ACT

Action
Collaboration
Transformation

Purchasing Practices Self-Assessment by Brands

General Report

2019

HiiL
user friendly justice

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Contents

1 Summary

ACT (Action, Collaboration, Transformation) is an agreement between global brands and retailers and trade unions to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at industry level linked to purchasing practices. One of the initiatives of ACT is to investigate and improve purchasing practices, which can have an impact on the ability of suppliers/manufacturers to pay living wages and on their willingness to participate in collective bargaining.

To have a better understanding of purchasing practices, a Purchasing Practices Self-Assessment tool (PPSA) was developed by a Purchasing Practices Working Group of ACT in 2016. The PPSA includes 55 questions, covering 16 areas of purchasing practices. It was piloted in 2017, and the first round of responses was gathered later during the same year. The tool was applied by 14 brands and 833 respondents completed the online questionnaire. In 2019, the first round of PPSA was extended by 4 additional brands brand members and 1 brand member which updated its answers from the previous round. This extension round covered altogether 673 new respondents. This report combines the results of both rounds. It now covers 18 brands and 1506 respondents from roles such as buying, merchandising, sourcing, management and design.

The survey tool includes two types of items: questions about "policy character" and questions about occurrences of actual conduct. Higher scores are indications of better purchasing practices. The report introduces an "average brand", which is calculated based on the means of all brands. Also, the minimum and maximum values of all responses are presented. The results are presented section-by-section, by showcasing the percentages of the responses and by comparing minimums and maximums of brands to the average brand. The report is fully anonymised, meaning that individual brands can't be recognised from the scores. Hence, the report aims to give a general idea of the industry; brands will also receive an individual report which can be compared to the general report for brand-specific analysis.

The survey identified a number of good purchasing practices that are generally followed by the brands. It also revealed considerable areas for improvement and shows major differences between brands regarding purchasing practices. Moreover, the questions about practices reveal the level of employees' knowledge and hence gather the percentage of respondent who do not know about a policy or a practice. If a high number of people within an organization do not know whether a certain practice exist, or when people in the same organization have different views on company policies, there is less likely to be an established practice.

Focus areas for improvement have been derived from the average rating by respondents. After the PPSA in 2017, each brand reviewed its individual results internally and compared them to

the ACT benchmark provided by the average outcomes in the PPSA. The findings of the PPSA helped the ACT members to identify five key areas that are most relevant to support the payment of living wages. In November 2018 the ACT members agreed on five purchasing practices commitments. The commitments are one of the specifications of the ACT Memorandum of Understanding (MoU) which each member brand has signed with IndustriALL Global Union ACT.

ACT PURCHASING PRACTICES COMMITMENTS

1. Brands commit that purchasing prices include wages as itemised costs.

2. Brands commit to fair terms of payments.

3. Brands commit to better planning and forecasting.

4. Brands commit to undertake training on responsible sourcing and buying.

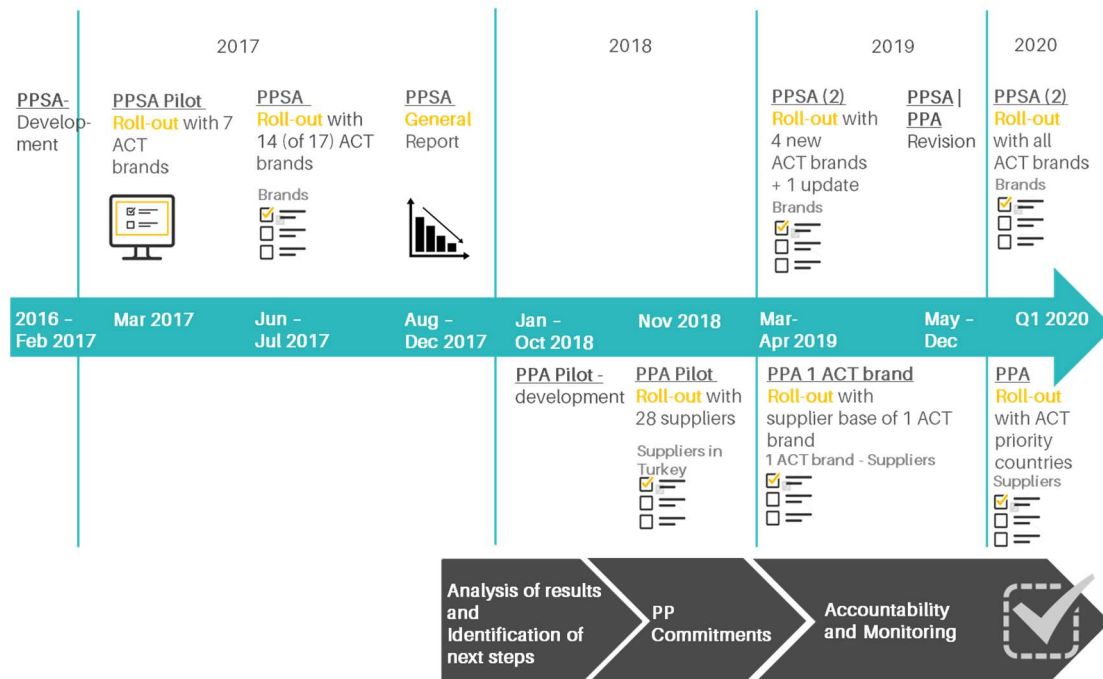5. Brands commit to practice responsible exit strategies.

In the ACT MoU, member brands have committed themselves to ensure that their respective purchasing practices facilitate the payment of a living wage. They have also committed themselves to develop a mechanism to link their Purchasing Practices to collective bargaining at industry level so that manufacturers are able to meet the negotiated terms of agreements on wages and working conditions.

This requires continuous dialogue and collaboration with manufacturers, trade unions and governments at country-level to support the social and economic upgrading of the national textile, garment and footwear industry. This 2019 round of PPSA provides an up-to-date report to support the dialogue. As the role of purchasing practices has been recognized as essential to achieving living wages, ACT members will continue to look at those in order to facilitate the payment of a living wage, alongside with collective bargaining.

The PPSA has a counterpart study, Purchasing Practices Assessment by Suppliers, to reveal whether the self-assessment matches the experience of suppliers. Suppliers can also indicate the purchasing practices that have most impact on the ability and motivation of suppliers to pay a living wage, as established by industry wide collective bargaining. The PPA pilot was rolled-out with 28 suppliers in Turkey.

The next step is to collectively develop and accountability and monitoring framework to be able to compare developments and improvements over time. The PPSA and the PPA will play an important role to gather information of brands and suppliers on purchasing practices. The results will be compared with each other and set in context with the achievement of the implementation of the ACT Purchasing Practices Commitments.

PPSA | PPA Road Map

	2017			2018		2019		2020

PPSA-
Develop-
ment

PPSA Pilot
Roll-out with 7
ACT
brands

PPSA
Roll-out with
14 (of 17) ACT
brands

Brands

PPSA
General
Report

PPSA (2)
Roll-out with
4 new
ACT brands
+ 1 update
Brands

PPSA |
PPA
Revision

PPSA (2)
Roll-out
with all
ACT brands
Brands

| 2016 –
Feb 2017 | Mar 2017 | Jun –
Jul 2017 | Aug –
Dec 2017 | Jan –
Oct 2018 | Nov 2018 | Mar-
Apr 2019 | May –
Dec | Q1 2020 |

PPA Pilot -
development

PPA Pilot
Roll-out with
28 suppliers

Suppliers in
Turkey

PPA 1 ACT brand
Roll-out with
supplier base of 1 ACT
brand
1 ACT brand - Suppliers

PPA
Roll-out
with ACT
priority
countries
Suppliers

**Analysis of results
and
Identification of
next steps**

**PP
Commitments**

**Accountability
and Monitoring**

2 ACT: Improving Purchasing Practices and Living Wages

ACT (Action, Collaboration, Transformation) is an initiative between international brands and retailers and trade unions to address the issue of living wages in the garment, textile and footwear sector. The main instrument for improving the living wages is a stimulation of industry-wide collective bargaining supported by brand's purchasing practices. To support this goal, within ACT there are Working Groups that work on each particular subject. One of these Groups is the Purchasing Practice Working Group. The aim of this Group is to investigate and improve purchasing practices, which have an impact on the ability of suppliers/manufacturers to pay living wages and on their willingness to participate in collective bargaining. ACT identifies Purchasing Practices as the way that international retailers and brands interact and do business with the manufacturers that supply their products.

"Purchasing Practices encompass strategic planning, sourcing, development, purchasing and the underlying behaviours, values and principles which impact workers." (ACT definition of purchasing practices)

Better Purchasing Practices increase the economic space that a living wage will be paid - which is the core of the ACT agenda. Improving communication about Purchasing Practices and a willingness to improve are indispensable to achieve higher levels of transparency and trust within the industry. The Purchasing Practice Self-Assessment (PPSA) is a part of improved communication.

3 The Purchasing Practices Self-Assessment Tool

Based on existing research, ACT members have created a self-assessment instrument regarding purchasing practices, called the Purchasing Practices Self-Assessment Tool (PPSA). It is an online questionnaire for brands to assess their purchasing practices. The tool enables internal cross-departmental information sharing on purchasing practices. Critical actors within brands are not only those doing the buying and sourcing, but also for example those working in product design, HR recruiting and training, and management with regards to strategy be used across one or several departments.

The PPSA is a tool for brands to assess the weaknesses and strengths of their purchasing practices. This assessment can be a starting point to identify the need for change to support the move towards living wages on an industry level, and thus pioneer change. ACT member brands are committed to "ensure that their purchasing practices facilitate the payment of a living wage" (ACT Memorandum of Understanding).

Purchasing practices are the way international retailers and brands interact and do business with the manufacturers that supply their products. They encompass strategic planning, sourcing, development, purchasing and the underlying behaviours, values and principles which impact workers. Good purchasing practices of international brands and retailers are essential to achieve better working conditions. Poor purchasing practices have a negative impact on suppliers and workers in the global supply chain and can contribute to poor working conditions, unauthorised subcontracting, labour disputes and strikes and wages which do not cover the basic needs of workers and their families in garment producing countries. The member brands of ACT recognize the strong link between purchasing practices, working conditions and the payment of a living wage.

The PPSA consists of 55 questions, covering 16 areas of purchasing practices. The 16 sections are

1) Sourcing strategy
2) Forecasting/Planning security
3) Price quotation
4) Price negotiation
5) Product development
6) Sampling
7) Order placement
8) Changes to orders
9) Re-orders
10) Production and lead times
11) Sales and transparency
12) Terms of payment
13) Training, awareness and corporate culture
14) Incentives and compliance scoring
15) Buyer/Supplier relations
16) Strategy and alignment

All of the 16 sections feature statements of practices, in which the respondents are asked to assess if, in their opinion, the company they work for follows these practices. For the items with a "policy character", the respondents were asked whether a certain practice was: (4) well-established and effective, (3) in place, but needs improvement, (2) planned but not yet in place, or (1) not existing. Questions about occurrence of actual conduct during purchasing interactions could be answered with: (5) always, (4) usually, (3) as often as not, (2) rarely or (1) never. So, higher scores are indications of better purchasing practices. All the items are presented later on in this report, under each respective section.

Development and pilot of PPSA

The PPSA was developed by the Purchasing Practices Working Group and then accepted by the ACT Members Council. The ETI Suppliers Speak Up report provided inspiration and guidance for the selection of items. The Working Group carefully designed and phrased questions matching the items and fitting the level of understanding in the industry. In order to test the robustness and functionality of the PPSA, a pilot was conducted during March 2017 among 7 ACT members. The goals of the pilot were:

- Testing the PPSA for its usability, usefulness and comprehensiveness.
- Receiving feedback about the types of questions that are asked.
- Providing an initial idea how the PPSA will lead to benchmarks and the status of purchasing practices.

A second element of the pilot was to receive feedback on the questions from external organisations who have expertise in monitoring purchasing practices. Four external organisations volunteered to participate: ASBCI, ETI, OECD and Oxfam. The pilot participants offered a great number of suggestions that were taken into account when designing the present version of the tool. The pilot also tested the usability, language and usefulness of the tool. The results were satisfactory and hence this evaluation of the tool is not repeated in the final PPSA.

The Purchasing Practices Assessment (PPA) Tool

In 2018, the PPSA tool was complemented by a Purchasing Practices Assessment by Suppliers (PPA) tool. The PPA tool is an adjusted version of the PPSA, in which the respondents are from the supplier side. The PPA has been so far piloted with 28 suppliers in Turkey and the results of the pilot are encouraging. The envisioned outcome of this survey tool is improving communication about purchasing practices with suppliers, fostering a willingness to improve them, and increasing trust between the buyers and suppliers. This aligns with the core of ACT's agenda; improved purchasing practices to ensure the payment of a living wage.

4 ACT Purchasing Practices Commitments

The findings of the PPSA in 2017 helped the ACT members to identify five key areas that are most relevant to support the payment of living wages. In November 2018, ACT members have agreed on five purchasing practices commitments based on the findings of the PPSA. Purchasing practices encompass strategic planning, sourcing, development, purchasing (buying) and the underlying behaviours, values and principles which impact workers. The commitments are one of the specifications of the ACT Memorandum of Understanding (MoU) which each member brand has signed with IndustriALL Global Union ACT.

The five Purchasing Practices commitments are:

1) Brands commit that purchasing prices include wages as itemised costs.
2) Brands commit to fair terms of payments.
3) Brands commit to better planning and forecasting
4) Brands commit to undertake training on responsible sourcing and buying.
5) Brands commit to practice responsible exit strategies.

All of the commitments are operationalised through indicators on implementation measures.[1] In the ACT MoU, member brands have committed themselves to ensure that their respective purchasing practices facilitate the payment of a living wage. They have also committed themselves to develop a mechanism to link their Purchasing Practices to collective bargaining at industry level so that manufacturers are able to meet the negotiated terms of agreements on wages and working conditions. The ACT member brands have committed to implement these changes progressively until the end of 2023.

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[1] The complete description of Purchasing Practices Commitments can be found on the ACT website: https://actonlivingwages.com/purchasing-practices/

5 PPSA in 2019: Methodology

The PPSA data was collected by HiiL on behalf of ACT. The data is stored in a clean room by HiiL, ensuring that brands cannot obtain data about the purchasing practices of their individual competitors. ACT members receive the current report with average scores across all brands as a benchmark. Additionally, each individual brand receives a version of the report with the data collected from that particular brand. This way the brand can assess how its practices compare to the current industry standard.

Sample

The sample for this report was collected in two rounds. For the first round, covering 14 brands, data collection started on 15 June 2017 and ended on 28 July 2017. The data collection for the 4 additional brands of the second round started on 26 February 2019 and ended on 30 April 2019. One of the brands that participated also in 2017 updated its answers, resulting to this report to feature 13 brands with responses from 2017 and 5 brands with responses from 2019. Altogether this report features responses from 18 brands and 1506 individual respondents.

The study was set up as follows:

- The PPSA was accessible online for participants through a Lime Survey questionnaire.
- The online survey was set up by HiiL, who is also performing the role of the clean room. The clean room and the data processing arrangements are agreed between HiiL and ACT. The essence of the clean room arrangement is that HiiL will not disclose any data that can be traced to a brand or an individual respondent and that HiiL will provide ACT with the analysis of aggregate data, individual brands with their individual data
- Invitations with the link to the PPSA were sent out to the contact persons of the brands. There was one contact person per brand. These coordinators then organized internally, who would participate. The objective of the study was to get 40 to 60 people per brand to participate.
- Respondents were asked to answer 55 questions related to purchasing practices divided over 16 sections.

