicals	Chemical management system, MRSL, wastewater, RSL
	Biodiversity	Land use, habitat protection, degrowth
Social	General	Risk management and policies connected with social impact areas.
	Workers	Human rights, labour practices, responsible purchasing practices
	Employees	Employment, regular work and stability
	Consumers	Accessible and inclusive products and services, responsible marketing, safe products and services
	Communities	Community rights, community contributions
Governance	General	Risk management and policies connected with governance impact areas
	Structure and Management	Board composition, board oversight and control, board accountability, performance and incentives
	Ethics and Behaviour	Transparency, grievance mechanisms, stakeholder engagement

The topic of responsible purchasing practices is included in the social pillar, under the “workers” impact area. There is also one question about the topic under the “general” impact area. In total, there are 23 questions about responsible purchasing practices in the BRM, most of them loosely based on principles of the CFRPP and centred around the “due diligence steps” of policy and commitments, measurement and targets, and implementation and results, communication and collaboration.⁷ These are the questions:

No.	Due diligence step	Criticality	Reference	Question	Max. points
SG14	Policy and commitments	1	CFRPP - Principle 1	Does your company have policies or equivalent documents to express your company's commitment towards responsible purchasing practices?	0.1
SWK07	Measurement and targets	1	CFRPP – Principle 1	Has your company formally set and approved targets to continuously improve its purchasing practices?	0.4
SWK08	Measurement and targets	2	CFRPP – Principle 3	Has your company formally set and approved targets to improve the effectiveness of its	0.4

⁷ SAC (2023). Social – User Resources: How To Higg. [online] Howtohigg.org. Available at: <https://howtohigg.org/brm-user-selection/brm-question-by-question-guidance/social/> [Accessed 8 Dec. 2023].

No.	Due diligence step	Criticality	Reference	Question	Max. points
				production planning process, in particular as it relates to reducing changes to orders after they were agreed?	
SWK09	Measurement and targets	2	CFRPP – Principle 4	<p>Has your company formally set and approved targets for fair payment terms that include the following topics? (Select all that apply OR none)</p> <ul style="list-style-type: none"> - Payment timelines - Compensation for - Price changes - Additional services - Other payment term related targets as defined by industry frameworks such as ACT, FLA, CFRPP and STTI - None 	0.4
SWK10	Measurement and targets	3	CFRPP – Principle 2	Does your company ask for suppliers' feedback through a structured and comprehensive approach (such as Better Buying, ACT, other approaches broadly accepted by the industry, or through direct dialog with suppliers) as part of the monitoring and evaluation of its purchasing practices?	0.4
SWK17	Implementation and results	1	CFRPP – Principle 5	<p>Did your company implement a specific program or strategy to support the payment of living wages for workers in its value chain that includes? (Select all that apply OR none)</p> <ul style="list-style-type: none"> - the company has publicly committed to support living wages in its value chain - the company has identified where the risk of wage gaps is greatest - the company has a plan to close wage gaps in priority areas. This can include memberships with wage initiatives such as ACT, IDH's WARP, FLA's fair compensation strategy - the company uses a costing methodology (such as ring-fencing labour costs) to reflect wage increases to close the wage gap in the prices - the company can demonstrate progress on the % of workers in the value chain that receive a living wage - none 	0.2
SWK22	Implementation and results	1	No reference to CFRPP	Did your company meet the targets to support the payment of living wages for workers in its value chain?	0.2
SWK29	Implementation and results	2	CFRPP – Principle 5	Did your company implement a program or strategy to ensure that the costs incurred by suppliers for meeting social and labour	0.2

No.	Due diligence step	Criticality	Reference	Question	Max. points
				requirements are covered when determining prices?	
SWK30	Implementation and results	3	CFRPP – Principle 3	Did your company implement a program or strategy to compensate suppliers for costs incurred due to blocked / unused production capacity?	0.2
SWK31	Implementation and results	2	CFRPP – Principle 2	Did your company implement a program or strategy for expanding its business relationship with long term strategic suppliers?	0.2
SWK32	Implementation and results	Cr	CFRPP – Principle 4	Did your company agree with suppliers on penalties before starting business or placing purchase orders?	0.2
SWK33	Implementation and results	1	CFRPP – Principle 4	Did the payment terms agreed with your suppliers, and detailed within contracts, include the following topics? (Select all that apply OR none) <ul style="list-style-type: none"> - Payment timelines - Compensation for late payment - Financial responsibilities for delays/quality issues with nominated suppliers - Price changes - Additional services - Other payment term related targets as defined by industry frameworks such as ACT, FLA, CFRPP and STTI - None 	0.2
SWK34	Implementation and results	2	CFRPP – Principle 4	Did your company advance payments for the purchase of raw materials when the Purchase Order (PO) is placed?	0.2
SWK35	Implementation and results	3	CFRPP - Principle 2	In those cases where the force majeure clause was invoked, did your company reimburse the costs already incurred by the supplier?	0.2
SWK36	Implementation and results	2	CFRPP – Principle 2	Did your company have a responsible exit strategy to ensure that, in the event of ending a factory and supplier relationship, the termination is managed in a manner that reduces the impact on suppliers and workers, including providing severance payments to workers?	0.2
SWK37	Implementation and results	3	CFRPP – Principle 1	Did your company consistently inform relevant staff (buyers, senior management), about its progress against Responsible Purchasing Practices (RPP) targets?	0.2
SWK38	Implementation and results	3	CFRPP – Principle 1	Did your relevant staff (buyers, senior management) participate in a Responsible Purchasing Practices (RPP) training program?	0.2
SWK39	Implementation and results	3	CFRPP – Principle 3	Did your company consistently collaborate with suppliers in support of their production	0.2

No.	Due diligence step	Criticality	Reference	Question	Max. points
				planning methodology through the following elements? (Select that apply OR None) <ul style="list-style-type: none"> - providing forecasts and updates in advance - having clarity of supplier's production capacity - aiming for production to take place within normal working hours - commitment to spreading order volume - mutual agreement for order modifications - none 	
SWK40	Implementation and results	3	CFRPP – Principle 3	What percentage of your tier 1 suppliers were covered by your collaborative production planning approach?	0.2
SWK41	Implementation and results	1	CFRPP – Principle 1	Did your company meet its targets for the improvement of its Responsible Purchasing Practices (RPP)?	0.2
SWK42	Communication	2	-	Did your company report publicly on its Responsible Purchasing Practices (RPP) targets and progress?	0.4
SWK46	Collaboration	1	-	Did your company actively participate in joint industry efforts to reduce duplicative social and labour audits / assessments?	0.3
SWK49	Collaboration	3	-	Did your company have any specific partnerships, agreements or collaborations with stakeholders related to the improvement of the responsible purchasing practices across the value chain?	0.3

The BRM works with levels of “criticality”. According to SAC, When questions are critical, they pertain to the most crucial or urgent aspects of a company’s ESG practices. Addressing them is vital for any company aiming to uphold basic ethical, social, and environmental standards. Level 1 (foundational) questions are essential and form the foundation of a company’s responsible practices. They address the core, baseline actions or commitments a company should have in place. Level 2 (progressive) questions delve into more advanced or refined aspects of ESG practices. They indicate a company is moving beyond the basics, implementing more sophisticated strategies or initiatives to enhance their ESG performance. Finally, level 3 questions (aspirational) address advanced practices. For SAC, these questions pertain to the highest standards and best practices in ESG. Companies addressing these areas are striving for excellence and setting industry standards. When reviewing the results of the module, identified issues are paired with suggested opportunities based on their criticality level.

Methodology

The BRM is a very comprehensive assessment on many aspects of responsible business conduct. It was designed to “create an industry specific method to report on ESG performance”. By completing the assessment, companies can understand their ESG progress.

The scoring system works as follows:

- Each BRM self-assessment produces a single score out of 100.
- Every question in the BRM 2022 is assigned a specific point value out of 100.
- The exact point value of a question is contingent on the organizational type taking the assessment: Brand, Retailer, or Brand & Retailer. The differing number of questions for brands and retailers means their possible question scores will differ.
- Questions in the BRM assessment are designed to highlight and reward “real-world action”, impact, and outcomes. This means that questions addressing the most critical and urgent topics for the Apparel, Footwear, and Textile Industry may be allocated higher scores.
- Points are distributed across the three Pillars (Environment, Social, Governance), different Impact Areas (e.g., climate, water, waste), and Due Diligence Steps, with the goal of recognizing specific actions and progress.
- The assessment is divided into various sections such as Climate, Water, and Waste. Each section is allocated a certain number of points, summing up to 100.
- Within each section, questions are further categorized based on Pillar, Impact Area, and Due Diligence Step. Each of these questions has a specific point value depending on its category.

Scores are assigned according to these guidelines:

- For binary YES/NO questions: a "Yes" answer awards 100% of the question's total points, while a "No" answer awards no points.
- For YES/PARTIAL YES/NO questions: answering "Yes" fetches 100% of the total points. "Partial Yes" results in 50% of the total points. "No" yields no points.
- For multiple-choice questions:
 - If 75% or more of all answer options are chosen, full points are awarded.
 - Choosing 50% of the options gives two-thirds of the total points.
 - Selecting 25% provides one-third of the total points.
 - If no options are selected or the answer is "None," no points are awarded.

If a company obtains the maximum score for the twenty-three questions on responsible purchasing practices, it will achieve a maximum of 5.7 points of the 100 points for the whole assessment. Hence, the questions on responsible purchasing practices have a 5.7% weight in the assessment.⁸

⁸ Ibid.