Analysis

The analysis of the data in the following 16 sections has the following logic:

- For each question, the first diagrams show the percentages of responses for each answering option. The answers have been weighted in accordance with the number of respondents per brand. In other words, if the brand had a higher or lower number of responses than another brand, the results shown have been corrected for this.
- The second diagrams show the distribution of brand scores for each question. These values are calculated based on the averages of the responses per brand. The average in the diagram represents the average of the brand scores, while the minimum and maximum reflect the lowest and highest brand scores respectively.

Note: It is crucial to keep in mind that two different scales are used in this study; one ranges from 'Never' (1) to 'Always' (5), while the other ranges from 'No' (1) to 'Established and effective' (4). Hence, for some questions the maximum score is five, while for others it is four.

Comments: After each section respondents had a chance to provide comments. Many respondents chose to do so, and the total number of comments is 732. For each section, three or four comments were selected based on the following criteria:

— Representativeness of the comments;
— contextualization of the quantitative data;
— positive, negative and most salient;
— unexpected comments.

The final section of the analysis investigates consistency. Rather than looking at the overall brand averages and distribution of answers, we look at the consistency of the answers both within the different brands and across job roles. Essentially, we investigate whether within a specific brand or job role the respondents are providing similar answer or widely diverging ones. For this analysis we use the variation, which is defined in this report as a standardised measure for the amount of variation between the brand averages. It is the ratio between the standard deviation and the range of the scale for each question. For each brand the average variation across all questions is calculated and reported. Additionally, we investigate if there are any patterns in the percentage of respondents that reply 'Don't know' to questions for different brands and job roles.

Glossary

Average – The average of a set of numerical values is calculated by adding all individual values together and dividing by the number of terms in the set.

Maximum – The highest value in a set of numerical values.

Minimum - The lowest value in a set of numerical values.

Range – The difference between the upper and lower limits of a particular scale.

Standard deviation – A statistical measure to quantify the amount of dispersion in a set of data values, also the standard error. It can be seen as the average distance from the mean value.

6 Responses

The table below displays the number of respondents per brand that took part in the PPSA in 2017 or 2019. To ensure confidentiality the brands have been sorted randomly. Each brand identification number will be used consistently throughout the report. Hence, for example, brand 5 will always represent the same brand. As noted in the methodology section, the survey was shared with one contact person per brand. This person was then responsible for the internal distribution of the questionnaire. The goal for number of respondents per brand was between 40 and 60. The total number of respondents in PPSA 2019 is 1506.

Number of responses
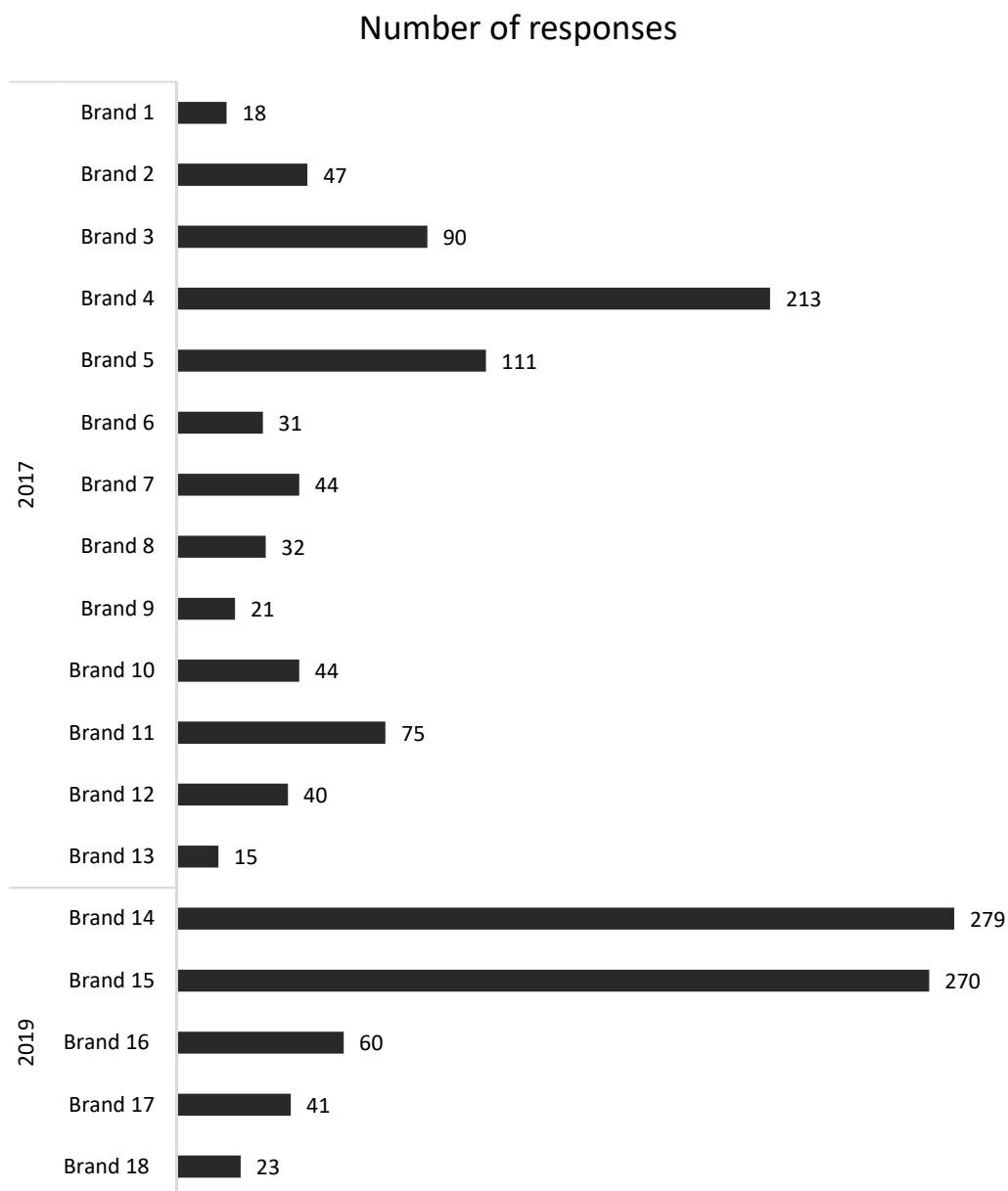
7 Individual Brand Reports

To improve participating brands' knowledge on their purchasing practices, each brand also receives not only this general PPSA report but also an individual PPSA report. Individual PPSA report further elaborates brand-specific scores. Participants of the first round received their reports in 2017, and the second-round participants will receive their reports in 2019. In these confidential reports, the outcomes derived from the brand responses are added to the diagrams so that each brand can explore how they are doing in comparison to the general average and minimum/maximum scores. Each brand can thus explore how its purchasing practices can be explained and improved. Explanation of the results is not however individualised - the individual brand scores are highlighted, but in the individual brand versions of the reports there is no deep analysis of the outcomes for this brand. Broad knowledge on the particular business model and organizational model of the brand would be required for such an analysis. Deeper analysis based on the business and organisational model is possible, however the PPSA Working Group decided to leave a decision to the individual brands on what extent they want to obtain such analysis. Should they wish so, brands can contact HiiL for this additional analysis.

8 Results

This section contains the analysis of answers and its implications. The results are presented per section, organized according to the 16 sections of the PPSA. The individual questions are displayed and analysed as specified in the methodology section. The final part of the analysis is a consistency analysis. We start this section with the general questions that the respondents answered relating to their department and work location.

General

Question

Which role description describes your main responsibility best?
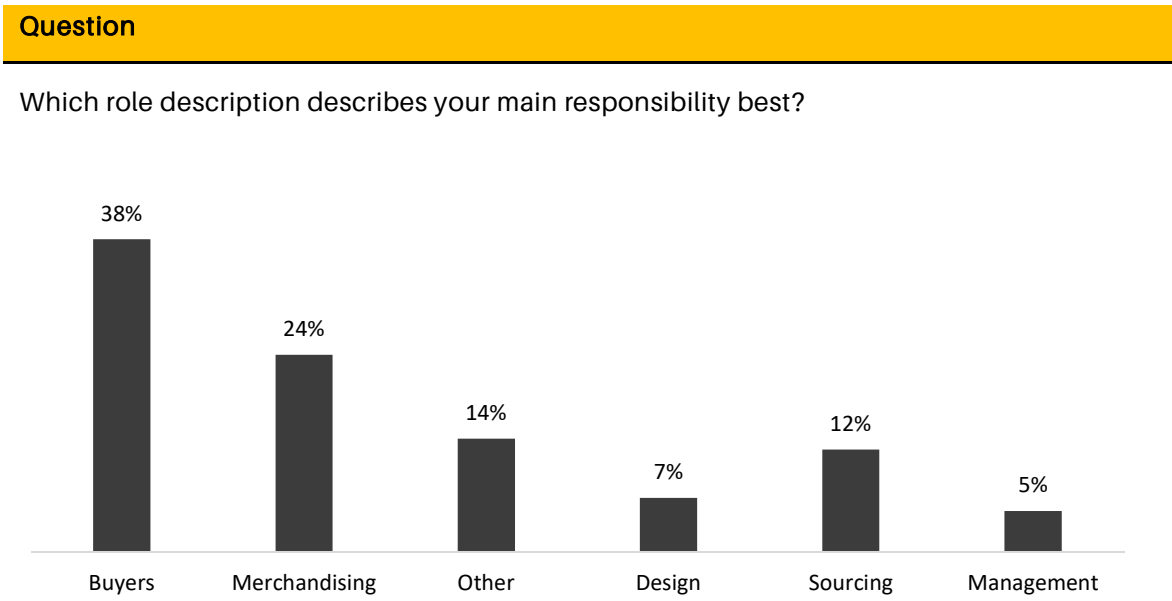
The majority of respondents work in the buying department. While there are also respondents from merchandising and sourcing, there are fewer respondents from the design department and management. The group 'Other' collect respondents from various roles. Many respondents in the category 'Other' work in product development and garment technology, however there are also respondents who identified their role to be in supply chain, ethical trade, logistics or quality assessment. There are also individual respondents outside of these roles.

What is your primary work location?
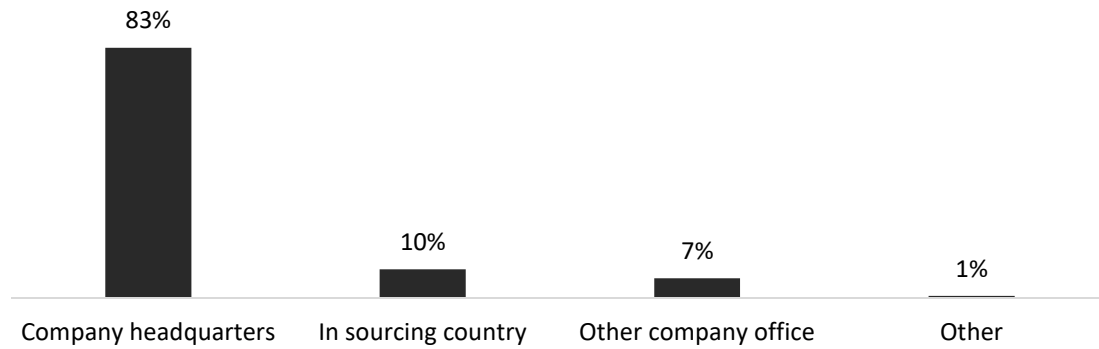
At 83%, a vast majority of respondents work at the company's headquarters, while only one in ten of the respondents work directly in the sourcing country.

Section 1: Sourcing strategy

Distribution of brand averages

Question	Distribution of brand averages
1.1 - Before orders are confirmed suppliers are audited against company ethical trade requirements (Supplier Code of Conduct etc.).	2,8 · 4,4 · 5,0 (scale 1–5)
1.2 - Before orders are confirmed required capacities are agreed with suppliers.	3,3 · 4,2 · 4,9 (scale 1–5)
1.3 - Before business ceases with a supplier, the exit strategy is managed jointly including an agreed phasing out period and due diligence about payments to workers and termination of their contracts.	2,7 · 3,7 · 4,8 (scale 1–5)
1.4 - In the case of serious breach of the code of conduct, or non-compliance and lack of improvement, orders are suspended or managed accordingly.	2,8 · 4,2 · 4,8 (scale 1–5)

◆ Min   ◇ Average   ◆ Max

Distribution of responses

Question	Never	Rarely	As often as not	Usually	Always	Don't know
1.1.		10,3%		5,8%	49,9%	32,2%
1.2.		10,4%		18,0%	45,0%	21,5%
1.3.		20,7%		17,4%	26,0%	29,5%
1.4.		12,4%		25,6%	33,5%	24,1%

■ Never   ■ Rarely   ■ As often as not   ■ Usually   ■ Always   ■ Don't know

Comments on sourcing strategy

"In most cases, our order volumes do not have significant impact on our suppliers' capacities and volumes are fairly consistent with each supplier year on year. In cases where unusually large or urgent orders are placed, we do more thorough capacity planning with suppliers."

"Whether an exit strategy is developed depends on the volume of production with the factory. Where we are a minor customer, none is necessary."

"In the case of serious breach of the code of conduct, or non-compliance and lack of improvement, orders are suspended or managed accordingly. -- The key for us to look at is the root cause of why these happened, to suspend the orders will always our last resort."

"The FTY's we have on our databases are audited on an annual (un-announced basis) so though I do not confirm this prior to order confirmation, I know that it has been done and is in place. As we place orders every 5-6 weeks, we cannot verify changes that frequently."

Sourcing strategy summary

When looking at the brand averages, variations between the brand average minimums and maximums are apparent. However, in all questions except 1.3 ("Before business ceases with a supplier, the exit strategy is managed jointly including an agreed phasing out period and due diligence about payments to workers and termination of their contracts"), the average of the brands is closer to the maximum rather than the lowest-scoring brand.

For question 1.1, measuring whether suppliers are audited against ethical guidelines before orders, at 32% a large number of respondents indicate they do not now know enough to be able to answer the question. There seems to be general unawareness of this across the departments: while 45% of the respondents working in design replied, "Don't know", also merchandisers selected this option often (35%). For other roles this percentage was around 30%, with respondents from management selecting "Don't know" the least often (25%). However, while unawareness on 1.1 was high, majority of the ones who indicated knowledge reported that audits do happen always or usually.

Question 1.2. indicates that before orders are confirmed, the required capacities are usually or always agreed with suppliers. The ones who did not know how to answer 1.2 work mostly in some other department outside of buying, merchandising, design, management or sourcing.

For question 1.3 about jointly managed exit strategy, responses 'never' and 'rarely' are more common than for the previous. Also, the number of respondents replying 'Don't know' is high at 29%. There seems to be general unawareness regarding exit strategies, as the percentage of "Don't know" for respondents from all the departments besides management were around 30%. For management, this percentage is 19%.

For 1.4 the distribution of responses is almost even with 59% of the respondents indicating that in the case of serious breach of the code of conduct, or non-compliance and lack of improvement, orders are suspended or managed accordingly always or usually. Sourcing departments seem to be the most knowledgeable of this practice, as only 19% selected "Don't know". The high percentage of "Don't knows" was mostly from buying and design departments.

There are clear differences between the brands: all questions have high-scoring and low-scoring brands. This difference can perhaps be explained by the company size and season; smaller companies or orders require less capacity-planning with the suppliers. The responses for 1.2 reveal that communication on required capacities with suppliers is rather well, however all other results on sourcing strategy show that communication on exit strategy and trajectories could be improved. While all the brands averages are above the midpoint of the scale, increasing knowledge and focusing on practices especially on topics of questions 1.1. and 1.3. could help in achieving even a higher brand averages for sourcing strategy.