Following self-assessment, companies can externally verify their BRM results. The process of verification is generally similar to other sustainability report assurance / verification processes, and is initiated with an approved verifier once the complete BRM Self-Assessment has been submitted. Generally, these verifications are conducted “off-site” through desktop review of shared materials, phone or online interviews and communications, and review of public information.⁹

1.6 ETI's Guide to buying responsibly

The Guide to Buying Responsibly provides practical recommendations and frameworks for organizations seeking to develop and implement responsible purchasing practices. It is based on a supplier survey conducted in 2016 by the Ethical Trading Initiatives of Denmark, Norway, and the UK, and offers insights and analysis on how customers' purchasing practices affect suppliers' ability to plan production effectively, maintain efficiency, and support workers' rights. The guide covers topics such as responsible purchasing policies, supplier selection and management, pricing and cost negotiation, and monitoring and evaluation. It also incorporates the work of trade unions and specialist NGOs.¹⁰

Elements

ETI's guide states that companies should assess their purchasing practices by conducting a thorough evaluation of their supply chain and engaging in an open dialogue with suppliers. The third section of the guide is aimed primarily at buyers, and is intended as a practical, modular guide to purchasing practices. That section is divided into six modules, each of which focuses on a specific stage of the procurement cycle:

- 1. Sourcing strategy and partnering with suppliers:** Building long-term partnerships with suppliers means sharing risk and responsibility, and mutually agreeing standards for both parties. ETI recommends making the shift from negotiations based primarily on low order prices – which prevent suppliers from complying with your labour standards – to a broader conversation encompassing both commercial and ethical performance. Think of it as changing your relationship with suppliers from ‘policeman’ to partner. A shared commitment to improving labour conditions is integral to achieving a fairer balance of power and improving workers’ lives.
- 2. Internal procedures, planning and product development:** The more accurate a company's planning and forecasting, the more efficiently its suppliers will be able to fulfil orders. Conversely, when suppliers receive inaccurate information, the knock-on effect for workers can be harsh treatment and excessive overtime hours, as suppliers scramble to adjust to the updated order schedule. It can also result in higher costs for the supplier and potential delivery delays.

⁹ SAC (2021). Higg BRM Verification Program – User Resources: How To Higg. [online] Howtohigg.org. Available at: <https://howtohigg.org/higg-brm-verification-program/> [Accessed 8 Dec. 2023].

¹⁰ Ethicaltrade.org. (2017). Guide to buying responsibly | Ethical Trading Initiative. [online] Available at: <https://www.ethicaltrade.org/resources/guide-to-buying-responsibly> [Accessed 18 Sep. 2023].

- 3. Inviting quotes and negotiating prices:** When suppliers regularly accept orders that are less than the cost of production, they are forced to make compromises elsewhere. All too often, it is the workers who suffer the consequences, through low pay and poor labour conditions. To turn this situation around, it is vital for buyers to hold open discussions with suppliers on the true cost of labour – from basic wages to providing adequate food and drinking water. By agreeing a price that allows suppliers to pay workers sufficiently, improve social compliance and buy the workplace equipment they need, the buyer will take an important step towards improving the lives of the people in your supply chain.
- 4. Agreeing contractual terms:** Formalising mutual commitment between the buyer and the supplier to agreed labour standards is an important opportunity to drive progress on ethical performance. Currently, many contracts tend to focus on commercial criteria. ETI recommends including clauses to define how the buyer will pay suppliers and how suppliers pay workers.
- 5. Order placement, production, and lead times:** As a company responds to market demands for more products delivered to store ever more rapidly, it is important to consider the potential impacts of insufficient lead times and order changes. It can affect product quality, increase suppliers' costs, and reduce their ability to improve labour conditions. It can also result in late or incomplete deliveries. Wherever possible, we recommend that products should be delivered from the supplier directly to the buyer, rather than through intermediaries.
- 6. Assess the impact of purchasing practices:** Evaluating progress should be a two-way process: a company should measure the supplier's progress on mutually agreed ethical performance goals and invite their feedback on the company's purchasing practices. Progress should be tracked against the initial benchmarks - productivity and labour conditions discerned from prior purchasing habits evaluations - and ensure suppliers are aware of the evaluation metrics. It is crucial to allocate time and resources for comprehensive methods to collect workers' opinions, alongside feedback from official worker representatives. This will offer a clearer understanding of the tangible impact of procurement methods on the workforce. Such investments are promising in the long run.