Section 2: Forecasting / Planning security

Distribution of brand averages

Question	Distribution of brand averages
2.1 - Before orders are confirmed suppliers receive forecasts.	Min 3,3 · Average 4,0 · Max 4,8 (scale 1–5)
2.2 - Forecasts are regularly reviewed against available factory capacity.	Min 2,7 · Average 3,7 · Max 4,7 (scale 1–5)
2.3 - Changes to forecasts are communicated and agreed with suppliers.	Min 2,8 · Average 4,0 · Max 4,8 (scale 1–5)
2.4 - To balance required volumes throughout the year, peaks and troughs are jointly managed with suppliers.	Min 2,5 · Average 3,7 · Max 4,6 (scale 1–5)

◆ Min ◇ Average ◆ Max

Distribution of responses

Question	Never	Rarely	As often as not	Usually	Always	Don't know
2.1.	5,3%	12,0%	5,2%	27,0%	35,6%	15,0%
2.2.	5,7%	18,3%	6,8%	24,1%	28,1%	17,1%
2.3.	5,6%	12,8%	5,2%	19,2%	38,5%	18,8%
2.4.	5,3%	16,5%	7,0%	23,4%	31,6%	16,3%

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on forecasting and planning security

"Working in a wholesale model make the forecasting quite difficult. We do capacity planning and also update suppliers about forecast, but for sure there are changes that happen short-term."

"Orders are generally small compared to factory capacity, so production forecasting does not often take place."

"All of above depends on whether it is a core or fashion order - suppliers who are awarded core volume orders are given forecasts which are regularly review throughout the season and communicated with supplier. For fashion orders of smaller volume, we wouldn't really discuss a forecast."

"Some suppliers request forecasts and others don't. Where a supplier requests a forecast, we work hard to ensure we book in line with this forecast however it isn't always managed effectively from both our side and the supplier side which can cause issues down the line. Where suppliers don't request a forecast, we will often share our booking calendar with the supplier, so they know when roughly to expect a booking sheet to be sent - this helps them to plan accordingly."

Forecasting/planning security summary

There is variation between the brands in forecasting. With the lowest variation, the strongest point of the brands are the forecasts for the suppliers (2.1). On average brands score high, as none of the brands score below the 50% of the scale. However, there are differences between the brands.

It seems that the respondents have a better knowledge on forecasting than on sourcing strategy (section 1). While the knowledge is higher, all of the questions received responses of 'never' and 'rarely' – more often than in section 1. Throughout the section, the ones who replied "Don't know" work mostly in other departments outside of buying, sourcing, management, design or merchandising.

There are clear differences between the brands, especially regarding questions 2.2, 2.3 and 2.4. The general average could be raised especially by focusing on reviewing of the forecasts (2.2.) and balancing of the required volumes (2.4.). Forecasting is, however, as is sourcing, affected by the business model and volumes of orders – small companies or small orders are not forecasted as rigorously. Moreover, suppliers' requests for forecasting can affect the applied practice: if forecasting is not requested from the supplier side, it might not be done as rigorously.

Section 3: Price quotation

Distribution of brand averages

Question	Distribution of brand averages
3.1. - Employees involved in price negotiations with suppliers are provided with training on cost breakdowns.	Min 1.9, Average 2.8, Max 3.8 (scale 1–4)
3.2 - Employees involved in price negotiations are required to use a costing model (such as open costing) that itemizes direct and indirect labour costs.	Min 1.3, Average 2.6, Max 3.8 (scale 1–4)
3.3. - Suppliers are provided with training on product costing and how to correctly quote prices including all Direct and Indirect Labour costs.	Min 1.7, Average 3.0, Max 4.6 (scale 1–5)
3.4 - Before an order is confirmed a detailed product cost breakdown is required from suppliers.	Min 1.6, Average 3.4, Max 5.0 (scale 1–5)

◆ Min ◇ Average ◆ Max

Distribution of responses

	No	Planned; not yet in place	In place; needs improvement	Established and effective	Don't know
3.1.	20,6 %	10,0 %	19,1 %	21,1 %	29,3 %
3.2.	17,5 %	15,3 %	18,7 %	18,1 %	30,5 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

3.3.	6,3 %	36,1 %	6,2 %	11,6 %	11,6 %	28,2 %
3.4.	8,4 %	25,8 %	11,8 %	19,9 %	21,3 %	12,8 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on price quotation

"Although these processes are in place for Keyline orders, they are not used on a daily basis due to time constraints."

"Depends on the volume of the order. Smaller orders the costing is usually not broken down and we use past experience and best judgment to review and agree it. Large volume is always broken down and cross-costed."

"We've tried to get suppliers to submit open costings, primarily on large volume lines, but they are usually not complete or fudged by the supplier."

"Open costings as a tool is something that is used but I don't think many people are confident in using it, especially the more junior buyers and ABs so more training could have a positive impact. In my experience a lot of suppliers will refuse to give us this information which can be a huge blocker to transparency."

Price quotation summary

Especially questions 3.3 on supplier training and 3.4 on requiring product cost breakdowns received very diverse responses from the brands; some brands score very high, while others' average remain on the lowest end of the scale. Yet, the common average is actually lowest for 3.1 (employee training on cost breakdown) and 3.2 (costing model), indicating that while in 3.3 and 3.4 there are vast variation between the brands, in 3.1 and 3.2 not many brands score in the highest end of the scale.

This can be seen also from the distribution of responses, as the yellow and red bars are rather high for the section, alongside with the percentage of 'don't knows'. Employee training on cost breakdown (3.1) and costing models (3.2) were the most unclear to designers, as over 70% of them selected "Don't know" for these questions. Also, merchandisers selected this option often, at almost 50%. Also, people working in other departments did not know how to reply, at approximately 60% of them selecting "Don't know" to 3.1 and 3.2. However, for questions 3.3

on supplier training the situation was different, as almost all departments were equally unaware of supplier training. Sourcing scored the lowest number of "Don't knows" with 18%. Question 3.4 on cost breakdown requirements seems clearer to the respondent, as from the buying department only 5% selected "Don't know", while merchandising (16%), management (10%) and sourcing (12%) also demonstrated knowledge. Only design and other departments scored over 25%. However, while knowledge is higher, the vast number of people responding 'never', 'rarely' or 'as often as not' for 3.3 and 3.4 indicate that price quotations in general are a development point. Moreover, questions 3.1 and 3.2 indicate that many brands do not score highly in these questions. Many respondents did not know how to respond to the questions, which indicates that knowledge about price quotations, especially in merchandising, could be advanced. In the comments many respondents said that they see open costing as something that could be valuable, but business model or reluctance from the suppliers' side creates uncertainty of its applicability. Many respondents also indicated that knowledge on open costing can vary between seniors and juniors in the company.

Section 4: Price negotiation

Distribution of brand averages

Question	Distribution of brand averages
4.1 - Prices are negotiated in a fair and transparent way with an equal understanding by all parties involved.	Min 2.8, Average 4.1, Max 4.8 (scale 1–5)
4.2 - During price negotiations historical costing information is reviewed and updated to include a factories most current production cost.	Min 2.7, Average 3.9, Max 4.7 (scale 1–5)

◆ Min ◇ Average ◆ Max

Distribution of responses

4.1.	13,6 %		18,6 %	40,4 %	20,1%
4.2.	18,9 %	5,1 %	22,7 %	31,8 %	17,9%

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on Price Negotiation

"We don't negotiate directly with the factory. We go through a third-party supplier, so I don't know this for sure, but our negotiations with the suppliers are open and transparent."

"Again, a lot of detail goes into discussing costings during Keyline, when negotiating balance ranges, we do not have time to get into that level of detail."

"Some suppliers are more open with their costings than others - some will provide a lot of detail which helps us to clearly understand where the costs are coming from. Others are less so, which can be frustrating at times when negotiating as if you don't understand why a cost is coming up high it's hard to know what to do about it fairly to get to an agreeable point."

"Suppliers provide info about their production costs, but it doesn't change the fact that margin targets must be met."

Price negotiation summary

For price negotiations, the brand average scores rather high although this may be because the questions include a rather open-ended evaluation criterion. Even the brand with the lowest average scores on the top half of the scale. The brands are doing generally better than with quotations, however approximately one in five still did not know how to respond to questions of section 4. Unawareness appears to be almost equal across the roles, however respondents working in other department outside of buying, merchandising, design, management or sourcing selected "Don't know" a little more often than others. Responses indicating 'always' for both questions are the most common; however, the red and yellow bars representing 'never' and 'rarely' are also present and could be lower. In the comment section the respondents identified difficulties in balancing between the margin targets and price negotiation. This is related to the uncertainty of cost factors when a price breakdown is missing.

Section 5: Product development

Distribution of brand averages

Question	Distribution of brand averages
5.1 - Product specifications/tech packs are sent to suppliers and their factories within agreed critical path deadlines.	Min 3,1 · Average 4,1 · Max 4,8 (scale 1–5)
5.2 - At the start of the sampling and costing process, product specifications or tech packs provide complete information.	Min 3,1 · Average 4,1 · Max 4,8 (scale 1–5)
5.3 - Sample requests are aligned with a Supplier's and/or factory's technical and manufacturing capabilities.	Min 2,8 · Average 4,2 · Max 4,8 (scale 1–5)

◆ Min   ◇ Average   ◆ Max

Distribution of responses

Question	Never	Rarely	As often as not	Usually	Always	Don't know
5.1.	10,0 %			25,0 %	39,4 %	19,3 %
5.2.	12,5 %			25,0 %	36,7 %	17,8 %
5.3.	9,7 %			22,8 %	40,4 %	21,3 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on product development

"Product requirements are always agreed when negotiating. They are not always sent in a technical pack, sometimes agreed over email. Samples would only be requested from suitable suppliers."

"The above specs are created for key lines but not used on a regular basis for the rest of the ranges. We sent out specs for the measurements, but it does not include all other requirements. These are usually detailed out in an email."

"We involve the design team early on, so they know roughly the amount of developments we need for a certain time period and where we are planning to product different product types (in accordance to the supplier strengths). If design teams are involved from the planning stage, there are less surprises later on."

"We are very aware that sometimes we have to push the factories to get samples out quicker than agreed. This can be because a buyer has changed their minds or designs need to be amended. Often extra samples are needed for important meetings. We try and manage everyone's expectations."
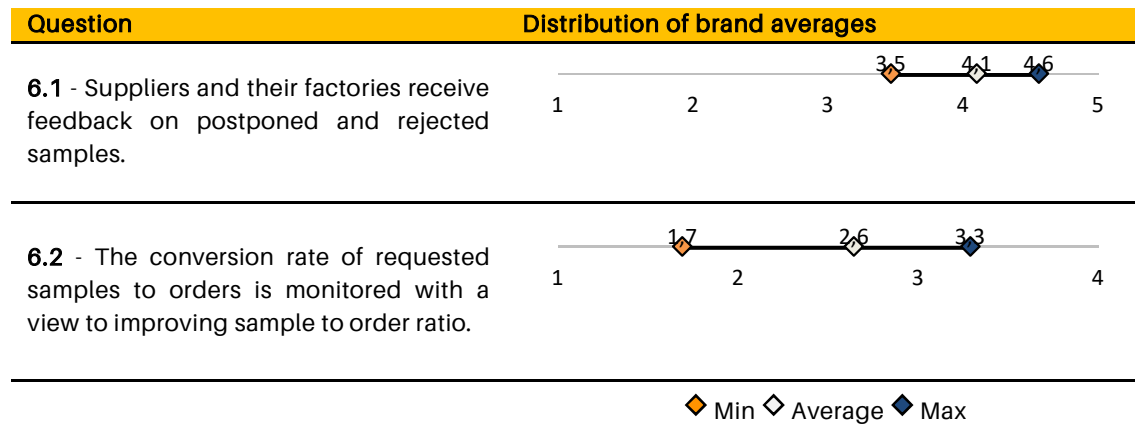
Product development summary

On average, the brands score high with the average being on the top of the scale. However especially for 5.3 on sample requests the dispersion is apparent. Approximately one in five did not know how to answer to questions in section 5. This unawareness seems to be general across the departments, with designers and other departments selecting "Don't know" slightly more often.

One of the comments highlighted design departments' importance in product development from the planning stage onwards. According to the data, approximately one in four from design responded 'don't know' to this section. Mending communication between departments could further promote the practices stated in this section. The complex production chain from design to actual production seems to create varying expectations between the parties. Refining these processes could bring the results in product development to even higher averages.

Section 6: Sampling

Distribution of brand averages

Question	Distribution of brand averages
6.1 - Suppliers and their factories receive feedback on postponed and rejected samples.	Min 3.5, Average 4.1, Max 4.6 (scale 1–5)
6.2 - The conversion rate of requested samples to orders is monitored with a view to improving sample to order ratio.	Min 1.7, Average 2.6, Max 3.3 (scale 1–4)

◆ Min ◇ Average ◆ Max

Distribution of responses

6.1.

Never	Rarely 10,2 %	As often as not	Usually 21,7 %	Always 37,5 %	Don't know 23,2 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

6.2.

No 19,6 %	Planned; not yet in place 7,0 %	In place; needs improvement 22,2 %	Established and effective 19,6 %	Don't know 31,7 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

Comments on sampling

"We go through rejected samples with suppliers on an ongoing basis. The suppliers should be aware of the reasons a sample is not chosen but it's not a formal process."

"Suppliers and their factories receive feedback on postponed and rejected samples - sometimes receive from design on development sample, always receive from buying division on SMS in line or cancel. The conversion rate of requested samples to orders is monitored with a view to improving sample to order ratio - we are in a communication with division."

"Conversion rate is only really monitored if requested by suppliers, it's not standard practice."

"We work at an extremely fast pace so do not give feedback on all samples received just the ones we are placing orders on. Typically, during meetings with suppliers we would give general feedback in relation to development samples and prices."
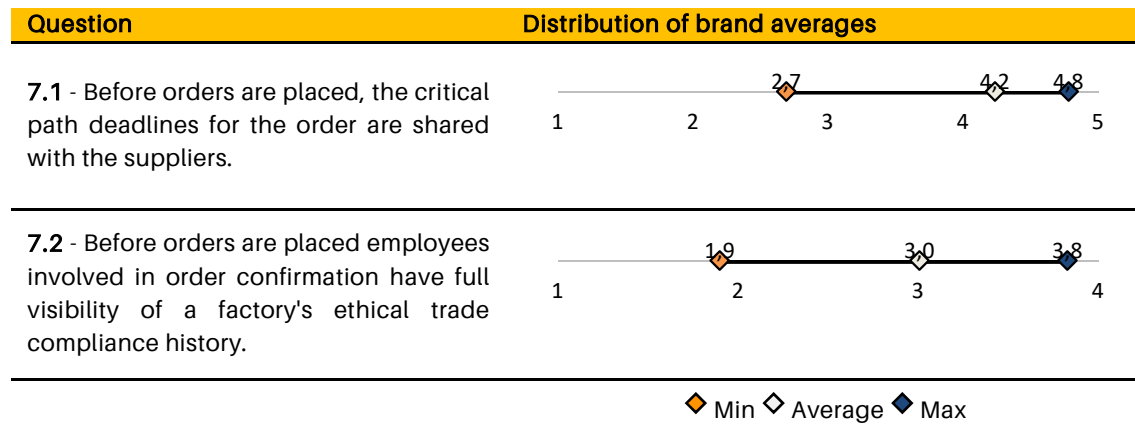
Sampling summary

On sampling, there are notable differences between the two questions when comparing brand averages. The average for 6.1 is high and dispersion low, but for 6.2 the average is considerably lower. While the first question on giving feedback on postponed and rejected samples received rather positive evaluations, question 6.2 on the conversion rate of requested samples indicates that there is a need for improvement in monitoring the conversion rate. Less than 50% of the respondents replied, 'in place' or 'established and effective'. One in five respondents replied 'No' and approximately one in three 'Don't know'. Especially respondents working in design or merchandising founds 6.2 a difficult question, with approximately half of them responding "Don't know".

Hence, while the respondents are more positive about the feedback sent to suppliers regarding samples, there is however a need for improvement in monitoring the conversion rate. Many respondents gave a less positive evaluation, and even more often the respondents do not know what to answer to the question. The same observations can be made based on the comments: monitoring of the conversion rate is not a standardised practice, yet some respondents indicated that in their brand or department it is done voluntarily. Raising awareness and introducing new practices could help in achieving higher brand averages.

Section 7: Order placement

Distribution of brand averages

Question	Distribution of brand averages
7.1 - Before orders are placed, the critical path deadlines for the order are shared with the suppliers.	2,7 4,2 4,8 (scale 1–5)
7.2 - Before orders are placed employees involved in order confirmation have full visibility of a factory's ethical trade compliance history.	1,9 3,0 3,8 (scale 1–4)

◆ Min   ◇ Average   ◆ Max

Distribution of responses

7.1.

| 10,3 % | | 16,8 % | 42,4 % | 25,0 % |

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

7.2.

| 15,2 % | 4,9 % | 14,9 % | 34,7 % | 30,4 % |

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

Comments on order placement

"Critical path is very important and managed tightly by all involved to ensure product can be delivered, fairly. I believe we all have access to this information through our intranet; however, this has not been explained well and am sure many people in the business would not be aware of this."

"Employees who place orders do not have visibility of ethical compliance history however, orders cannot be placed with any factory who have not been signed off on ethical compliance and so if an order is placed, employee has confidence that ethical has been approved."

"Employees have access to factories ethical trade compliance history, but this is not something we review before placing each order."

"Frequent supplier reviews ensure the team know who is performing, however full compliance history is available to the senior team. This could be made more accessible to the full team."

Order placement summary

The respondents indicated that rather often, critical path deadlines are shared with the suppliers (7.1). While 40% of the responses indicate that a process to have a full visibility over factory's ethical trade compliance history is in place but needs development or established and effective, 15% of the respondents say that no such protocol is in place. The percentage of "Don't know" was also rather high for both questions. For 7.1, respondents from buying, design or other departments selected "Don't know" slightly more often than respondents from merchandising, sourcing or management. With 7.2, the differences were higher, with 63% of respondents from design, 43% from merchandising and 40% from other departments selecting "Don't know" (while for others this percentage remained under 20%).
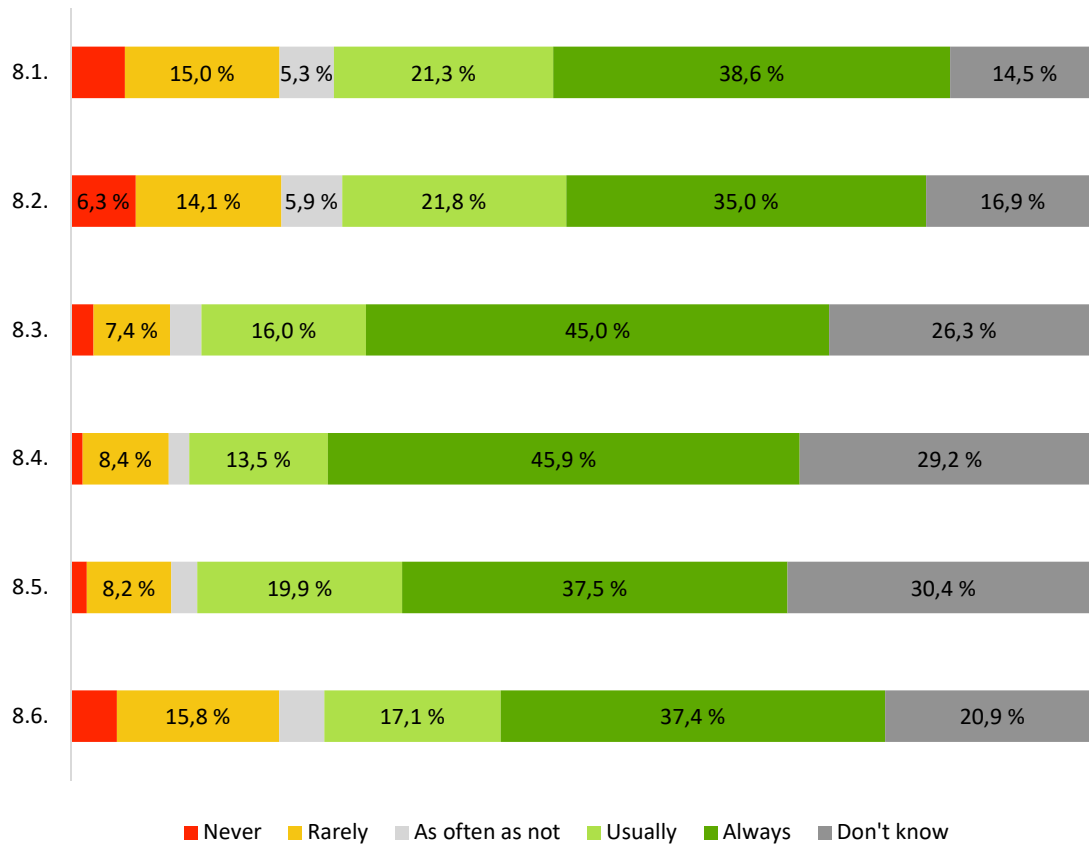
Hence, the respondents are generally quite positive about sharing of critical path deadlines with suppliers, yet the visibility of a factory's ethical trade compliance history could be improved. Many respondents do not know whether the ethical trade compliance history is visible for buyers. Some brands appear to have an effective system in place, while other are still in the planning phase. In the comments the respondents often indicated that the compliance history is available yet difficult to find, or not fully available to the whole team. If the information is not available, it was seen as beneficial to have systems in place to ensure that no orders can be made from factories which do not comply to the ethical standard.

Section 8: Changes to orders

Distribution of brand averages

Question	Distribution of brand averages
8.1 - Changes or cancelations made after order placement are monitored and regulated by management.	Min 3.1, Average 4.0, Max 4.6 (scale 1–5)
8.2 - Changes or cancelations made after order placement are treated as exceptions.	Min 2.9, Average 3.9, Max 4.6 (scale 1–5)
8.3 - When changes are made that affect the lead-time, delivery dates are adjusted and agreed with suppliers and factories.	Min 3.5, Average 4.4, Max 4.7 (scale 1–5)
8.4 - When changes affecting costs are made to orders, cost prices are adjusted and agreed with suppliers and factories.	Min 2.9, Average 4.4, Max 5.0 (scale 1–5)
8.5 - Suppliers and factories are consulted and action is agreed with them when cancelations are required.	Min 2.8, Average 4.3, Max 4.8 (scale 1–5)
8.6 - Cancellations are monitored by management for fairness and legitimacy.	Min 2.4, Average 3.9, Max 4.8 (scale 1–5)

◆ Min ◇ Average ◆ Max

Distribution of responses

	Never	Rarely	As often as not	Usually	Always	Don't know
8.1.		15,0 %	5,3 %	21,3 %	38,6 %	14,5 %
8.2.	6,3 %	14,1 %	5,9 %	21,8 %	35,0 %	16,9 %
8.3.		7,4 %		16,0 %	45,0 %	26,3 %
8.4.		8,4 %		13,5 %	45,9 %	29,2 %
8.5.		8,2 %		19,9 %	37,5 %	30,4 %
8.6.		15,8 %		17,1 %	37,4 %	20,9 %

Comments on changes to orders

"Change is an inevitable part of this industry. It is not agreed with suppliers, but it is communicated to them (not with them). Few are new to this; most are well-experienced and for them "change" is as normal as day and night."

"The best practice is to communicate cancellations well and work with garment vendors on a plan which makes this fair to both parties. On occasions, performance on lines is surprisingly below projection and we need to proceed with full cancellations on orders. In this case material liability is covered by us. In some cases, the garment vendor doesn't manage to produce garments within the agreed critical path, normally this will result in a reduction of order quantity (at the supplier's cost) or in very rare occasions when the garment is seasonal (i.e. bridal) full cancellation at suppliers cost."

"This is something I think the business is now a lot better at. There's still a culture of last-minute changes, but cancellations are nowhere near excessive as they used to be."

"Cancellations for lines after orders have been confirmed are rare and only happen if the product is sub-standard and don't meet quality standards."
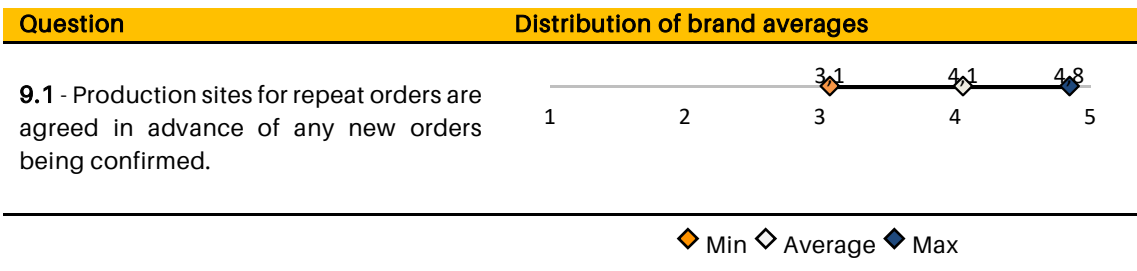
Changes to orders summary

Regarding changes to orders, the highest-scoring brands score quite well on all of the questions. Also, the brand averages are relatively high. However, dispersion between the brands varies: while it is low in questions 8.1, 8.2. and 8.3, from 8.4 onwards the dispersion is comparatively high. While there are significant percentages of responses indicating that practices mentioned are applied always or usually, there is also a high percentage of "Don't knows" for section 8. Especially for questions 8.3, 8.4 and 8.5 the percentages for 'Don't know' are substantial. While respondent from other departments outside of buying, sourcing, management, merchandising or design selected "Don't know" for questions in this section rather often, also buyers appear to not have knowledge over practices on changes to orders. For management, the percentage of "Don't knows" is generally the lowest for this section, indicating good knowledge. However, for question 8.6 on cancellations being monitored by management, management replied "Don't know" slightly more often (20% of the respondents from management) than design (18%), merchandising (19%) or sourcing (15%).

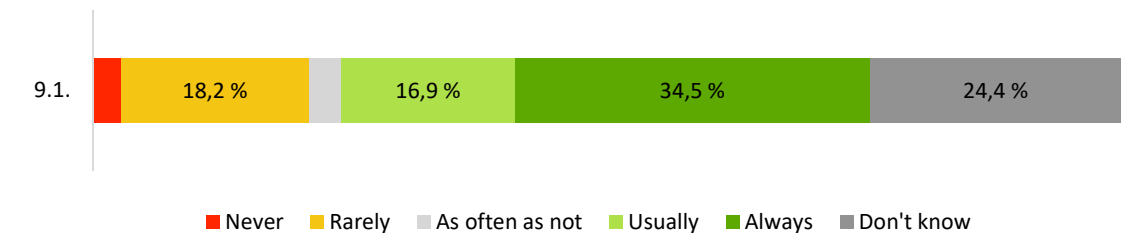Focusing on managing and monitoring cancelations (questions 8.1, 8.2 and 8.6) could help to achieve even higher brand scores. In the comments the respondents often discussed changes as an inevitable part of the business yet mentioned fair and collaborative ways of handling them as necessary. Cancellations were seen as something that occasionally happen; however, they are not desirable and should be effectively monitored.

Section 9: Re-orders

Distribution of brand averages

Question	Distribution of brand averages
9.1 - Production sites for repeat orders are agreed in advance of any new orders being confirmed.	3,1 4,1 4,8 1 2 3 4 5

◆ Min   ◇ Average   ◆ Max

Distribution of responses

9.1.	18,2 %		16,9 %	34,5 %	24,4 %

■ Never   ■ Rarely   ■ As often as not   ■ Usually   ■ Always   ■ Don't know

Comments on re-orders

"Whilst the exact facility might not always be agreed in advance, it will absolutely be in an on-boarded facility."

"Rebuys are to take place in the same vicinity as the original circumstances and under the exact same conditions. This is an expectation and an assumption and not something that is actively discussed at the point of placing repeat orders."

"I would think only departments with specific technical requirements (knitwear/denim) would discuss what factory is being used."

"When we place repeats with suppliers, we ensure that this is in the same factory. However, if the supplier changes the factory this can pass through without being noticed. We need to check this more thoroughly."

Re-orders summary

The question in section 9 about re-orders received responses rather good responses; option 'never' was rarely selected. However, approximately one in four selected "Don't know". Especially buyers (27%) and people from other departments (28%) selected "Don't know" often; however, the percentages are not much lower for other departments as approximately 20% of the respondents from each department selected "Don't know". The distribution of brand

averages of question 9.1 shows that re-orders are generally handled similarly by brands, as there are no high discrepancies between the brands.

To advance even better practices, knowledge about re-orders practices could be promoted across all departments. From the comments it becomes clear that with re-orders, there is almost always an intention and assumption that the same factory is being used. However, some respondents indicated that there are no mechanisms to check this or if a mechanism to ensure this is in place, changing the factory can still happen unnoticed. Some of the comments mentioned that it helps to create trust when all the factories of the suppliers are approved; hence, even if the factory changes, they can trust the other one to be up to the same standards.

Section 10: Production and lead time

Distribution of brand averages

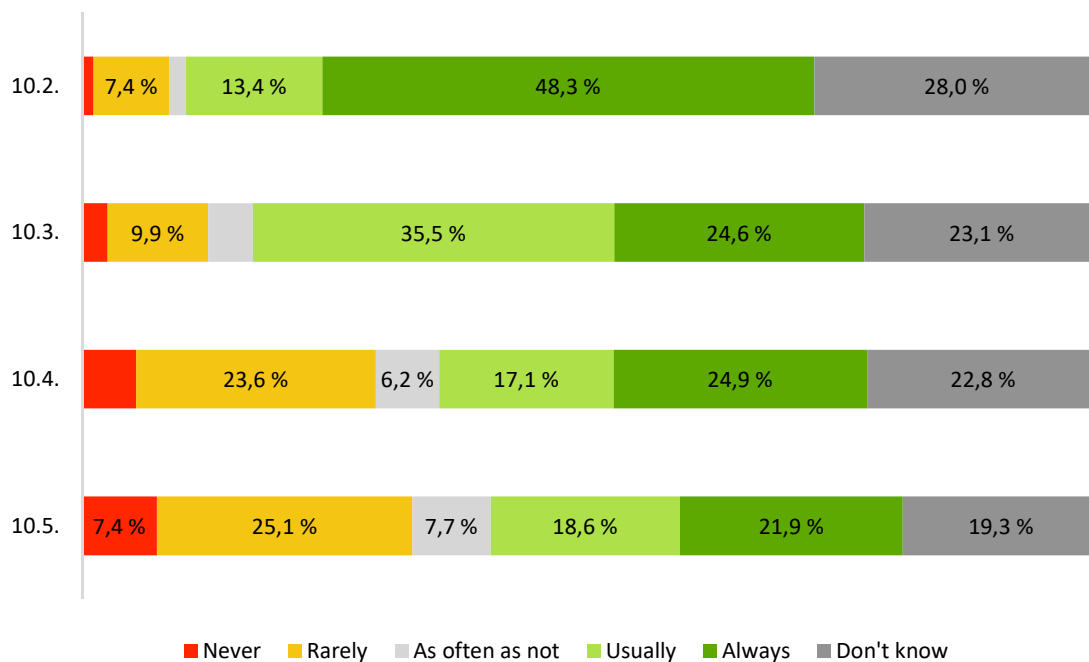| Question	Distribution of brand averages
10.1 - Employees involved in product development and corresponding negotiation of terms with suppliers, receive training on manufacturing processes and production lead-times to help ensure a clear understanding of what is being negotiated.	Min 1,9 · Average 2,7 · Max 3,7 (scale 1–4)
10.2 - Before orders are placed supplier's agreement on lead-times is confirmed.	Min 3,2 · Average 4,4 · Max 4,9 (scale 1–5)
10.3 - Unforeseeable delays in any part of the production process caused by any party are taken into account and lead times are agreed upon and adjusted accordingly.	Min 2,6 · Average 4,0 · Max 4,7 (scale 1–5)
10.4 - On-time delivery of nominated materials or services to suppliers and their factories is monitored for improvement.	Min 2,4 · Average 3,6 · Max 4,6 (scale 1–5)
10.5 - Any costs related to delays of nominated materials or services are shared between all parties involved.	Min 2,7 · Average 3,4 · Max 4,4 (scale 1–5)

◆ Min ◇ Average ◆ Max

Distribution of responses

10.1.	23,0 %	6,6 %	19,7 %	23,0 %	27,7 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

10.2.		7,4 %		13,4 %	48,3 %	28,0 %
10.3.		9,9 %		35,5 %	24,6 %	23,1 %
10.4.		23,6 %	6,2 %	17,1 %	24,9 %	22,8 %
10.5.	7,4 %	25,1 %	7,7 %	18,6 %	21,9 %	19,3 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on production and lead time

"If handled correctly, use of nominated fabric saves a lot of time for employees and garment maker - less sampling, less testing etc. Prejudice is that nominated fabric is always way more expensive than own-sourced. However, in my experience, this is not necessarily true: if bundled and with proper projection for several Projects or even collections, you can have better material quality to same price as own-sourced fabric."