Methodology

ETI's Guide to Buying Responsibly does not provide a specific methodology for assessing a company's performance related to responsible buying practices. However, it does offer guidance on how to develop and implement responsible purchasing policies, select and manage suppliers, negotiate prices and contracts, monitor and evaluate supplier performance, and engage with suppliers and other stakeholders. The guide emphasizes the importance of engaging in an open dialogue with suppliers, conducting anonymous surveys, and measuring supplier progress against mutually agreed ethical performance goals. By following these steps, companies can gain a better understanding of their purchasing practices and identify areas for improvement.

1.7 Sustainable Terms of Trade Initiative (STTI)

The STTI is a manufacturer-driven initiative aimed at creating fairer purchasing practices in the textile and garment industry. It seeks to foster a more balanced commercial relationship between buyers and their suppliers by facilitating discussions and collaboration between them. The initiative focuses on:

1. **Creating a platform for discussion:** Providing manufacturers and their associations a space to share experiences, desires, and recommendations on how purchasing practices can be enhanced.
2. **Developing the concept of commercial compliance:** This concept is described as a shared understanding of purchasing practices that do not harm manufacturers.
3. **Using a phased approach:** The initiative works in phases, with the first phase dedicated to fostering discussions and identifying challenges. The second phase will be geared towards actionable steps within the supply chain to improve purchasing based on insights from the first phase.

Elements

SSTI's white paper contains (1) key recommendations on purchasing practices, (2) further recommendations and (3) research suggestions on legal and technical aspects needed for the development of services.

The key recommendations on purchasing practices may be considered "as central elements of terms of trade that manufacturers wish to do business under. Therefore, they form the foundation of 'commercial compliance'."¹¹ They can be summarized as follows:

1. **Payment terms:** Maximum of 60 days or shorter if customary. No late payments without a negotiated fee covering supplier's interest loss.
2. **Price adjustments:** No changes to the agreed price except for external costs fluctuating by more than 5% of FOB. Profit or loss from such fluctuations shared between parties.
3. **Order modifications:** Based on clear procedures with costs/savings assigned to the responsible party.
4. **Ownership transfer:** Clear demarcation of the transfer of ownership and risk responsibility.
5. **Compliant production costs:** Prices should cover all compliant production costs and allow for a reasonable supplier profit.
6. **Capacity reservation:** Buyer to confirm available capacity in advance. Payments required for unused capacity if reserved capacity exceeds 20% of a supplier's total.
7. **Force majeure:** Can be invoked only on mutually agreed and legally valid grounds. Already incurred manufacturing costs to be covered by the buyer.
8. **Supplier penalties:** Mutually agreed upon, reasonable, and clearly stated with evidence required for supplier fault claims.

¹¹ STTI - sustainable terms of trade initiative. (2022). Publications – STTI – white paper. [online] Available at: <https://sustainabletermsoftradeinitiative.com/publications/> [Accessed 22 Sep. 2023].

9. **Quality-related penalties:** Applied only when the product's commercial value is affected. Charges for re-processing must be reasonable and not exceed the original FOB price. Goods passing in-country inspection cannot be rejected or reduced in value by the buyer.
10. **Nominated material suppliers:** Buyer takes responsibility for their performance. Manufacturers not penalized for nominated supplier shortcomings. Payment terms for these suppliers should not be shorter than those defined between buyer and vendor.
11. **Transparent forecasting:** Buyers commit to a transparent forecasting methodology and regularly update forecasts to not compromise supplier compliance.
12. **Jointly developed timelines:** Developed to ensure production within regular working hours and distinguish responsibilities for meeting deadlines.

The further recommendations aim to create a more equitable and sustainable trading environment by addressing potential issues and imbalances in the buyer-supplier relationship:

1. **Payment terms:** Payment terms shall not exceed 45 days or the number of days that is customary between a buyer and supplier, whichever is shorter.
2. **Buyer deadlines:** If the buyer misses mutually agreed critical deadlines that affect shipping timelines, then the costs of unutilized capacity, overtime, or expedited shipping may be covered by the buyer.
3. **Profitability transparency:** Requirements for the supplier to open their books related to their profitability may cease until further research has been conducted. Any such sharing should also include reciprocity (with the buyer providing transparency in its financial situation) and be done under a non-disclosure agreement (NDA).
4. **Additional services pricing:** Additional services offered by manufacturers, including 'pre-contract' services, may be included in pricing.
5. **Advance payments:** Advance payments covering costs of raw materials should be made when a purchase order (PO) is released. If the buyer's actions result in leftover raw materials and they want the supplier to hold these materials, the costs of carrying over stock from season to season should be borne by the buyer.
6. **Technical specifications:** Accurate technical specifications should be mutually agreed upon between the buyer and supplier. A sign-off from both parties indicates agreement on the specifications.
7. **Reduce audit fatigue:** Buyers should actively work to reduce audit and standard fatigue.
8. **Investment in data analysis:** Buyers should invest sufficiently in data analysis, decision making, and the improvement of demand planning. This investment will help expand the achievement of financial, social, and environmental sustainability goals.
9. **Balancing factory capacity:** Buyers should help suppliers balance factory capacity by providing orders for both reactive (fashion-sensitive) and non-reactive (basics, non-fashion sensitive goods) products, spreading shipment dates across multiple months.
10. **Compensation for forecasting inaccuracy:** Buyers with a forecasting inaccuracy greater than +/-20% should compensate the supplier for losses from unutilized capacity or costs of overtime payments.