"Delays to products are reviewed on a case by case basis, depending on the nature or the delay, how it happened and how long it is affects. Based on this it is reviewed who will share the cost and if we charge for delays."

"Due to our business model we have fixed delivery dates that cannot be adjusted. If there are any delays within production the only option is air freight. Depending on who caused the delays (supplier or our company) will pay for air freight costs or costs will be shared."

"Delays are always pushed back on supplier."

Production and lead time summary

Question 10.1 on employee training on manufacturing processes and production lead-times has a low total average. This indicates that many brands have room for improvement on these trainings. Notably 28% did not know how to answer to 10.1; especially respondents working in design (59% of respondents from design), merchandising (46%) or other (50%) replied 'Don't know'. For question 10.2 on confirming lead-times before orders, the percentage of 'Don't know' is similarly high. However, respondents from different departments were rather equally
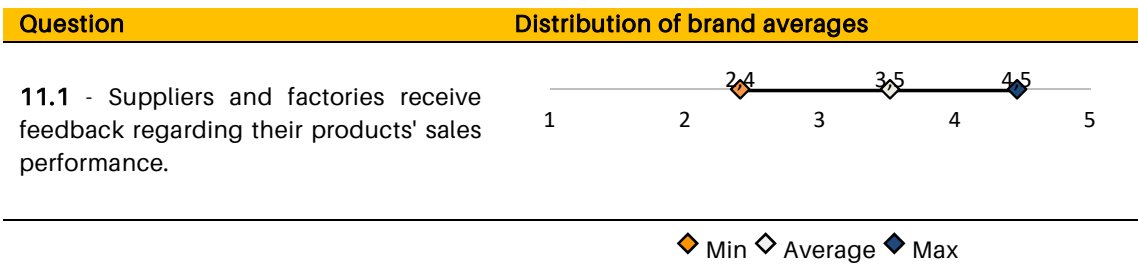
unaware whether this practice take place, with all the departments hovering around 30%, except sourcing (16%) and management (15%).

For other questions in section 10, in general the total brand average is fairly high, yet we can observe room for improvement especially in 10.4 (monitoring of on-time delivery of nominated materials) and 10.5 (costs related to delays of nominated materials or services are shared between all parties involved).
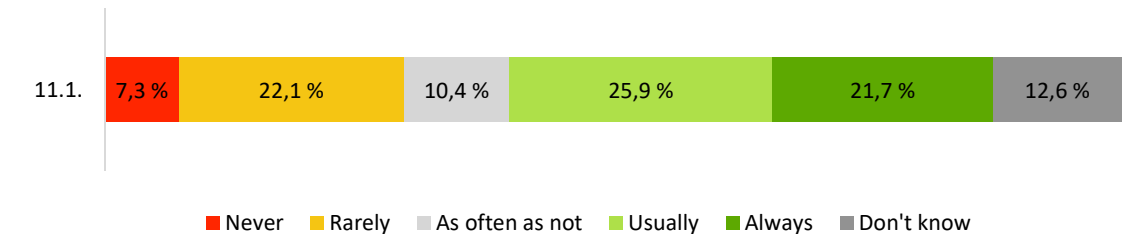
The data suggests there is room for improvement in production and lead time management, particularly the issues highlighted in questions 10.1, 10.4, and 10.5. In the comment section, many of the respondents indicated that they do not use nominated materials and hence questions 10.4 and 10.5 are not applicable to them. Many comments also discussed delays, expressing that delays are either supplier's responsibility or negotiated on case-by-case basis. Some protocols applicable to delays are, for example, agreements over absorption of shipping costs.

Section 11: Sales and transparency

Distribution of brand averages

Question	Distribution of brand averages
11.1 - Suppliers and factories receive feedback regarding their products' sales performance.	2,4 3,5 4,5 1 2 3 4 5

◆ Min ◇ Average ◆ Max

Distribution of responses

11.1. | 7,3 % | 22,1 % | 10,4 % | 25,9 % | 21,7 % | 12,6 % |

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on sales and transparency

"As far as I'm aware there is no formal system for this, but suppliers do get their sales performance if they ask for it."

"Many brands have automatic sales reports generated for them once a week. Otherwise we frequently run reports on an ad hoc basis to provide and take sales summaries to face to face meetings."

"Sales performance is available to all suppliers, I believe. We also let them know as soon as a product reacts strongly, in order to let them know repeat orders/production increases could be imminent."

"Good suppliers are always eager for feedback on their products performance."
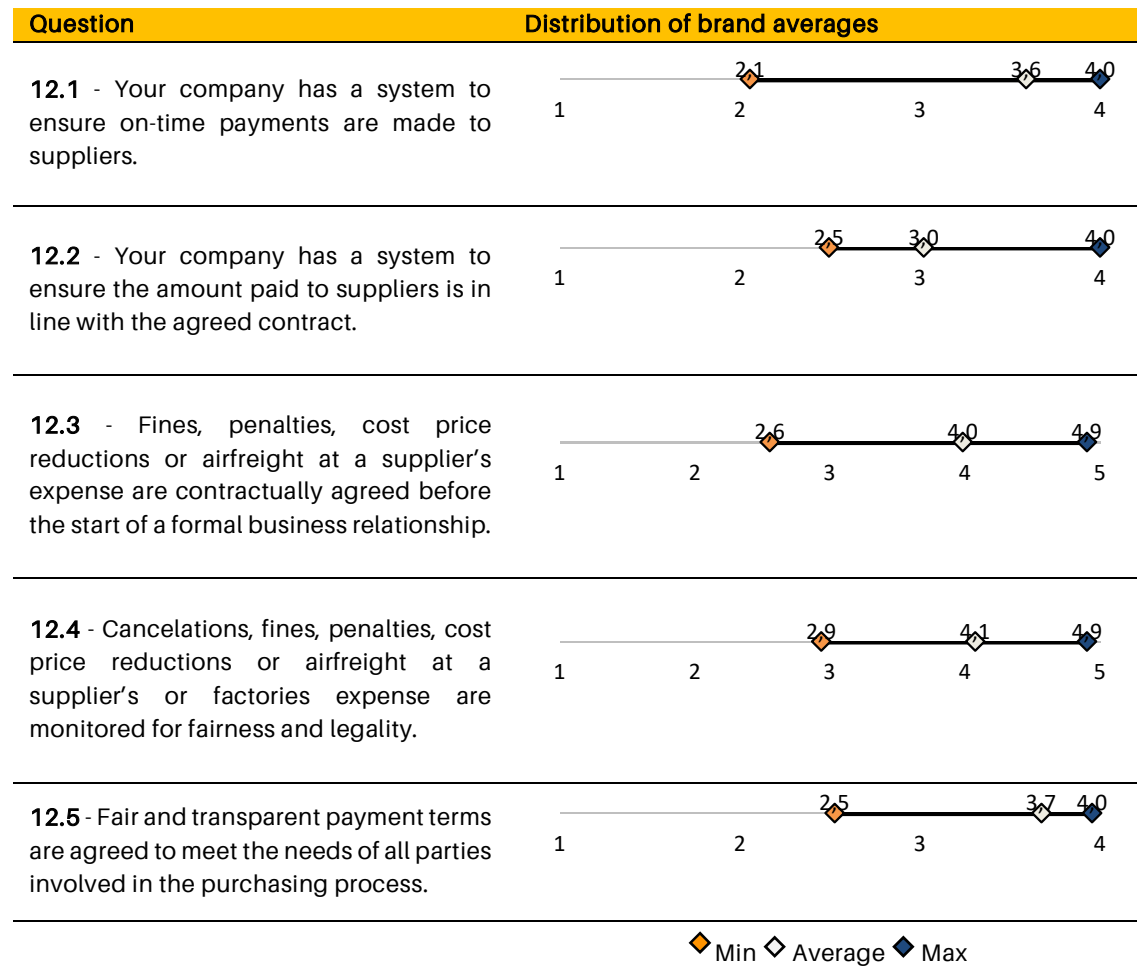
Sales and transparency summary

Regarding factories receiving feedback on product sales performance, some brands are scoring a little below the scale middle and some almost at the highest score. For sales and transparency, the answers are distributed almost evenly across all answer options. Only 48% of the respondents indicate that suppliers and factories receive feedback regarding their products' sales performance usually or always, while 29% indicate that feedback is given never or only rarely. The percentage of "Don't know" is lower than for many other sections. The

respondent who did not know how to answer 11.1 were mostly from design (18% of respondents from design answering "Don't know") or other departments outside of design, merchandising, sourcing, management or buying (20%).
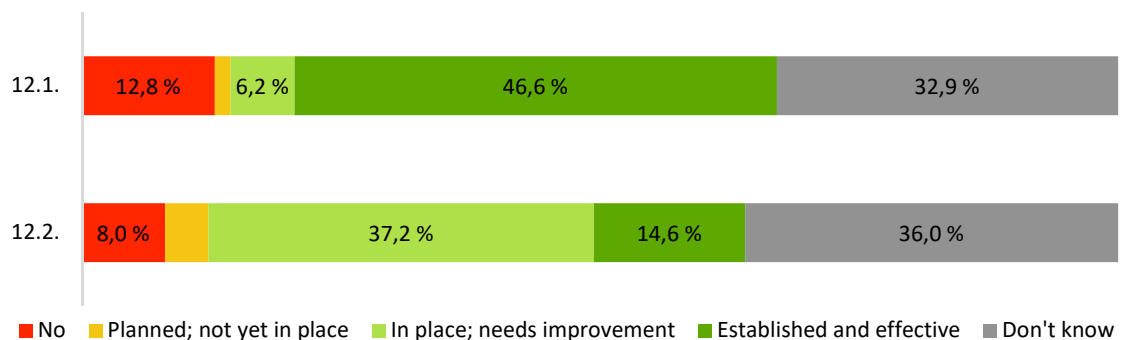
Based on the above graphs it can be concluded that the brands could put more effort into making sure that suppliers and factories always receive structured feedback about sales performance. While some brands are doing rather well and feedback is usually given, there does not seem to be a structured approach to ensure feedback to suppliers. In the comments section the respondents indicated that feedback mechanisms are in place but not always fully integrated to processes; for example, some suppliers might receive more feedback either based on a closer relationship with the client or their own request. Some brands have weekly reports and/or suppliers have access to sales numbers, from which they can check their products' performance.
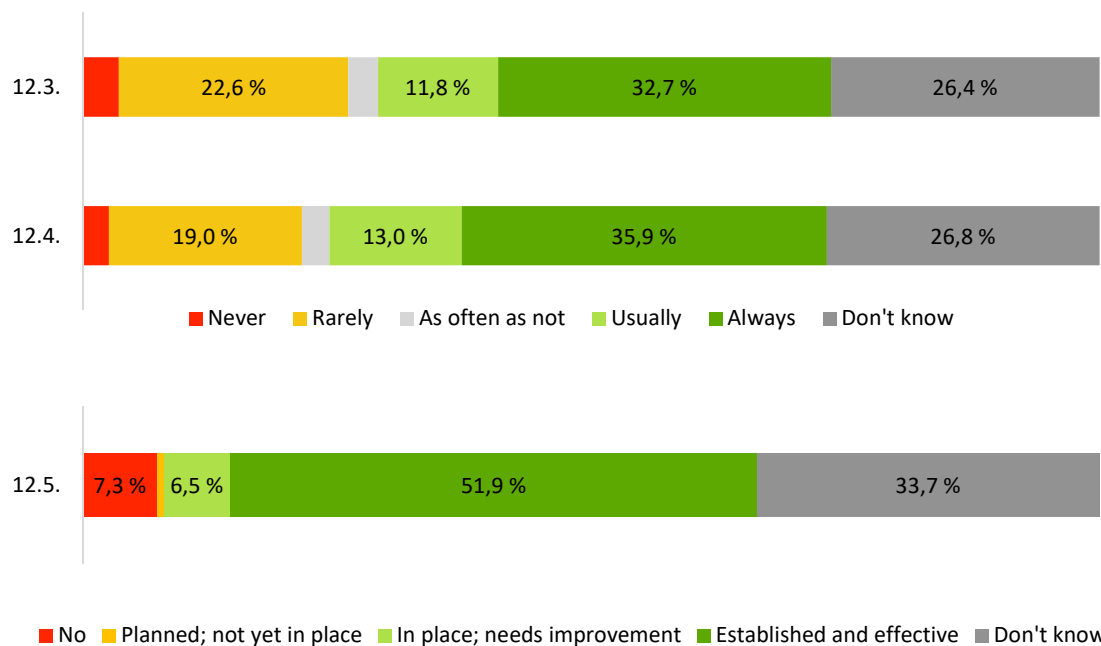
Section 12: Terms of payment

Distribution of brand averages

Question	Distribution of brand averages
12.1 - Your company has a system to ensure on-time payments are made to suppliers.	Min 2.1 — Average 3.6 — Max 4.0 (scale 1–4)
12.2 - Your company has a system to ensure the amount paid to suppliers is in line with the agreed contract.	Min 2.5 — Average 3.0 — Max 4.0 (scale 1–4)
12.3 - Fines, penalties, cost price reductions or airfreight at a supplier's expense are contractually agreed before the start of a formal business relationship.	Min 2.6 — Average 4.0 — Max 4.9 (scale 1–5)
12.4 - Cancelations, fines, penalties, cost price reductions or airfreight at a supplier's or factories expense are monitored for fairness and legality.	Min 2.9 — Average 4.1 — Max 4.9 (scale 1–5)
12.5 - Fair and transparent payment terms are agreed to meet the needs of all parties involved in the purchasing process.	Min 2.5 — Average 3.7 — Max 4.0 (scale 1–4)

◆ Min   ◇ Average   ◆ Max

Distribution of responses

	No	Planned; not yet in place	In place; needs improvement	Established and effective	Don't know
12.1.	12,8 %	6,2 %		46,6 %	32,9 %
12.2.	8,0 %		37,2 %	14,6 %	36,0 %

■ No   ■ Planned; not yet in place   ■ In place; needs improvement   ■ Established and effective   ■ Don't know

12.3.		22,6 %	11,8 %	32,7 %	26,4 %
12.4.		19,0 %	13,0 %	35,9 %	26,8 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

12.5.	7,3 % 6,5 %	51,9 %	33,7 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

Comments on terms of payment

"I assume fines/penalties are monitored, but this would be carried out by supplier management I would imagine. We are also contacted by suppliers when they receive fines or penalties that they wish to contest so that we can investigate."