STTI's white paper also includes 11 research proposals. They put forth strategies to refine and reform purchasing practices in the textile and garment sector. Key among these is the establishment of an international arbitration mechanism for manufacturers to address disputes, and a deep dive into the often-ambiguous territory of goods ownership transfer to safeguard manufacturers. There is a call to investigate open costing methodologies, ensuring they are fair and comprehensive, covering the entire supply chain. The importance of a universally recognized force majeure clause is emphasized, along with the exploration of digital technologies' potential to bolster purchasing practices. The use of smart contracts for timely and accurate payments is highlighted, paired with an effort to update non-traditional delivery payment systems. Modern costing practices are mentioned, focusing on achieving a holistic view of profitability across the supply chain, considering all facets like speed, flexibility, and sustainability. There is also a push for transparency concerning third-party intermediaries, better supply chain financing services to suit manufacturer needs, and the expansion of globally accepted quality norms to streamline dispute resolutions.

1.8 Responsible Contracting Project

The Responsible Contracting Project (RCP) was co-founded in 2022 by Sarah Dadush and Olivia Windham Stewart, leading members of the American Bar Association Business Law Section Working Group to Draft Model Contract Clauses to Protect Human Rights in International Supply Chains (the ABA Working Group). The ABA Working Group published the Model Contract Clauses 2.0 (the MCCs 2.0) and the Responsible Purchasing Code of Conduct (the Buyer Code) in Spring 2021. These tools are the basis of the RCP Toolkit.

This initiative's Responsible Contracting Principles outline three core shifts from traditional contracting to responsible contracting to better support workers' human rights in supply chains: 1) From representations and warranties to human rights due diligence, 2) from supplier-only responsibility to shared responsibility, and 3) from traditional contract remedies to human rights remediation.

Elements

In September 2023, The RCP launched the Supplier Model Contract Clauses 1.0, also known as the SMCs. They are a set of model clauses that aim to improve human rights in the apparel and textiles industry. Developed through a partnership between the Responsible Contracting Project (RCP) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the SMCs were crafted by RCP with expertise from Linklaters. Their creation was initiated by the Sustainable Terms of Trade Initiative (STTI).

The main elements of the SMCs are:

1. **Addressing priorities of apparel suppliers:** The SMCs were designed bearing in mind the needs and concerns of apparel suppliers, especially considering the challenges posed by the COVID-19 pandemic, such as abrupt order cancellations.
2. **Buyer obligations:**
 - **Reasonable deadlines:** Ensuring that deadlines set by are fair and achievable.
 - **Fair pricing:** Prices should not only reflect the value of the product but also cover the costs of responsible business conduct. This includes ensuring that workers in the supply chain receive a living wage.
 - **Support to uphold standards:** Buyers are required to assist suppliers in maintaining and upholding human rights standards.
 - **Order changes:** Orders should be amended or changed responsibly to ensure that suppliers are not unduly impacted.
 - **Responsible contract exit:** In cases of unforeseen crises such as pandemics or wars, contracts should be exited responsibly, ensuring that suppliers are not left in vulnerable positions.
3. **Shared Obligations:** Both buyers and suppliers have joint responsibilities:
 - **Human Rights and Environmental Due Diligence (HREDD):** Both parties are obligated to ensure that the supply chain respects human rights and adheres to environmental standards.
 - **Remediation:** Steps and measures to address and rectify any violations or lapses in the supply chain regarding human rights and environmental standards.
4. **Flexibility and adaptability:** The SMCs can be tailored according to specific needs. They are designed to be edited and inserted into supply contracts, ensuring that they are relevant and applicable to various scenarios and business relationships.
5. **Legal alignment:** The SMCs help companies align their business practices and contracts with existing and emerging legal frameworks, such as the German Supply Chain Due Diligence Act and the future EU Corporate Sustainability Due Diligence Directive.
6. **Promotion and outreach:** The success of the SMCs will depend on their widespread adoption. Plans are in place to promote them through training sessions, webinars, and consultations across Europe and Asia.

Methodology

The RCP approach translates high-level principles, such as the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, into practical contractual terms.

At the heart of the RCP's methodology are the Responsible Contracting Principles. First, they advocate for Human Rights Due Diligence, which means that both parties should actively identify, prevent, and remedy any potential or actual adverse human rights impacts in the supply chain. Secondly, the RCP promotes shared responsibility, asserting that both buyers and suppliers are jointly accountable for upholding human rights standards. This principle encourages collaboration, with buyers supporting suppliers' human rights

performance, and underlines the importance of equitable purchasing practices. Lastly, RCP places Human Rights Remediation at the forefront, emphasizing the necessity of addressing and mitigating human rights impacts before resorting to traditional contract remedies. This holistic approach reflects the RCP's commitment to ensuring that contracts actively contribute to human rights protection and enhancement in global supply chains.

The SMCs 1.0 underscore proactive Human Rights Due Diligence, promote shared responsibility between buyers and suppliers, and prioritize human rights remediation over punitive contract remedies. Designed for flexibility, the SMCs can be adapted to each supplier's unique circumstances, ensuring broad relevance and applicability across the industry. They are meant to complement master or framework agreements, which typically cover commercial terms, allowing the SMCs to focus exclusively on HRDD-related obligations and remedies. The current version, 1.0, may evolve based on feedback and the dynamic needs of the industry, potentially leading to more refined versions in the future.¹²

¹² RCP. (2023). Supplier Model Contract Clauses. [online] Available at: <https://www.responsiblecontracting.org/smcs> [Accessed 18 Oct. 2023].

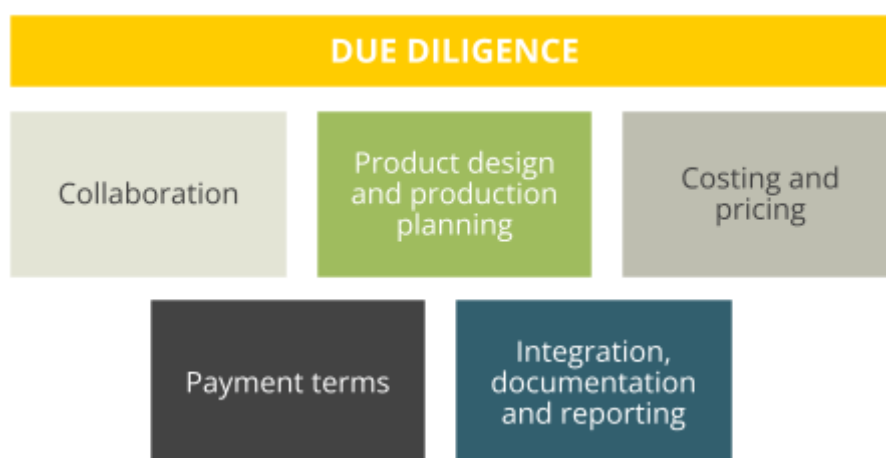
2. COMMON CHARACTERISTICS

Although the tools and approaches analysed in this paper vary in scope, depth, complexity and comprehensiveness, there are similar elements present in most of them. In this section, we have categorized these commonalities.

2.1 Content

Most approaches and tools group indicators and questions around certain topics. We have identified five clusters of topics, with indicators, questions and conversation starters that are present in all approaches and tools. Due diligence is not a cluster of topics, but a key process that is mentioned and described in many of the tools. It also provides a foundation for interaction between buyers and suppliers around the identified clusters of topics and themes. That is why we have included it in Figure 1.

Figure 1: clusters of topics and themes



Due diligence

Most of the tools and approaches refer to human rights and environmental due diligence (HREDD) and describe how they relate to it. Some of them incorporate elements or stages of the due diligence process described in the OECD Guidelines on Responsible Business Conduct.¹³ Although most tools promote due diligence as a key process in the relationship between buyers and suppliers, none of the analysed tools follow a consistent due diligence approach from start to finish.

¹³ OECD (2023). MNE Guidelines - Organisation for Economic Co-operation and Development. [online] Available at: <https://mneguidelines.oecd.org/mneguidelines/> [Accessed 18 Oct. 2023].

Figure 2: due diligence process adapted to identify impacts related to purchasing practices



A due diligence process through the lens of purchasing would look something like this:

- Embed responsible purchasing practices into policies and management systems.
- Identify and assess adverse impacts. Which purchasing practices are a potential cause or contributing factor?
- Develop, test, and implement an action plan with measures to cease, prevent or mitigate these adverse impacts.
- Track the implementation and results.
- Communicate how impacts related to purchasing practices have been addressed.
- Provide remedy for those impacted.

The assessment tools we have looked at tend to use comprehensive lists of questions to gauge a company's understanding, position, and processes regarding purchasing practices. Most of the tools have not been designed to identify and assess negative impacts that may be caused by or worsened by these practices. In-depth, tailored research is needed to understand how purchasing practices and decisions relate to working conditions at a specific supplier. Excessive overtime, for instance, is certainly an adverse impact that

most brands will identify in their HREDD process. But would workers at supplier level work less hours if a brand changed some of its purchasing practices? Other factors, such as a lack of freedom of association and the absence of collective bargaining mechanisms, may be just as or even more important.