"Costs for labelling, even though only 0.01 per label, that is expected by every supplier. It is not documented in any terms and conditions or new supplier set-up. It is assumed that this is shared knowledge for the buying teams, despite it not being written down anywhere. And a high level of external new joiners... and therefore not transparent or fair to suppliers who are not initially made aware and then made aware since."

"All new suppliers are sent details on payment terms which they can read over before signing the contract."

"I am not 100% sure on the legalities and processes in place for this. I know what are trading terms are and that they are discussed in full and agreed with any supplier prior to setting up the factory for orders."

Terms of payment summary

For 12.1 on systems to ensure on-time payments are made to suppliers, the brand average is close to the highest-scoring brand, while some brands are scoring relatively lower. With 12.2 on system to check the payment alignment with the contract, the brand average is however closer to the lower end, indicating that more brands find it difficult to match the highest score. Dispersions in 12.3 and 12.4, both being about supplier expense monitoring, are even higher,
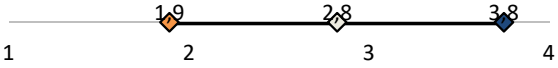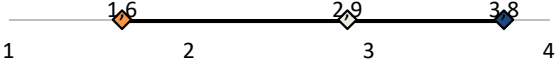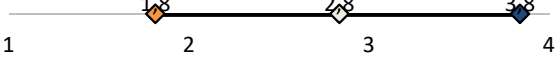
yet the brand average is almost at the middle. For 12.5 on fair and transparent payment terms, we can observe that many of the brands in average are close to the highest-scoring brand.

From Section 12 it becomes apparent that many of the respondents are not aware of the terms of payment. For 12.1 on-time payment systems, up to 60% of respondents from design department replied, "Don't know". The percentage is higher than with other departments, however also people from merchandising (38%) and other departments (outside of design, merchandising, sourcing, buying or management at 53%) often indicated unawareness. Similar results can be observed for 12.2 which also refers to payment monitoring systems, as respondents from design (72%), merchandising (38%) or "other" (62%)) selected "Don't know" even more often. For buyers, both questions received 25% of "Don't knows", and approximately 17% for management. Results on the percentage of "Don't knows" per departments are more equal for 12.3 and 12.4 on supplier expense monitoring. Buying, sourcing, merchandising, design and management all received 20 to 29% of "Don't knows" per role, only with other departments scoring over 30%. For 12.5 on fair and transparent payments, similar percentages can be seen as for 12.1 and 12.2, as 73% of designers, 39% of merchandisers and 59% of respondents from "other" department replied, "Don't know".
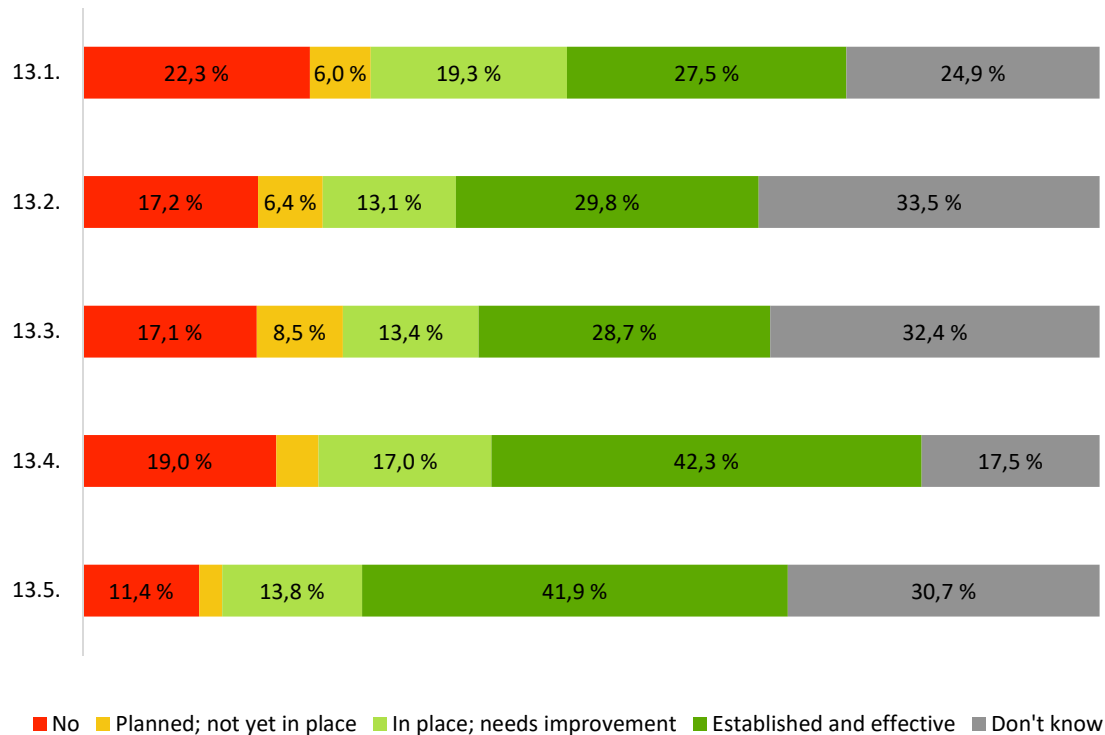
There are differences between the brands, especially for questions 12.1, 12.3 and 12.4. In the comment section the respondents described varying practices and uncertainty around them. Some comments mention uncertainty over responsibility regarding terms of payment and their application, while some respondents seem to have a clear idea of processes regarding terms of payment.

Section 13: Training, awareness and corporate culture

Distribution of brand averages

Question	Distribution of brand averages
13.1 - Employees are provided with instructions and training on decision making in relation to responsible purchasing practices.	Min 1.9, Average 2.8, Max 3.8 (scale 1–4)
13.2 - Responsible purchasing practices are included in the key performance indicators of your company.	Min 1.6, Average 2.9, Max 3.8 (scale 1–4)
13.3 - Responsible purchasing practices are included in job role competencies.	Min 1.8, Average 2.8, Max 3.8 (scale 1–4)
13.4 - New and existing employees' training includes awareness raising on the importance and benefits of ethical practices.	Min 2.4, Average 3.0, Max 3.9 (scale 1–4)
13.5 - New and existing Supplier's training includes awareness raising on the importance and benefits of complying with the company's ethical trade policies.	Min 2.4, Average 3.3, Max 3.9 (scale 1–4)

◆ Min ◇ Average ◆ Max

Distribution of responses

13.1.	22,3 %	6,0 %	19,3 %	27,5 %	24,9 %
13.2.	17,2 %	6,4 %	13,1 %	29,8 %	33,5 %
13.3.	17,1 %	8,5 %	13,4 %	28,7 %	32,4 %
13.4.	19,0 %		17,0 %	42,3 %	17,5 %
13.5.	11,4 %		13,8 %	41,9 %	30,7 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

Comments on training, awareness and corporate culture

"Buying and Sourcing working very close to Management. No need to add "Responsible purchase practice" to the KPI as the team have to understand and support anyway."

"We are not introduced specially about "Responsible Purchasing Practices", but it is a mind-set and role that we are working on."

"Again, I am sure that the company has training documents and information on the intranet, but these have never been shown to me (in 5 years) so think that a new system needs to be actioned to ensure all staff are aware. In general, I have learnt about processes through meetings and situations which have arisen on the job."

"In the above questions, there are instances where training is given by the company but not to all levels as would be dependent on job role. For suppliers, they are certainly made aware, but I don't know if there is formal training given."

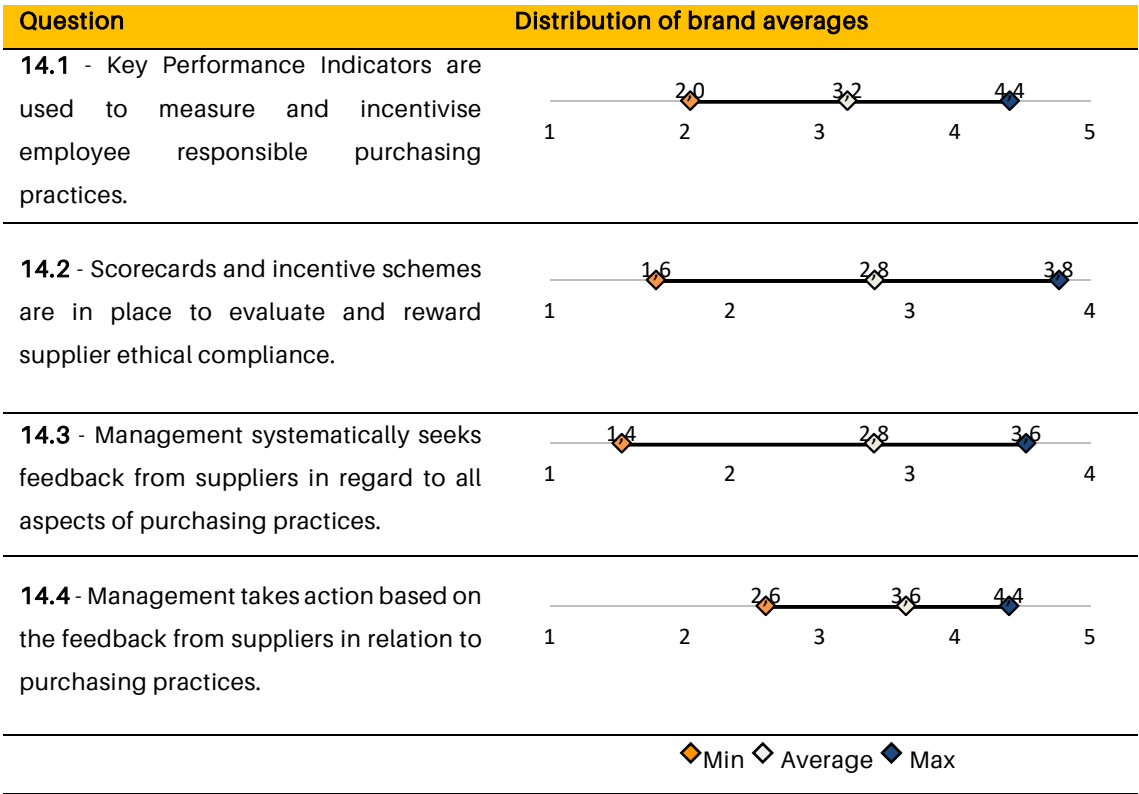**Training, awareness and corporate culture summary**

We can observe that especially for questions 13.1, 13.2 and 13.3 the dispersion is high, and the lowest-scoring brands are in the bottom fourth of the scale. The averages are higher for 13.3 and 13.4, indicating that training on ethical practices are part of many brands' training activities.

Yet, many of the respondents indicate that no practices as described in the questions are in place, with a small exception of 13.5 on awareness raising. However, for 13.5, many of the respondents replied 'Don't know' which is also the case for 13.2 and 13.3 on ethical trade embedded KPIs and role competencies. While many respondents indicated that practices described in 13.4 and 13.5 are established and effective, there is a general lack of awareness over training and corporate culture and according to the respondents, in many cases no such practices are in place. Many respondents, especially from design, do not know how to answer the questions on training, awareness and corporate culture.
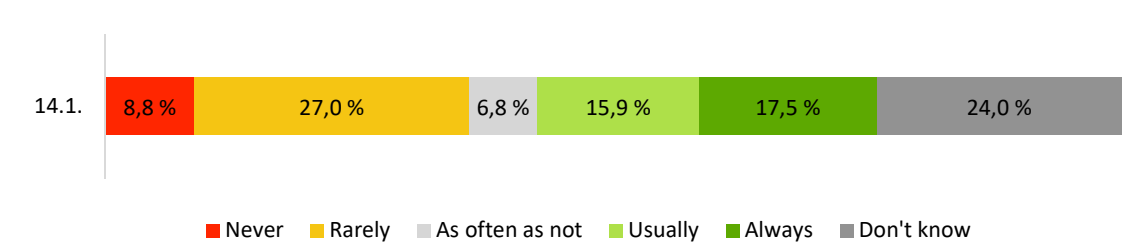
In the comment section the respondents identified that awareness is embedded in the corporate culture, but not fully implemented to all-staff training or other concrete outputs. Many respondents indicated that they find this topic especially interesting and some expressed interest for further training across all job roles.

Section 14: Incentives and compliance scoring

Distribution of brand averages

Question	Distribution of brand averages
14.1 - Key Performance Indicators are used to measure and incentivise employee responsible purchasing practices.	Min 2,0 — Average 3,2 — Max 4,4 (scale 1 to 5)
14.2 - Scorecards and incentive schemes are in place to evaluate and reward supplier ethical compliance.	Min 1,6 — Average 2,8 — Max 3,8 (scale 1 to 4)
14.3 - Management systematically seeks feedback from suppliers in regard to all aspects of purchasing practices.	Min 1,4 — Average 2,8 — Max 3,6 (scale 1 to 4)
14.4 - Management takes action based on the feedback from suppliers in relation to purchasing practices.	Min 2,6 — Average 3,6 — Max 4,4 (scale 1 to 5)

◆ Min ◇ Average ◆ Max

Distribution of responses

14.1.

Never	Rarely	As often as not	Usually	Always	Don't know
8,8 %	27,0 %	6,8 %	15,9 %	17,5 %	24,0 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

14.2.	15,6 %	13,8 %	27,0 %	40,0 %

14.3.	12,8 %	14,6 %	20,7 %	48,4 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

14.4.	28,2 %	5,3 %	17,1 %	20,3 %	26,2 %

■ Never ■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

Comments on incentives and compliance scoring

"Scorecards and incentive schemes are in place to evaluate and reward supplier ethical compliance - Scorecards are in place but there needs to be more action taken to reward excellent and good suppliers, and ensure those who don't perform to the company ethical trade standards are made aware of their status and reduce orders accordingly until improvements are made."

"I'm not in a management position so I am unaware of some of the decisions and actions of management with regards to suppliers and their purchasing practises."

"I am aware that suppliers are asked to feedback in some form of scorecard however we never get the feedback or see anything from it in order to make any changes to our practises, so for this to be effective the results need to be shared as we don't even know if any actions are taken from it."

"Buying team are not connected with Social Compliance team when placing order to a supplier. Even Social Compliance team gives high recommendation to that supplier which done a good job at WE program for example; it won't affect Buying place more order to support them."
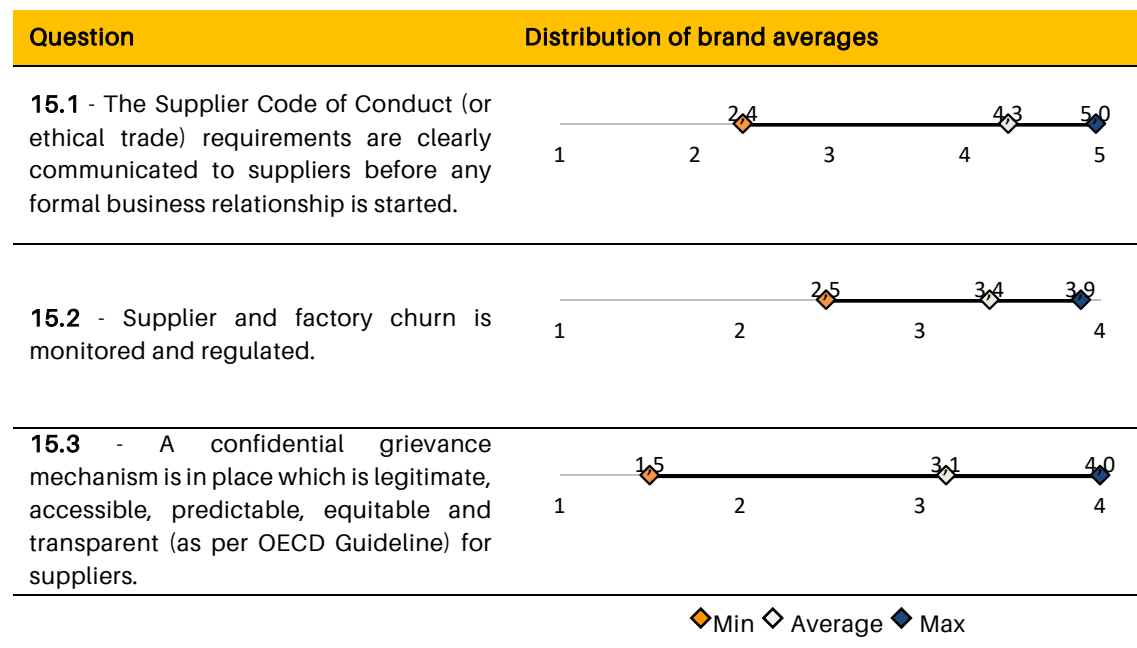
Incentives and compliance scoring summary

Especially for 14.2 on scorecards/incentive schemes and 14.3 on management seeking supplier feedback, the brand averages remain rather low. Especially the lowest-scoring brands score only in the bottom of the scale. For questions 14.1 and 14.4 the brand average is higher, however there is dispersion between the brands. Questions about incentives and compliance scoring reveal uncertainty to a large extent, especially on questions 14.2 and 14.3 about scorecards and management practices. Many respondents do not know how to answer the question or reported 'never'. Across the section, respondents from design selected "Don't know" often. However, notably for 14.2 and 14.3 on scorecard and incentive schemes, also buyers, merchandising and "other" department respondents selected "Don't know". For 14.4, buyers selected "Don't know" the most often (28%).
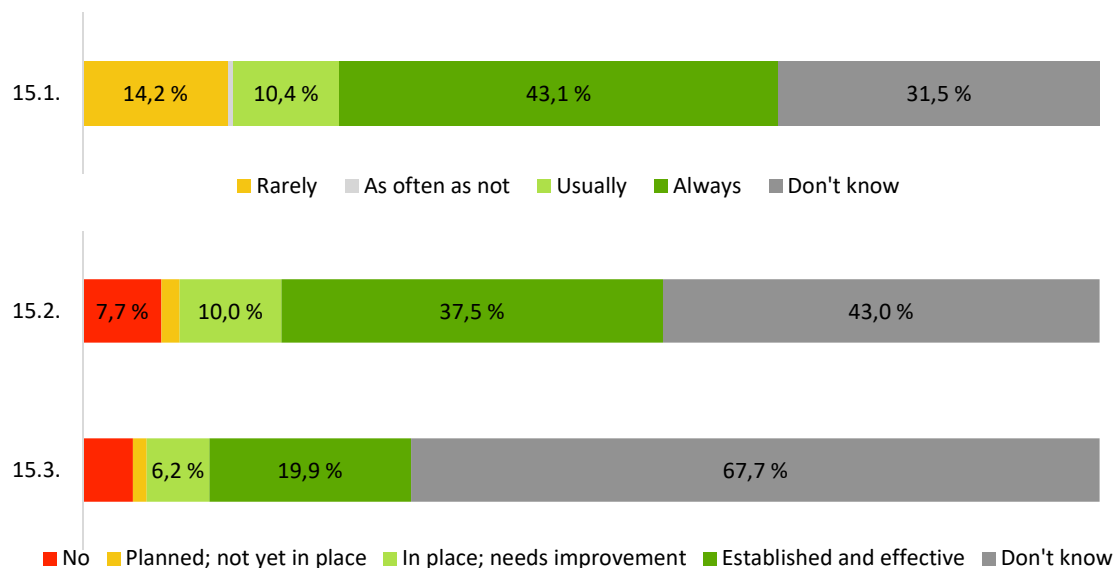
For incentives and compliance scoring there seems to be room for improvement and awareness-raising; especially for 14.2 and 14.3 the brand averages remain low with a large number of 'Don't know', implying that generally there could be a better understanding over incentives and compliance scoring. In the comment section the results are similar: respondents seem to not be aware of incentives and compliance scoring, and information on them does not always travel between departments. There is general awareness that incentives and compliance scoring are followed, however there is uncertainty on who applies the results and how.

Section 15: Buyer/Supplier relations

Distribution of brand averages

Question	Distribution of brand averages
15.1 - The Supplier Code of Conduct (or ethical trade) requirements are clearly communicated to suppliers before any formal business relationship is started.	Min 2,4 · Average 4,3 · Max 5,0 (scale 1–5)
15.2 - Supplier and factory churn is monitored and regulated.	Min 2,5 · Average 3,4 · Max 3,9 (scale 1–4)
15.3 - A confidential grievance mechanism is in place which is legitimate, accessible, predictable, equitable and transparent (as per OECD Guideline) for suppliers.	Min 1,5 · Average 3,1 · Max 4,0 (scale 1–4)

◆ Min   ◇ Average   ◆ Max

Distribution of responses

15.1. 14,2 % | 10,4 % | 43,1 % | 31,5 %

■ Rarely ■ As often as not ■ Usually ■ Always ■ Don't know

15.2. 7,7 % | 10,0 % | 37,5 % | 43,0 %

15.3. | 6,2 % | 19,9 % | 67,7 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

Comments on buyer/supplier relations

"I'm sure these things are in place on the own brand side of the business, but I don't have any exposure to this."

"I would imagine that there is a mechanism in place but do not know the mechanics of this system"

"Sometimes suppliers are treated unfairly, but they cannot voice their concerns. Even if they do, their comment never go to management or the buying team."

"I believe there is a confidential phone line for suppliers to call, but I'm not certain."
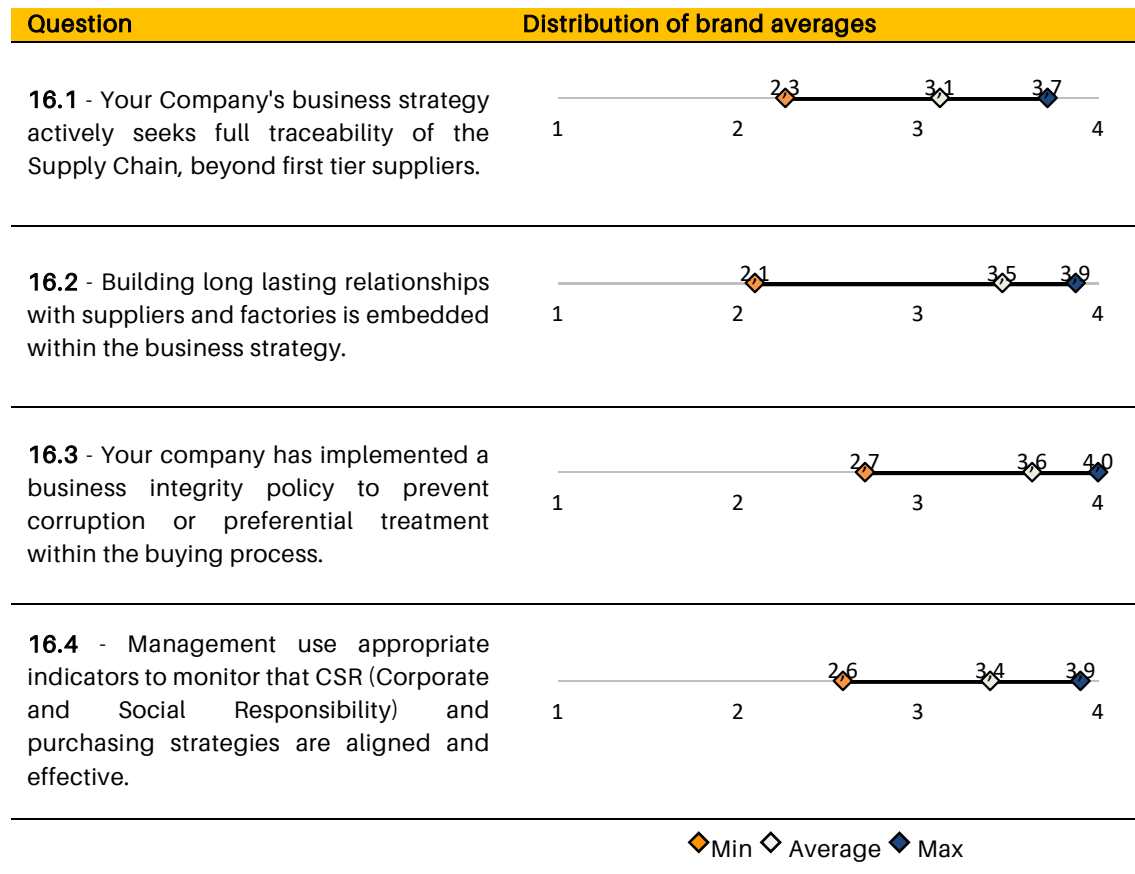
Buyer/Supplier relations summary

From the brand averages we can observe that brand dispersion is quite high for questions 15.1 (communicating about code of conduct clearly) and 15.3 (confidential grievance mechanism), while the dispersion is fairly low for 15.2 (supplier and factory churn being monitored and regulated). The lowest scores are received for 15.3, showing that knowledge and practices on grievance mechanisms for suppliers are very diverse.

For section 15 on buyer/supplier relations, we see many "Don't knows", especially for 15.2 and 15.3. For 15.1 on code of conduct, especially buyers indicated not knowing (37% of buyers). For 15.2 on supplier and factory churn there were vast differences. Over 80% of people working in design replied, "Don't know", while 25% of respondents from management replied the same. Sourcing seemed to be the most well-aware of this practice, as only 19% of them replied "Don't know". However, the unawareness seems to be rather general, as up to 38% of buyers and approximately 55% of merchandising and other departments selected "Don't know". This unawareness is even more prevalent in 15.3 on grievance mechanisms; respondents from sourcing have the lowest percentage of "Don't knows" with 42%, right before management (44%). Respondents from other roles selected "Don't know" over 70% of the time.

From the comments similar results can be seen. Not many respondents left a comment to this section, and the ones who did, indicated that they are not sure who is responsible of practices mentioned in the questions and what kind of practices are in place. Many respondents were trusting that such practices are in place, but they did not know by whom or how.

Section 16: Strategy and alignment

Distribution of brand averages

Question	Distribution of brand averages
16.1 - Your Company's business strategy actively seeks full traceability of the Supply Chain, beyond first tier suppliers.	Min 2,3 · Average 3,1 · Max 3,7 (scale 1–4)
16.2 - Building long lasting relationships with suppliers and factories is embedded within the business strategy.	Min 2,1 · Average 3,5 · Max 3,9 (scale 1–4)
16.3 - Your company has implemented a business integrity policy to prevent corruption or preferential treatment within the buying process.	Min 2,7 · Average 3,6 · Max 4,0 (scale 1–4)
16.4 - Management use appropriate indicators to monitor that CSR (Corporate and Social Responsibility) and purchasing strategies are aligned and effective.	Min 2,6 · Average 3,4 · Max 3,9 (scale 1–4)

◆ Min   ◇ Average   ◆ Max

Distribution of responses

Question	No	Planned; not yet in place	In place; needs improvement	Established and effective	Don't know
16.1.	15,4 %		17,9 %	40,6 %	21,6 %
16.2.	10,9 %		17,0 %	62,0 %	9,0 %
16.3.	5,9 %		8,5 %	57,4 %	27,3 %
16.4.	7,7 %		10,8 %	42,1 %	37,3 %

■ No ■ Planned; not yet in place ■ In place; needs improvement ■ Established and effective ■ Don't know

Comments on strategy and alignment

"We aim to have full visibility of supply chain; however, some garment vendors are not open with this information and work against our company policy. We are constantly reviewing this with the aim to improve. We all receive corruption training and regular updates/questionnaires are carried out to ensure our training is up to date."

"Price and Margin still the first priority in the company. A good supplier with good compliance set-up always needs to compete with supplier which will not provide extra compliance care to workers. Of course, their CM cost will be lower."

"We have regular seminar to remind employees our "code of conduct" and "conflict of interest" which comply with the regulation. But there seems not to have such "business integrity policy" to prevent corruption or preferential treatment within the buying process."

Strategy and alignment summary

The brand dispersion for section 16 on strategy and alignment is fairly low, especially for 16.3 and 16.4. The brand averages for all questions are on the top 50% of the scale, indicating that practices described are often in place. There are however some differences between the questions. The results of 16.2 are very positive; a clear majority indicates that building long lasting relationships with suppliers and factories is embedded within the business strategy. Moreover, 16.3 on company policies receive rather positive responses as well. While response distribution for 16.1 on traceability receives also lot of "established and effective" or "in place; needs improvement", for 16.4 there is a general unawareness on monitoring CSR. Especially respondents from design selected "Don't know" often, 59% of the time. However almost half of the merchandisers (47%) also selected "Don't know", and 35% of the buyers.

The comments indicate similar results: traceability and transparency are indeed well regarded as values of the brands, however sometimes the processes to cross-check are not in place. While effective systems are in place, there is room for improvement.

Consistency

By examining consistency, we can assess whether the respondents from the same brand or background are providing similar answers to the same questions. This is another indication of the way purchasing practices are documented and promoted within the company or across the departments. The measure for consistency applied here is variation.[2] A low variation signals consistent answers, while high variation indicates that the respondents within same brand or
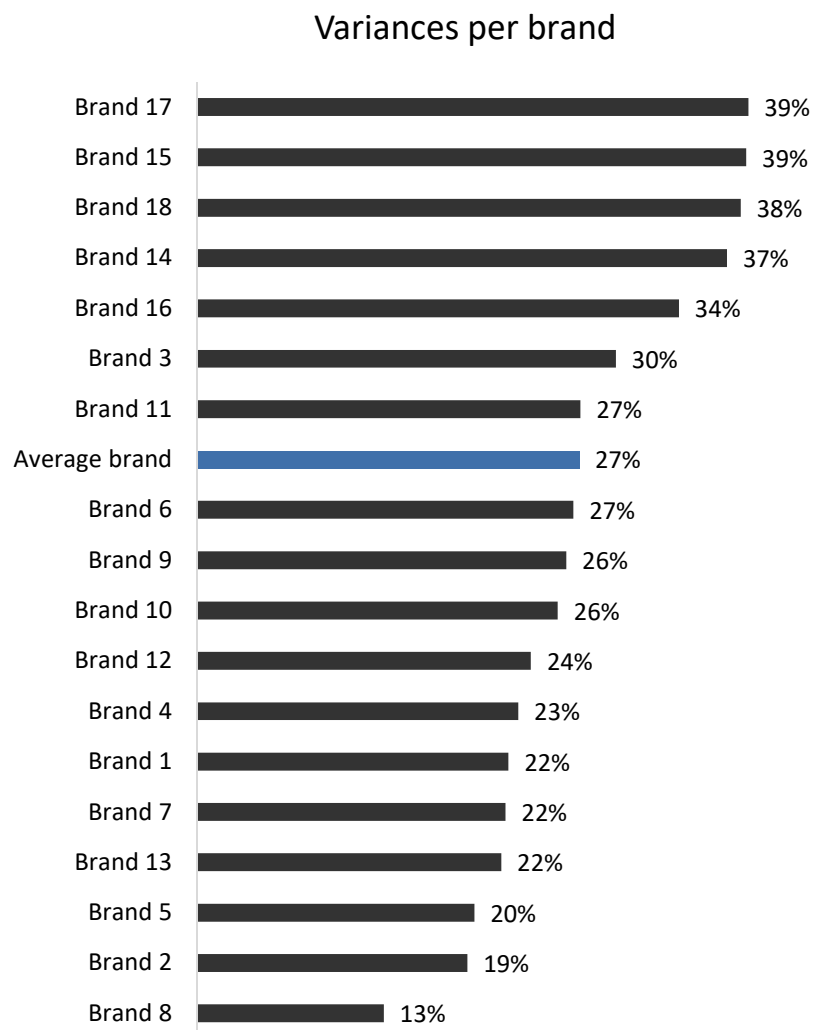
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[2] In statistical terms, we applied a standardized measure of variation. It is defined here as the ratio between the standard deviation and the range of the scale.

role reply differently. The higher the variance, the more dissimilar the answers by the respondents.