The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector includes a box (p. 73) that describes how companies can prevent contribution to harm through responsible purchasing practices. As a first step, companies are encouraged to engage with their supplier to understand if and how their purchasing practices may be contributing to harm.¹⁴ This approach differs from many of the self-assessment methods because most of them start with a list of questions on policies and strategies, instead of a conversation with suppliers on what and how current purchasing practices may have adverse impacts on workers.

The use of assessment tools, approaches and frameworks on purchasing practices should be integrated in the HREDD process that companies already follow. If they do not have such a process in place, it is unlikely that employing comprehensive assessment frameworks with 50 to 70 questions will produce useful outcomes.

Collaboration

In most approaches, there is the central idea that buyers and suppliers should respect each other as business partners and that they should engage in a sourcing dialogue. Some instruments use the word “partnership” to describe the relationship between buyer / brand and supplier, even though there is more than often a power imbalance in this type of relationship. This is due to the governance model that characterises most textile and garment value chains.

The approaches analysed all accept the idea that the responsibility to improve working conditions should be shared. Long-term, secure sourcing relationships are preferred. Brands and suppliers should formulate agreements on mutual responsibilities or responsible purchasing. They should also improve communication and strive for partnership in problem solving and employing responsible exit strategies.

Product design and production planning

This thematic cluster has the largest amount of indicators and questions when compared to other clusters. All the topics are related to how products are designed, made and delivered. They encompass:

- Collaboration in design and production planning
- Sampling
- Adjustments

¹⁴ OECD (2018). OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. [online] Available at: https://www.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector_9789264290587-en [Accessed 18 Oct. 2023].

- Customization
- Production capacity
- Accuracy of orders / order placement
- Accuracy of forecasting
- Accuracy of tech packs
- Use of (mutually agreed) critical path
- Process for changes to order and re-orders
- Lead times for products

A key notion in many approaches is that the design and production planning should be done in collaboration with suppliers. Moreover, it should be conducted in a structured and communicative manner.

Costing and pricing

Most approaches seek to obtain information on buying prices and wage levels at production locations. Some tools, such as Fair Wear's performance checks, investigate the brand's costing process and price policy to determine whether it has a good understanding of the labour component of its buying prices. The CFRPP assessment tool and SAC's BRM also ask whether brands use a costing methodology to know what prices are required to reduce the living wage gap. The Responsible Contracting Project stressed that prices should not only reflect the value of the product but also cover the costs of responsible business conduct, which includes ensuring that workers in the supply chain receive a living wage.

Some instruments also ask buyers / brands to commit to the payment of living wages in the supply chain and to measure the living wage gap against a benchmark at all suppliers. Making commitments and quantifying gaps do not lead to higher wages without making changes to buying prices and isolating the labour cost element of these prices. Few approaches and tools contain practical guidance on effective measures, such as ringfencing labour costs and labour minute costing. The CFRPP does include them as a progress practice. The BRM uses ringfencing labour costs as an example in one of the multiple-choice answers to a question on implementing programmes or strategies to support the payment of living wages (SWK17).

In general, approaches and tools emphasize the importance of considering sustainability and responsible business conduct in costing practices. This involves achieving a holistic view of profitability across the supply chain, considering factors like speed, flexibility, labour and production costs, and internalization of environmental and social costs.

Payment terms

In almost all tools, payment terms are an important topic. The goal is to set terms that are "fair" to the supplier. Fair, in this context, would mean payment terms that:

- Are explicitly agreed on and documented.
- Include all information regarding the payment procedure.
- Are clear and transparent for both buyer and supplier.
- Do not place a disproportionate burden on one party.
- Honour contractual obligations always.
- Ensure payments are made in full and on time.
- Contain mutually agreed reasonable penalties, considering the cause of any delay in delivery.

STTI is specific about how long buyers can wait until they must pay for a product. As a standard practice, it sets a maximum of 60 days or shorter if customary. This is also a groundwork practice in the CFRPP. STTI states that there should not be late payments without a negotiated fee covering supplier's interest loss. Both CFRPP and STTI asks buyers to reduce the number of days of payment terms below 60 days. This, however, is a progress practice in the CFRPP assessment tool and a further recommendation in STTI's white paper.

Integration, documentation and reporting

Many approaches and tools emphasize the importance of integrating responsible purchasing practices into the company's daily operation and overall business strategy, as well the importance of reporting on the progress made in implementing these practices. Integration may involve adjustments to KPIs, training programs, and regular progress reviews.

Assessment methods require evidence to back up claims. Since most of the approaches we have analysed are self assessments, the primary evidence consists mostly of written documents in the form of strategies, management systems, planning, policies, codes of conduct, and / or contracts. Due to costs and time constraints, most approaches do not require third-party factory visits or on-site assessments.