Consistency of answers by brands
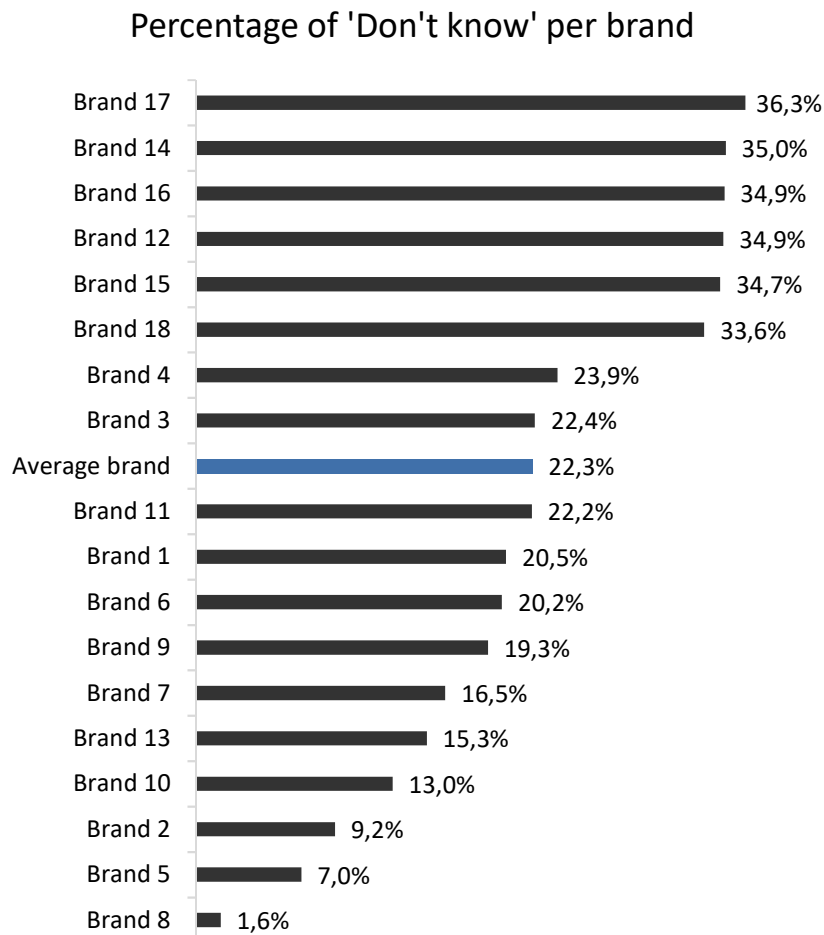
<u>Variation</u>

First, we will analyse variances between the different brands. The table below shows the average variation across all questions per brand, as well as average variation for comparison.

Variances per brand

Brand	Variance
Brand 17	39%
Brand 15	39%
Brand 18	38%
Brand 14	37%
Brand 16	34%
Brand 3	30%
Brand 11	27%
Average brand	27%
Brand 6	27%
Brand 9	26%
Brand 10	26%
Brand 12	24%
Brand 4	23%
Brand 1	22%
Brand 7	22%
Brand 13	22%
Brand 5	20%
Brand 2	19%
Brand 8	13%

The average internal brand variation is rather high – only three brands' results have a variation under 20%. Part of this variation can reflect ambiguity in the questions, another part could be related to uncertainty about actual purchasing practices within brands. The percentage of 'don't knows' is also indicative of this uncertainty.

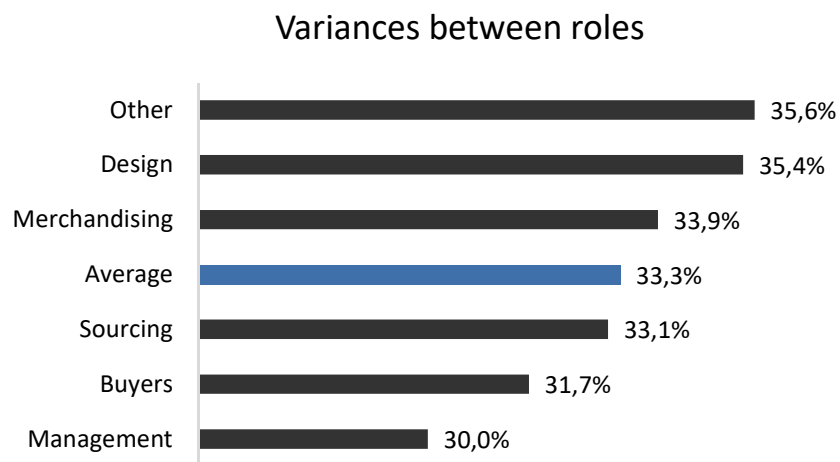The table below shows the average percentage of respondents that selected 'Don't know' across all questions.

Percentage of 'Don't know' per brand

Brand	Percentage
Brand 17	36,3%
Brand 14	35,0%
Brand 16	34,9%
Brand 12	34,9%
Brand 15	34,7%
Brand 18	33,6%
Brand 4	23,9%
Brand 3	22,4%
Average brand	22,3%
Brand 11	22,2%
Brand 1	20,5%
Brand 6	20,2%
Brand 9	19,3%
Brand 7	16,5%
Brand 13	15,3%
Brand 10	13,0%
Brand 2	9,2%
Brand 5	7,0%
Brand 8	1,6%

We can learn from this table that there are substantial differences between the brands in terms of being aware of the purchasing practices. These differences can be an indication of purchasing practices policies being more integrated into the company culture of some brands. Another possible explanation is that some brands have a culture that promotes employees' knowledge sharing and others may be less tolerant over all employees knowing things exactly.

Variance and the percentage of "Don't know" are partly related: the less these is knowledge of common practices, the more the respondents can respond differently. However, in cases one brand receives a high amount of "Don't know", the variance can be low too. Brands can examine and interpret these results more in-depth based on their individual reports to see their individual scores. The number of do not knows and the variation of the responses at one brand can give another indication on how well purchasing practices are internalized in the

organization. Some brands have more consistency in their answers and less unknowns than others.

## Consistency of answers by job roles

In this section, consistency analysis is performed across brands but categorised by respondent's job role. The group 'Other' collect respondents from various roles: mainly from product development and garment technology, yet there are respondents also from supply chain, ethical trade, logistics and quality assessment. A small number of respondents are also outside of these roles.

Variances between roles

Role	Variance
Other	35,6%
Design	35,4%
Merchandising	33,9%
Average	33,3%
Sourcing	33,1%
Buyers	31,7%
Management	30,0%

The table above shows the variation across all questions per job role. There are no substantial differences in variance between the job roles, indicating that within one job role the answers are rather consistent. We find that management roles have lowest variance, indicating that in people management roles have highest consistency in their answers.

Between the job roles, there are major differences in the likelihood of selecting the answer category of 'Don't know'. Respondents from the sourcing, management, and buying department are less likely to indicate not knowing how to answer a question, while respondents from the design department submitted answer 'Don't know' more often.

Percentage of 'Don't knows' between roles
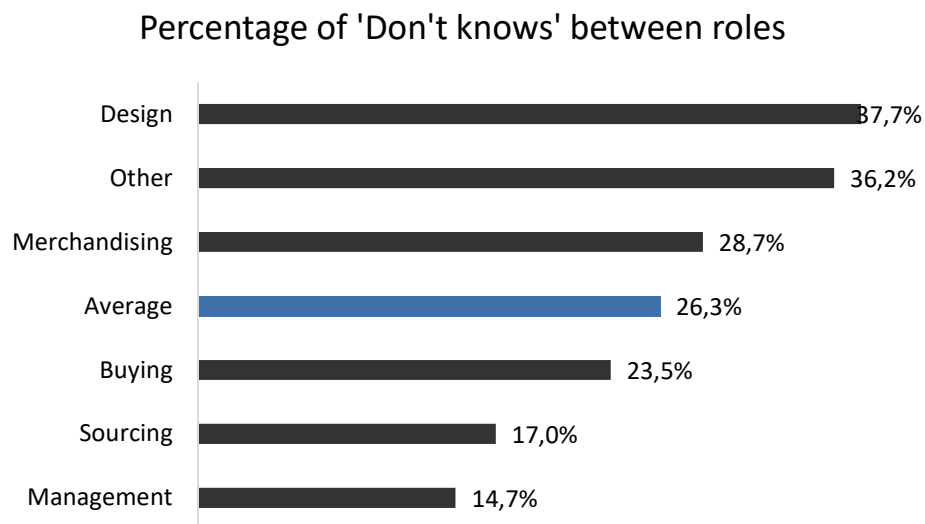
9 Discussion and Conclusions

The survey identified a number of satisfactory purchasing practices. Yet, there are differences between the brands. Focus areas for improvement have been derived from the average rating by respondents and the number of respondents who do not know about the policy or the practice.

General focus areas

As the brands receive individual reports on their own results, the focus areas mentioned below present focus areas that are challenging in general. Brand representatives examining the report can benefit from comparing this report to their individual report. The focus areas are derived from the results presented above by the following categories: 1) low scores, 2) considerable uncertainty within the section, or 3) notable outliers.

Price quotations and negotiations

Section 3 discussed price quotations, and section 4 price negotiations. It is evident that there is room for improvement: data indicates low scores together with general uncertainty over quotations and negotiations. The respondents expressed interest especially towards open costing models and indicated that it could be a valuable addition to policies regarding price quotations. However, some challenges related to business model and supplier interests are present in order to achieve open costing practice.

Terms of payments

On terms of payment, there are a few improvement points. While many brands have a system in place to ensure timely and correct payments, many respondents did not know about it or felt like it needs improvement. In case a business ceases to exist, a discussion about the payments needs discussion and joint management. There is room for improvement for brands in creating these exit strategies in cooperation with the suppliers to ensure due diligence about the payments to workers.

Facilitation of better dialogues between the buyers and supplier can ensure not only fair price negotiations and payments, but also co-managed expectations. Setting a focus on the living wages of the workers and creating terms of cooperation that cater those living wages can provide not only better employment conditions, but also smoothen the buyer-supplier relations by developing common standards.

Communication between the buyer departments

In many sections, the responses indicated that respondents in design, merchandising and buying roles are unaware of some of the practices: designers on price quotation, merchandising on order placement, buyers about changes to orders and so forth. While knowing each detail of the business is not relevant to each role, in the comments section it was also discussed how communication between the departments can be beneficial in achieving a transparent supply chain.

Job role competencies and training

The respondents in the comment section often mentioned the reasons for not knowing the response to be either that their role does not demand that knowledge, or that they are just unsure in general. As mentioned above, knowing every detail of the business might not be relevant to all roles, however in some of the sections there was also uncertainty on where to find the information or who is responsible for executing the practice. Respondents also expressed interest towards the practices mentioned in the questionnaire, especially in sections 15 and 16. Supporting training on purchasing practices could help smoothening the supply chain for efficient and transparent results.

Limitations of the methodology

The methodology used relies on the brand coordinators to select the respondents and to motivate them to respond. Whether their impressions and answers are representative for the purchasing practices of the brand, is uncertain. It could be that influential buyers or managers are not included in the sample. Or that buyers with less satisfactory practices were less likely to participate. An objective independent method to establish who would need to respond was seen as too difficult to design and implement. It would require an analysis of the organization of the brands from an outside perspective. In future iterations of the PPSA, the selection process for respondents could be improved, however, for instance by letting each coordinator explain the way respondents are planned to be selected and to compare these methods across brands.

An obvious limitation of the methodology is that it contains the perspective from one side of the purchasing process. The perspective of suppliers may be different. In most questions, the respondents are asked for an evaluation of objective facts (is there a KPI, how often is a certain method used). Still, the respondents may be biased in their estimates of how often something occurs. In other questions, the respondents are essentially asked for an evaluation (are price negotiations fair?). In designing the questionnaire, the aim was to ask for objective facts. But sometimes evaluative assessments could not be avoided. Many factors contribute to fairness of negotiations, and they cannot be all enumerated in one concise question. ACT has a PPA tool

to evaluate the suppliers' side. PPA tool has been piloted and will be rolled out in 2020. Then, the results can be compared to the PPSA. Both, brands and suppliers, could benefit by using the results as a basis for dialogue and continuous improvement.

Next steps

Based on the PPSA in 2017, the Purchasing Practices Commitments were developed. This PPSA extends the results to additional brands, giving them insight on their purchasing practices and a possibility to reflect and improve. Dialogue is needed in order to find out whether self-assessment and assessment by suppliers converge. Executing a full PPA study for suppliers in ACT priority countries will help to finding practices where views differ, and dialogue could be facilitated. This can also result in more information about the purchasing practices that have the biggest impact on the ability and motivation of suppliers to pay a living wage, as established by industry wide collective bargaining.

Moreover, checking purchasing practices in the light of the report can help in creating new ways of organising practices. Guidelines, benchmarks, training, management tools, co-creation with suppliers and binding legal requirements are some of the instruments that could be applied. Also, soft instruments such as company culture and training alongside with changes in monitoring could help in achieving living wages for workers.

The next step of ACT is to collectively develop and accountability and monitoring framework to be able to compare developments and improvements over time. The PPSA and the PPA will play an important role to gather information of brands and suppliers on purchasing practices. The results will be compared with each other and set in context with the achievement of the implementation of the ACT Purchasing Practices Commitments.

10 Annex I: PPSA Glossary

Accessible: Known to all stakeholder groups for whose use they are intended and proving adequate assistance for those who may face particular barriers to access.

Capacities: refers to the volume of products that can be produced by a factory in a given period of time using a defined number of workers.

Churn (or attrition rate, or turnover): The number of suppliers and/or factories that are moved out of the supply base over a period of time. E.g. If a company has 100 suppliers one year and the following year there are still 100 suppliers but only 70 of the suppliers remain the same then the churn is 30%.

Cost breakdowns: Break down of Cut Make and Trim costs (CMT) into labour assembly costs, factory overheads, materials and supplier's profit margin.

Costing Model: A mechanism that allows transparency in price negotiations, helping buyers to understand the costs of a product. Labour Costs should be specified as a separate item within CMT cost in order to ensure labour costs are not negotiable.

Direct labour costs: The wages paid to the direct operators for undertaking the operation. Refers to the employment costs of those workers directly involved in the assembly of the garment.

Equitable: Seeking to ensure that aggrieved parties have reasonable access to sources of information, advise and expertise necessary to engage in a grievance process on fair, informed and respectful terms.

Exit Strategy: The way in which the process of ceasing relationship with a Supplier or factory is managed.

Fair: Taking into account factory's most current production costs and without excessive pressure.

Forecasts: Predicted volumes and time frames required.

Full traceability: The ability to locate the successive stages in the production of goods, including different processes and origin of raw materials.

Indirect labour costs: Auxiliary production support services and service labour, can be included in overhead. These may not be repetitive and may not be able to be measured in SMs (Standard Minutes). Includes those workers not directly involved - stores, transport, security, management, social benefits, safety equipment costs, job training costs, etc.

Legitimate: Enables trust from stakeholder groups for whose use they are intended and being accountable for the fair conduct of grievance processes.

Open costing: A costing model that is openly shared between Buyer and Supplier to help ensure Labour costs are covered by the negotiated price.)

Predictable: Provides a clear and known procedure with an indicative time frame for each stage, and clarity on the types of process and outcome available and means of monitoring implementation.

Transparent: Payment terms are clearly explained and cover every situation without hidden conditions (e.g. financial consequences in case of delayed delivery).

Transparent: Keeping parties to a grievance informed about its progress and proving sufficient information about the mechanism's performance to build confidence in its effectiveness.