There is an expectation that brands and other buyers share their progress on implementing responsible purchasing practices publicly, for instance by including information on meeting KPIs in their sustainability reports. On a more advanced level, this should include risks and actions taken, accounting for how the brand / buyer identifies and addresses actual or potential adverse impacts.

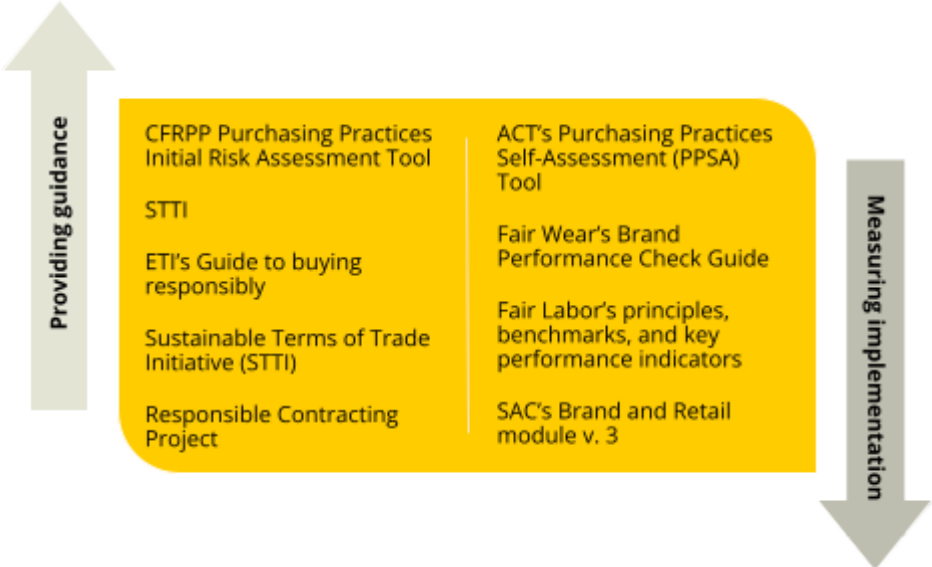
2.2 Scoring and evaluation methodology

Most approaches analysed for the purpose of this overview are self-assessment tools. They are based on standards that reflect the complexities and dilemmas of the garment industry. The effectiveness of the tools and approaches hinges significantly on self-reporting, which requires a high degree of honesty and introspection from the companies that use them.

Some of the approaches, such as CFRPP's Initial Risk Assessment Tool and ETI's Guide on Buying Responsibly, focus on providing guidance and ideas for action, and have no scoring mechanism. Others,

such as the indicators on purchasing practices in Fair Wear’s Brand Performance Check Guide and SAC’s BRM, provide companies with a more or less clear system for scoring (Figure 3).

Figure 3: tools and approaches function in different ways



A comprehensive tool with a fully fledged mechanism to assign scores and evaluate a company’s performance, is SAC’s BRM, with 23 questions about purchasing practices. This is only a fraction of the total number of questions in the BRM. There are between 200 and 300 questions in the assessment depending on the BRM path taken (i.e. Brand, Retailer, or Brand & Retailer). SAC recommends allowing one week to complete the entire assessment on the portal, but another four to six weeks to gather and prepare information.¹⁵

ACT’s self-assessment comprises 71 questions for brands, but does not seem fit for regular use by companies. Instead, ACT uses it to conduct a periodical survey among companies to learn about the state of play regarding purchasing practices.

The only concise approach with a scoring mechanism is the section on responsible purchasing practices in Fair Wear’s Brand Performance Check Guide. However, the indicators are not always specific enough (for instance: “Member company’s purchasing practices support reasonable working hours”) and the guidance for attributing points could be more precise. Fair Wear appears to be the only initiative that conducts thorough performance checks on how well member companies have integrated responsible purchasing

¹⁵ SAC (2022). FAQs – User Resources: How To Higg. [online] Howtohigg.org. Available at: <https://howtohigg.org/brm-user-selection/brm-retailer-users-landing/faq/> [Accessed 23 Oct. 2023].

practices into their core business operations. It is also the only initiative that makes the findings of these checks publicly available.¹⁶

SAC offers a service for companies that want to “verify” their BRM results. This process, similar to other sustainability report assurance / verification processes, is initiated with an approved verifier once the complete BRM Self-Assessment has been submitted. SAC’s verifications and Fair Wear’s checks rely on reviewing shared materials, documents, interviews, and publicly available information. None of the tools analysed include visits to suppliers or onsite audits to check whether the information provided is accurate.

¹⁶ Fair Wear (2023). Resource documents – Fair Wear. [online] Fairwear.org. Available at: <https://www.fairwear.org/resources-and-tools/resource-documents> [Accessed 23 Oct. 2023].